COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

ENVIRONMENT AND COMMUNICATIONS LEGISLATION COMMITTEE

Estimates

(Public)

TUESDAY, 23 OCTOBER 2018

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SENATE

ENVIRONMENT AND COMMUNICATIONS LEGISLATION COMMITTEE

Tuesday, 23 October 2018

Members in attendance: Senators Abetz, Chisholm, Di Natale, Duniam, Hanson-Young, Keneally, Leyonhjelm, Lines, Patrick, Rice, Storer, Urquhart, Williams.

COMMUNICATIONS AND THE ARTS PORTFOLIO

In attendance

Senator Fifield, Minister for Communications and the Arts

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
Dr Carolyn Patteson, First Assistant Secretary, Content
Ms Nadine Williams, First Assistant Secretary, Infrastructure and Consumer
Ms Jo Talbot, Chief Operating Officer, Corporate
Ms Sarah Vandenbroek, Chief Financial Officer, Financial Services
Ms Leonie Holloway, Chief Economist, Bureau of Communications and Arts Research
Mr Richard Bullock, Assistant Secretary, Strategy
Ms Vanessa Goodspeed, Assistant Secretary, Governance
Mr Andrew Madsen, Assistant Secretary, Broadband Implementation
Ms Kathleen Silleri, Assistant Secretary, Consumer Safeguards
Mr Mike Makin, Assistant Secretary, Media
Mr Aaron O'Neill, Acting Assistant Secretary, Media
Mr George Sotiropoulos, Assistant Secretary, Classification
Mr James Penprase, Assistant Secretary, Online Content and Copyright
Mr Ben Utting, Acting Assistant Secretary, National Broadcaster Review Taskforce
Ms Rebecca Rush, Acting Assistant Secretary, Post and Australian Communications and Media Authority
Ms Cathy Rainsford, Assistant Secretary, Spectrum and Security
Mr Tristan Kathage, Acting Assistant Secretary, Competition
Mr Philip Mason, Assistant Secretary, Universal Service Guarantee Taskforce
Mr Lachlann Paterson, Assistant Secretary, Regional Deployment
Ms Sylvia Spaseski, Assistant Secretary, Consumer Broadband Services

Program 2.1

Dr Stephen Arnott, First Assistant Secretary, Arts
Ms Caroline Fulton, Assistant Secretary, Creative Industries
Ms Rachel Antone, Assistant Secretary, Arts Development and Investment
Mr Simon Kelly, Acting Assistant Secretary, Collections and Cultural Heritage
Ms Marie Gunnell, Acting Assistant Secretary, Access and Participation

Australian Postal Corporation

Ms Christine Holgate, Group Chief Executive Officer and Managing Director
Ms Erin Kelly, Corporate Secretary
Mr Rod Barnes, General Manager, Deliveries
Mr David McNamara, General Manager, Post Office Network

Australian Communications and Media Authority

Ms Nerida O'Loughlin, Chair
Ms Creina Chapman, Deputy Chair/Chief Executive Officer
Ms Helen Owens, Acting General Manager, Corporate and Research

Ms Jennifer McNeill, General Manager, Consumer and Citizen
Mr Giles Tanner, General Manager, Communications Infrastructure
Mr Mark Arkell, Manager, Spectrum Engineering and Space
Ms Jonquil Ritter, Executive Manager, Content Safeguards
Mr Vince Humphries, Executive Manager, Communications Safeguards and Networks
Mr Mark Loney, Executive Manager, Operations, Services and Technologies
Mr David Brumfield, Executive Manager, Spectrum Management Policy
Mr Christopher Hose, Executive Manager, Spectrum Planning and Engineering
Mr Matthew Geysen, Executive Manager, Procurement and Finance
Mr Nevio Marinelli, Manager, Spectrum Planning and Engineering

Special Broadcasting Service Corporation

Mr James Taylor, Acting Managing Director
Ms Clare O'Neil, Director, Corporate Affairs

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, Acting Managing Director
Ms Louise Higgins, Chief Financial and Strategy Officer
Mr Alan Sunderland, Editorial Director

Screen Australia

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

Australia Council

Ms Lissa Twomey, Executive Director, Major Performing Arts and National Engagement
Dr Wendy Were, Executive Director, Strategic Development and Advocacy

NBN Co

Dr Ziggy Switkowski, Non-Executive Chairman
Mr Steven Rue, Chief Executive Officer
Mr Brad Whitcomb, Chief Customer Officer, Residential
Mr Peter Ryan, Chief of Network Engineering and Operations

Committee met at 09:00

CHAIR (Senator Duniam): 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 7 December 2018 as the date by which answers to questions on notice are to be returned. The committee's proceedings today will begin with general questions of the Department of Communications and the Arts and will then follow the order as set out in the program.

Under standing order 26, the committee must take all evidence in public session; this includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings and, if you need assistance, please see the secretariat. The Senate has resolved that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of that 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 how and when policies were adopted.

I particularly draw the attention of witnesses to an order of the Senate dated 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

[09:02]

CHAIR: I welcome the minister, Senator Fifield. Thank you for joining us. Do you have an opening statement this morning?

Senator Fifield: No, thank you.

CHAIR: Welcome back, Mr Mrdak. Do you have a statement yourself?

Mr Mrdak: No, Chair; I am happy to proceed to questions.

CHAIR: Let's do just that. Senator Keneally.

Senator KENEALLY: Thank you to the minister and the department for being here today. Minister, at budget estimates in May this year, you took a number of questions on notice about your membership of the Institute of Public Affairs. Would you please confirm for the public record: are you today still a member of the IPA?

Senator Fifield: Yes.

Senator KENEALLY: According to your response to question on notice No. 43, you've been a member of the IPA for 10 years. That's a whole decade; wow! Is that correct?

Senator Fifield: It's about that time frame; correct.

Senator KENEALLY: According to the same response to the same question, No. 43, you have made a private donation to the IPA but you did not detail the donation. Can you please confirm how much you've donated to the IPA and on what dates?

Senator Fifield: I can't. I don't recall, but I've always complied with the requirements of the Senate register of interests.

Senator KENEALLY: So those donations would be declared there?

Senator Fifield: The Senate register of interests requires that you note where a donation is made above a certain value. I have the practice of actually over-declaring. I declare things which are below the threshold in the senators' statement of interests.

Senator KENEALLY: That doesn't answer my question. Would those donations be declared there?

Senator Fifield: That's what I've indicated.

Senator KENEALLY: But you can't tell us for certain today.

Senator Fifield: As far as I'm aware, I've always made the appropriate declarations.

Senator KENEALLY: I will ask you to take the question on notice; thank you. The question is: (1) how much have you donated to the IPA and on what dates; and (2) to confirm that they are on your register of interests. Minister, I think we covered this previously, but do you have the IPA lapel pin and do you ever wear it?

Senator Fifield: I don't have that pin. I'm not a big wearer of lapel badges.

Senator KENEALLY: Is there any reason then why you're not wearing your Australian flag lapel pin today, as requested by the Prime Minister?

Senator Fifield: It must be in Melbourne.

Senator KENEALLY: You're not a big wearer of lapel pins though generally; is that your evidence to the committee?

CHAIR: I don't see anyone with lapels today.

Senator Fifield: I'm sorry, Chair?

Senator KENEALLY: No lapel pins generally for you then.

Senator Fifield: I've answered your question.

Senator KENEALLY: In August this year the Institute of Public Affairs, the IPA, celebrated its 75th anniversary. According to reports, Rupert Murdoch attended a celebration of it during his trip to Australia. Did you attend that event?

Senator Fifield: No.

Senator KENEALLY: Only days after this IPA event at which Rupert Murdoch was present you moved to depose Malcolm Turnbull as Prime Minister of Australia. Why did you decide to move against Malcolm Turnbull?

Senator Fifield: It's a matter of record that the party room made a collective decision in relation to the leadership of the parliamentary Liberal Party.

Senator KENEALLY: Yes, it is a matter of public record, but it's also a matter of public record that you and two of your fellow ministers felt the necessity to hold a media conference to declare that you personally had moved against Malcolm Turnbull. I'm trying to understand: why did you decide to move against Mr Turnbull?

Senator Fifield: These questions aren't relevant to this estimates.

CHAIR: Yes. I was just about to say, Senator Keneally, that we are here to scrutinise the budget situation and relevant documents.

Senator KENEALLY: And portfolio matters and, Chair, I'm about to ask a portfolio-related question in this very area.

CHAIR: You're about to? Okay.

Senator KENEALLY: Thank you, Chair. Minister, to what extent was your decision to roll Malcolm Turnbull influenced by voices in the media, including Alan Jones, Ray Hadley, Sky News or the *Australian*, for example?

Senator Fifield: I take my own counsel.

Senator KENEALLY: Minister, you have repealed the two out of three cross-media control rule, so I'm trying to understand whether you felt influenced at all by voices in the media.

Senator Fifield: I've answered your question.

Senator KENEALLY: Were you in contact with Rupert Murdoch or Kerry Stokes in the week of the Liberal leadership spill?

Senator Fifield: No.

Senator KENEALLY: No, not that week? On Thursday, 23 August 2018, at his media conference on the day before he was deposed as Prime Minister, Malcolm Turnbull said, 'A minority in the party room, supported by others outside the parliament, have sought to bully, intimidate others into making this change of leadership.' Did you feel that you were bullied into making your decision to back Mr Dutton over Mr Turnbull?

Senator Fifield: As I've already indicated, I take my own counsel.

Senator KENEALLY: On Friday, 24 August, 2018, at his media conference on the day he was deposed, Mr Turnbull said, 'There was a determined insurgency from a number of people both in the party room and backed by voices, powerful voices, in the media, really to bring—no, not to bring down the government, certainly to bring down my prime ministership.'

CHAIR: Senator Keneally, can I just inquire as to how this relates to the operations and financial situation of the government?

Senator KENEALLY: Minister, do you regret repealing the two out of three cross-media control rule, which allows powerful media voices to become even more powerful, given powerful media voices recited by Mr Turnbull as the reason for his undoing as Prime Minister of Australia?

Senator Fifield: The government's media reform package had the objective of recognising that the media environment has evolved rapidly since the two out of three rule and the 75 per cent audience reach rule and broadcast licence fees were put in place. It was appropriate to give Australian media organisations more options as to how they configure themselves to support their long-term viability because perhaps the greatest threat to media diversity in Australia would be the failure of an Australian media organisation. We want to see strong Australian media organisations. That was the purpose of the government's media reform package.

Senator KENEALLY: Is it your view then that, because the media environment has evolved, it's okay to give powerful media voices more power, even if they're powerful enough to have a Prime Minister removed?

Senator Fifield: I've already provided an answer as to the rationale for the government's media reform package.

Senator KENEALLY: So you disagree with Mr Turnbull that there are powerful voices in the media that acted to bring down his prime ministership?

Senator Fifield: I'd leave it to current and former colleagues to speak for themselves.

Senator KENEALLY: Your contention is that the removal of the two out of three cross-media control rule has seen no concentration of power or influence in the hands of certain media outlets?

Senator Fifield: You would be aware that there is currently a proposition before the ACCC for Nine and Fairfax to combine and the ACCC have yet to complete their work on that. That is one example that I can point to as a potential reconfiguration which has been enabled through changes to media law.

Senator KENEALLY: I'm sure we're going to come back to that later in the day. Minister, did you move against Mr Turnbull for any particular policy reason? Was it because of Mr Turnbull's NBN Multi Technology Mix that has proven to be a disaster for Australia?

Senator Fifield: I completely support the Multi Technology Mix. Mr Turnbull is someone who deserves great credit for bringing order to bear in the NBN where it was essentially a failed project when he became minister. He put it on a path which sees the NBN due for completion by 2020 and at about $30 billion less cost.

Senator KENEALLY: So, in your view, Mr Turnbull's plan for the NBN has been a success. Was it because of Mr Turnbull's overblown attacks on the ABC that have proven to be unpopular with voters across the country?

Senator Fifield: What's the question, Senator?

Senator KENEALLY: Did you move against the Prime Minister on a policy reason, specifically his approach to the ABC, which has been to publicly criticise and seek to lodge several complaints and provide a number of critical views about the ABC? Were you concerned about protecting the independence of the ABC from an interfering Prime Minister?

Senator Fifield: I don't accept your characterisation of the former Prime Minister.

Senator KENEALLY: So you don't see him as interfering in the ABC. Was it because Mr Turnbull granted $30 million to Fox Sports with no strings attached? Is that why you moved against him?

Senator Fifield: The support for women's and underrepresented sports through that measure was a decision taken in the context of the budget.

Senator KENEALLY: So you didn't move against Mr Turnbull for any particular policy reason in your portfolio, at least in those three areas. Minister, perhaps I can ask you, please: to what extent do you think the government's attacks on the ABC contributed to the result in the Wentworth by-election?

Senator Fifield: I don't accept the premise of your question that the government has adopted that approach to the ABC.

Senator KENEALLY: To what extent do you think concerns about the independence of the ABC contributed to the result in Wentworth?

Senator Fifield: The ABC's independence is absolutely supported by the government.

Senator KENEALLY: Do you think there are concerns in the community about the independence of the ABC at this time?

Senator Fifield: All I can speak to is the position of the government, which is to fully support the independence of the ABC.

Senator KENEALLY: Minister Fifield, what responsibility do you take personally for the result in the Wentworth by-election?

CHAIR: Does this relate to the portfolio in any way, Senator Keneally?

Senator KENEALLY: Yes. We've just established that there are a number of concerns in the community regarding areas in—

CHAIR: No; just this specific question. I'm not sure that it does.

Senator KENEALLY: It relates to the impact of policy decisions in the communications portfolio. What responsibility does the minister think they played in the Wentworth by-election?

CHAIR: That's a different question to the one that you just asked.

Senator Fifield: I don't believe that this committee is a forum for canvassing electoral matters.

Senator KENEALLY: Do you have a view about the impact of the policy decisions in the communications portfolio and it's just that you don't want to share it here?

Senator Fifield: You've asked me a number of questions about government policy in the communications portfolio, which I've answered.

Senator KENEALLY: Perhaps you think it was less about ABC and communications policy and more about climate change. Is it true that in 2009 you resigned from Mr Turnbull's shadow ministry over concerns about the proposed Emissions Trading Scheme policy at the time?

Senator Fifield: It's a matter of record that I left the opposition frontbench at that time.

Senator KENEALLY: Is it also true that, earlier that same year, the IPA released a report outlining concerns with Mr Turnbull's ETS proposals which was written by your now parliamentary Liberal colleague Mr Tim Wilson?

CHAIR: Again, I'm wondering which part of the areas that we are examining in this estimates this relates to, Senator Keneally?

Senator KENEALLY: If you give me a few moments, I'll make a connection.

CHAIR: The minister has to answer questions in line with the standing orders and I'm just not sure that these questions are—

Senator KENEALLY: Are you ruling my questions out of order, Chair?

CHAIR: If you can demonstrate that they relate to the estimates process, I'm happy to allow you to ask them.

Senator KENEALLY: We've established that the minister is a donor to and a member of the IPA, and I am trying to explore the extent to which that impacts on his thinking as a minister.

Senator Fifield: I can perhaps short-circuit things—

CHAIR: Please do, Minister.

Senator Fifield: by answering that it doesn't.

Senator KENEALLY: It doesn't; it has no impact at all?

Senator Fifield: Correct.

Senator KENEALLY: Your evidence is that your decision to depose Mr Turnbull this year had nothing to do with the policy positions advocated by the IPA?

Senator Fifield: I've already answered your question.

Senator KENEALLY: Minister, do you think that the results reported on the front page of *The Australian* today for Newspoll, showing a collapse in support for the coalition in every mainland state, including your home state of Victoria, and across every demographic group since the leadership spill, are the result of any particular communications policy?

Senator Fifield: I think we are pursuing policies, about which you've already asked me questions, which are very much in the community interest.

Senator KENEALLY: Minister, you supported three different Liberal leaders in as many days in the week of the leadership spill—shifts which had you described in *The Australian Financial Review* as a weather vane. Do you think you are a stabilising force on the Liberal frontbench?

Senator Fifield: I'm making the contribution, as the Minister for Communications and the Arts, that I've been invited to do by the Prime Minister.

Senator KENEALLY: Do you regret establishing a reputation for disloyalty first to Malcolm Turnbull in 2009, then to Tony Abbott in 2015 and only recently again to Malcolm Turnbull in August, while serving as a minister?

CHAIR: I'm wondering which part of the portfolio responsibilities the minister has—

Senator KENEALLY: I'm going to come to that, Chair.

CHAIR: Do you want to come to it in this question?

Senator KENEALLY: Do you think that reputation has impacted on the ability of the public to trust you as the minister responsible for the ABC?

Senator Fifield: As I've already indicated, I support the independence of the ABC. I support a well-resourced ABC.

Senator KENEALLY: Ten years ago this month, you delivered a speech entitled 'Fiscal contraception: erecting barriers to impulsive spending'. We've canvassed this previously. You said then:

> Conservatives have often floated the prospect of privatising the ABC and Australia Post. There is merit in such proposals.
>
> But the likely strong public opposition means that any government prepared to go down that path would need to prepare the ground and make the case for the change.

Since then, and as minister for communications, you've launched what *The Australian Financial Review* describes as the biggest assault on the ABC's independence in decades. Would you describe your actions regarding the ABC as preparing the ground to make the base for privatisation of the ABC?

Senator Fifield: No.

Senator KENEALLY: How would you describe your actions?

Senator Fifield: The government, as you would be aware, has a number of measures before the parliament which have the objective of further supporting the work of the ABC. The government has ensured that the ABC continues to receive in excess of a billion dollars a year, which makes the ABC well supported and also makes the ABC the media organisation with the greatest funding certainty of any media organisation in Australia.

Senator KENEALLY: At the May budget estimates, I asked you whether the Liberal government could be trusted with the ABC and you answered yes, although you were reluctant to say the words 'the Australian public can trust the Liberals with the ABC'. Since then, in June 2018, the Liberal Federal Council voted to privatise the ABC. Do you still maintain that the Australian public can trust the Liberals with the ABC?

Senator Fifield: Yes.

Senator KENEALLY: For the benefit of the committee, could you please explain what it means for policy decisions to be carried at the Liberal Federal Council meeting?

Senator Fifield: We have a division of responsibilities between the parliamentary Liberal Party and the organisational Liberal Party. The parliamentary Liberal Party has the responsibility for the selection of parliamentary candidates, and the organisational Liberal Party has the responsibility for developing policy. So a motion at a state or federal council of the Liberal Party is in no way binding on the parliamentary Liberal Party, and the parliamentary Liberal Party has made it very clear that the ABC will never be privatised.

Senator KENEALLY: According to a report by David Crowe, at that same meeting in June, the Liberal Federal Council voted to relocate the Australian embassy—

Senator Fifield: Senator, I might have inadvertently said that the parliamentary party chooses parliamentary candidates. I meant to say that the organisational party chooses parliamentary candidates and the parliamentary party determines policy.

Senator KENEALLY: Okay. According to a report by David Crowe in the Fairfax papers, at the same meeting in June, the Liberal Federal Council voted to relocate the Australian Embassy in Israel to Tel Aviv in Jerusalem. While you say that the decisions of the council do not decide government policy, only last week the Prime Minister flagged the relocation of the embassy in the lead-up to the Wentworth by-election. Is the Prime Minister likely soon to flag that the government has plans to privatise the ABC?

Senator Fifield: No.

Senator KENEALLY: Why not, if the Liberal Federal Council wants it?

Senator Fifield: I've already indicated that the organisational party has responsibility for selecting parliamentary candidates, and the parliamentary party has responsibility for determining policy.

Senator KENEALLY: But the Liberal Federal Council clearly has an impact or influence on the policy direction of the federal Liberal government; it's undeniable, isn't it?

Senator Fifield: I've already indicated that it's the parliamentary Liberal Party that is solely responsible for determining policy.

Senator KENEALLY: Are you saying that the Liberal Federal Council's vote to relocate the Australian Embassy in Israel from Tel Aviv to Jerusalem had no impact on Prime Minister Morrison's decision to flag that change of policy?

Senator Fifield: The parliamentary Liberal Party determines policy.

Senator KENEALLY: More recently, there have been some serious and shocking allegations of political interference at the ABC, in which you have been implicated. According to reports—reports which have been confirmed by the inquiry conducted by the secretary to the department, Mr Mrdak—you were present at a meeting with Malcolm Turnbull and Justin Milne that left the former ABC chairman with the impression that an ABC journalist needed to be sacked. What was it that you and Mr Turnbull said that left Mr Milne with this impression?

Senator Fifield: As is clear in Mr Mrdak's report, there is a contested view between the former chair and the former managing director as to what occurred in the conversation between them. I don't know what occurred in the conversation between them. All I can speak to is what I know, which is that neither I nor the former Prime Minister, and no current or former member of the government of whom I'm aware, has ever sought to influence ABC staffing.

Senator KENEALLY: You have said several times that you have never sought to involve yourself in staffing matters. You've said that in the parliament and I've heard you say that elsewhere. In fact, you said in your statement in the Senate, which you tabled, on page 3:

> It is indicated by a statement on 26 September, and in a doorstop the following day, that I have never in any way, shape or form sought to involve myself in staffing matters …

How can you reconcile this with your actions in 2016, when you and Senator Cash wrote to the ABC to pressure the ABC with respect to its enterprise bargaining agreement, where you sought directly to intervene in the matter of ABC staffing?

Senator Fifield: No. What you're presenting is completely and absolutely wrong. On 14 October 2016, both Minister Cash and I wrote to the then Chair of the ABC, Mr Spigelman, in relation to the ABC's enterprise agreement. We did so under section 8, I think it is, of the ABC Act, which makes express provision for the government to advise the Chair of the ABC and the ABC board of a government policy, which is what we did. The act makes specific provision for that. The act says that the ABC needs to have regard to the government

policy which is advised under section 8 of the act. The ABC did have regard to that policy. What having regard to that means is that the ABC board is required to consider the government policy. The ABC board did so and said that it was not going to accept what the government policy was. I should point out that the ABC board is not bound to accept a government policy, but section 8 of the act makes specific provision for the government to advise the board of a government policy, and that is what we did.

Senator KENEALLY: That's not how the board saw it at the time. According to a report by Matthew Knott in *The Sydney Morning Herald* on 2 November 2016, the then Chairman of the ABC had to issue a stern rebuke, saying that such intervention presented a 'fundamental challenge to the independence of the ABC'. He said:

ABC chairman Jim Spigelman has lashed out at the Turnbull government, accusing it of posing a "fundamental challenge to the independence of the ABC" by attempting to influence the broadcaster's staffing policies.

So, despite—

Senator Fifield: It wasn't a staffing policy; it was to do with pay and the EBA.

Senator KENEALLY: Don't you think an EBA is a staffing matter? It affected all of the staff.

Senator Fifield: Yes. Can I point out that you're citing a newspaper report. Let me cite to you the response of Mr Spigelman to me of 26 October 2016, where he says:

The board has heeded its obligations under section 8 of the ABC Act 1983 to have regard to government policy where requested.

As I said, I wrote to the board under section 8 of the act. The board considered the government policy, as they are required to do under section 8 of the act. Mr Spigelman, in his letter to me, indicated that that is what occurred and that that was entirely a legitimate matter. As he himself has said, the board has—

Senator KENEALLY: I'm not questioning whether or not the matter was legitimate. I've never asked you if you've interfered illegitimately. Your assertion is that you have never interfered—that you have never sought to interfere in any staffing matter at the ABC.

Senator Fifield: I don't accept your characterisation that advising the board of a government policy under section 8 of the ABC Act, is interference.

Senator KENEALLY: So your interpretation, then, of the word 'interference' would be that you have never illegitimately interfered?

Senator Fifield: No. I don't consider advising the ABC Board, under the relevant section of the act, of a government policy to be interference.

Senator KENEALLY: Back to the meeting with Mr Turnbull and Mr Milne: you've had time to reflect on that meeting. I ask you again not what the conversations were between Mr Milne and Ms Guthrie, but what you and Mr Turnbull said that left Mr Milne with the impression that an ABC journalist needed to be sacked.

Senator Fifield: I don't accept your assessment, because there is a contested view between the former chair and the former managing director of what occurred in their conversation. I don't know what occurred in their conversation, but what I can say is that neither the former Prime Minister nor I in any way, shape or form have ever sought to involve ourselves in, or infer or encourage or in any way seek to lead to, particular staffing outcomes in the ABC.

Senator KENEALLY: I will leave that there for the moment, mindful that there will be a Senate inquiry and this is Estimates. I want to turn to ABC board appointments and a matter that's currently underway. Following the resignation of the former ABC Chair, Mr Milne, I'm interested in the steps that will be undertaken to find the next chair. Will there be an open and transparent call for expressions of interest or applications to apply for ABC Chair?

Senator Fifield: Yes.

Senator KENEALLY: Have you selected a recruitment agency to assist with this process?

Senator Fifield: I'll ask the secretary of the department, Mr Mrdak, to speak to this, because I don't have a role in the selection of recruitment agencies to support the work of the independent nomination panel.

Senator KENEALLY: Mr Mrdak, have you selected a recruitment agency to assist with this process?

Mr Mrdak: Yes, we have.

Senator KENEALLY: Which firm?

Mr Mrdak: We've selected Korn Ferry to assist the selection panel.

Senator KENEALLY: What process was undertaken to select Korn Ferry?

Mr Mrdak: The department went to market, to a select number of firms, and sought bids from four firms for that work.

Senator KENEALLY: You went to market. What was the process for going to market? Did you approach firms that you were interested in hearing from, or was it an open tender?

Mr Mrdak: We went to four firms that we believed had experience, expertise and national reach in relation to filling the position and supporting the selection panel. We did a targeted recruitment process, given the urgency of the need to start the process.

Senator KENEALLY: Are you able to tell me which four firms you approached?

Mr Mrdak: Yes. I'll ask Mr Makin, who heads up this area, to give you the details of those four firms.

Mr Makin: We approached Watermark, Korn Ferry, Challis and NGS Global.

Senator KENEALLY: And you invited them to put in a tender?

Mr Makin: That's correct.

Senator KENEALLY: The minister has just said that he had no involvement in the selection of a tender process and the selection of the recruitment firm. Can you confirm that this was entirely within the department?

Mr Mrdak: That's correct. The minister wrote to the chair of the selection panel, asking him to convene the panel to start the process of the selection of a chair for the ABC. That then enabled the department to start the process. A former firm had a previous contract to support the panel; that contract had expired. So we went to market expeditiously to seek tenders and bids from the four firms Mr Makin has advised you of. The department undertook the assessment of those bids and selected Korn Ferry based on the selection criteria.

CHAIR: Thank you, Senator Keneally; we will rotate.

Senator KENEALLY: Could I please just have a few more minutes, Chair?

CHAIR: You can have two more minutes and then I would like other senators to ask their questions.

Senator KENEALLY: I understand that; thank you. Were you aware in your selection process that Mr Robert Webster, Head of Asia Pacific Board Services at Korn Ferry, is a former minister of the former Greiner government?

Mr Mrdak: Yes, I'm aware of Mr Webster and his work at Korn Ferry.

Senator KENEALLY: That's not what I asked. Are you aware that he was a minister in the Greiner Liberal government in New South Wales?

Mr Mrdak: Yes, I am.

Senator KENEALLY: Was that disclosed in their tender?

Mr Mrdak: I'd have to check the documentation as to whether he was nominated as one of the parties who would be working on this contract; I don't believe he was. I know of Mr Webster through previous work he has done.

Senator KENEALLY: So he may not be working on the ABC—

Mr Mrdak: He may not; we'll take that on notice. We were given, as part of the tender process, a list of key personnel that would work on this project. I would need to take on notice whether he is one of those people.

Senator KENEALLY: Do any of the officials here know? Could we try to find out, given that I only have a few moments left?

Mr Mrdak: We can take that on notice.

Senator KENEALLY: Is Korn Ferry an Australian company?

Mr Mrdak: They are an international affiliated company.

Senator KENEALLY: I understand they're a US-based business and the Australian entity is owned by a Dutch entity, which is owned by a US-listed parent. Are you aware of that?

Mr Mrdak: I'm not aware of the details of their corporate structure, but I am aware that they are an affiliated entity globally.

Senator KENEALLY: Why not use an Australian recruitment firm?

Mr Mrdak: We went to the market to seek the best available firm in the market. Korn Ferry was judged by my officers to best meet the selection criteria, both on quality of offer as well as price.

Senator KENEALLY: Do you know how much tax the Australian entity of Korn Ferry paid in the last annual reporting period?

Mr Mrdak: No, I don't.

CHAIR: Senator Storer.

Senator KENEALLY: Thank you, Chair.

CHAIR: You're welcome, Senator Keneally. We can come back to you.

Senator STORER: My question is for Mr Mrdak. Thank you very much for coming. It's regarding your inquiry into allegations relating to the Australian Broadcasting Corporation. I'm very interested in Ms Guthrie's 11-page dossier; it's referred to in the report by the minister. Why was it not made available to your inquiry into allegations of political interference at the ABC?

Mr Mrdak: When the inquiry was established by the minister, I was asked to ascertain the facts. One of the facts was whether such a document existed. It was confirmed to me by the parties that a document did exist and it was provided to the board on 21 August by Ms Guthrie.

Senator STORER: August 21?

Mr Mrdak: My apologies; September. When the inquiry was established, I wrote to ABC senior management asking for all relevant documents. The advice to me by the ABC was, firstly, that the document was a board document and the decision was made not to provide that document to me on the grounds that it was a document pertaining to matters of confidentiality relevant to the board. There was at that stage potential, which has now been publicly announced, of legal action by Ms Guthrie in relation to the termination of her employment. It was felt on both those grounds that the document would not be made available to me.

Senator STORER: Did you ask Ms Guthrie or her legal advisor what her reasons were for not handing it over to you?

Mr Mrdak: Ms Guthrie's advice to me, when I met with her, was that she was bound by a deed of disclosure in relation to the termination of her employment, which precluded her from providing that document to me.

Senator STORER: A deed of disclosure of her termination?

Mr Mrdak: That's correct.

Senator STORER: Your report states that you sought relevant records associated with these events to be provided by the Acting Managing Director of the ABC, Mr Anderson. Isn't this 11-page dossier a highly relevant record?

Mr Mrdak: I asked for all relevant documents. Yes, the document is very relevant, but it was not provided to me. In my inquiry I ascertained that, first, the document existed and that the matters being reported on in the media were matters that were covered in that document. But I was not provided with a copy of that document and I had no formal powers to request that document.

Senator STORER: Could you state again the reasons why Mr Anderson did not provide you with the 11-page dossier.

Mr Mrdak: The view provided to me was that it was a board document provided in confidentiality to the board and the ABC would not normally release board documents to such an inquiry as mine to protect the confidentiality of matters within the board. Secondly, at that stage there was the potential for further legal action by the former managing director, and the ABC Board would have felt that it was unable to provide the document to me for my inquiry in the light of that potential legal action.

Senator STORER: In the absence of this dossier, how was it possible for you to fully examine the recent allegations, which were stated in your terms of reference, without a copy of this central document used by Ms Guthrie to support her assertion, in your report, that the emails from Mr Milne regarding getting rid of a journalist, Ms Alberici, amounted to a direction from Mr Milne to take action, as stated in your report?

Mr Mrdak: In relation to the matter of the email re Ms Alberici, this was reported in the media and it was one of the matters which the minister asked me to look into. I was able to ascertain from my conversations with the parties that such an email did exist. The ABC provided me with a copy of that email as part of the documents they provided to me. So, as I reflected in my report, I was able to validate that such an email did exist and the media reporting on that email was accurate. What was made clear to me in my conversations with both the former managing director and the former chair was that the 11-page so-called 'dossier' that was reported in the media contained an extensive range of matters relating to the matters that had been put to Ms Guthrie by the board in relation to her performance of her role as managing director. It did not solely pertain to matters of journalistic

independence or matters in relation to Ms Alberici or Mr Probyn or other matters. I ascertained the facts in relation to those four matters, which were reported as central to my report. The 11-page dossier contained other matters in relation to her employment and the decision by the board to terminate her employment, which were outside the scope of my inquiry.

Senator STORER: But, in this specific area of the report, aren't you just recounting the positions of the two protagonists, Ms Guthrie and Mr Milne, without forming a judgement on the issue of the direction by Mr Milne to Ms Guthrie to get rid of Ms Alberici?

Mr Mrdak: I was asked to determine the facts. I ascertained and determined the existence of some of the material that was referred to in the media. Through my discussions with the former chair and former managing director, I was able to get their perspectives on the context in which that email in relation to Ms Alberici was issued and the conversation that took place in relation to Mr Probyn. I was not in a position to reconcile the differences of view between the chair and the managing director as to whether that constituted a direction for the purposes of section 8 of the act.

Senator STORER: How can you be sure, as you write in your report, that there is no basis to support the media suggestion that there has been direct pressure on journalists' employment or interference in setting editorial policies by the former Prime Minister and government ministers when you were not able to consult this key document presented by Ms Guthrie to the board?

Mr Mrdak: Firstly, the 11-page dossier presented was Ms Guthrie's response to the board putting to her reasons why they would seek to terminate her employment. It covered a range of matters, some of which were not matters which pertained to what I'd been asked to look into. The advice provided to me by both the former chair and the former managing director was that there had never been any express position put by a minister or a former Prime Minister to seek the termination of any journalist in the ABC. As I also made clear in my report, they certainly both held a view that they were very aware of the strong concerns expressed by government in relation to the nature of those articles and presentations by the journalists and in relation to both the factual accuracy of the articles and presentations and whether they contained opinions which were not substantiated by fact. Both the managing director and the former CEO certainly felt that the government had made clear their concerns through discussions that I had with both of them and their advice to me was very clear that at no time had any minister or former Prime Minister asked for the termination of a journalist's employment.

Senator STORER: You're relying on their words, their points in that regard, rather than the actual referral of the dossier. If you were able to review the dossier you may come to a different opinion.

Mr Mrdak: As I say, the dossier pertains to a response by Ms Guthrie to essentially a statement of reasons that the board had put to her for termination of her position. I'm not aware whether it covered expressly that question of direct pressure from a minister or former Prime Minister in relation to employment of journalists but certainly my discussions with Ms Guthrie outlined that it did contain concerns that she had about the pressure being placed on her by the chair in relation to the employment of journalists.

Senator STORER: I have a question for the minister. The stated intention of the National Broadcasting Legislation Amendment Bill 2010 was to introduce a transparent and democratic board-appointment process that appoints non-executive directors on merit. Three appointments to the ABC board were not recommended by the independent nomination panel. The fourth was highly rated by the panel but then withdrew from the process but has been subsequently appointed by the minister. Given these occasions, how can we be sure that the intention and spirit of the process of appointing non-executive directors on merits is being undertaken if appointments that are not recommended by the independent nomination panel are being made?

Senator Fifield: I think of the 13 ABC and SBS board positions which have fallen due during my period as minister. Three—this covers ABC and SBS boards—have been reappointments of board members who were appointed by the previous Labor government, which I assume went through the panel process. A further six have been names that have come through the independent nomination panel process. So nine of the 13 ABC and SBS board positions, which have fallen due during the period that I have been minister, have been reappointments—

Senator STORER: You said—

Senator Fifield: or positions that have come through the independent nomination panel process. So the government has, in all regards, followed the legislation. Whether appointments be reappointments, whether appointments be fresh appointments—and with fresh appointments the legislation provides for names to come through the independent nomination panel process—or where appointments are made separate to that, a statement of reasons is tabled in the parliament, and that occurred. So in all respects, the legislation was followed.

Senator STORER: You have just referred to 13 ABC and SBS board positions—correct? You said three reappointments have been made and you assume the panel process was undertaken?

Senator Fifield: Sorry, that related to SBS.

Senator STORER: Yes.

Senator Fifield: And the government made three reappointments of people who'd been appointed by the previous Labor government. And where reappointments are made, the panel process isn't required to be followed.

Senator STORER: And then six undertaken by the independent nomination panel, you were saying?

Senator Fifield: Correct, including Dr Ferguson.

Senator STORER: With regards to the ABC itself—you've put ABC and SBS board positions together—

Senator Fifield: Because I think it's important to recognise that the independent nomination panel covers both ABC and SBS board appointments.

Senator STORER: The process has started with regard to the reappointment of the ABC Chair and you have written to the chair of the selection panel?

Mr Mrdak: That's correct.

Senator STORER: Who is that?

Mr Mrdak: The minister has written to the chair of the selection panel. We have appointed assistants to the panel in terms of a search recruitment firm. A national advertisement will run in the national press this Saturday seeking nominations and applications for the role.

Senator Fifield: Mr Ted Evans is the chair of the panel.

CHAIR: Senator Hanson-Young to take us through to the break, and then we will come back.

Senator HANSON-YOUNG: Minister, how many of the ABC board members have been members of the Liberal Party?

Senator Fifield: I don't know.

Senator HANSON-YOUNG: Do you know how many of them have been donors to the Liberal Party?

Senator Fifield: I don't know.

Senator HANSON-YOUNG: On 12 October Donny Walford, one of the hand-picked members of the ABC board—hand-picked by you, minister, and Ms Walford didn't pass the assessment of the panel—attended a Liberal Party fundraiser. Are you aware of that?

Senator Fifield: I saw a media report that said that she attended a lunch but I don't know what the nature of the function was.

Senator HANSON-YOUNG: A fundraiser in South Australia where Ms Walford lives. Given the current context of public discussion and political debate about political interference into the ABC, do you think it's wise that board members of the ABC attend government minister fundraisers?

Senator Fifield: I have no knowledge of the function so I can't characterise—

Senator HANSON-YOUNG: You do know it occurred on 12 October?

Senator Fifield: I have no knowledge of lunch functions in South Australia.

Senator HANSON-YOUNG: You said that you have seen a report of this.

Senator Fifield: I saw a report but I don't know the veracity of it.

Senator HANSON-YOUNG: Let's take it on a matter of principle. Do you think it is a good look for ABC board directors to attend political party fundraisers?

Senator Fifield: I don't know if that was the case.

Senator HANSON-YOUNG: Is it a good look if it occurred?

Senator Fifield: I don't know if that was the case. It's for each individual board member of the ABC to determine which private engagements they choose to attend in their individual private capacity.

Senator HANSON-YOUNG: Have you had any conversations, either with the chair or any other members of the board, since the sacking of Ms Guthrie about the perception of political interference?

Senator Fifield: I spoke to a number of board members before the government appointed Dr Ferguson as the Deputy Chair and as a consequence Acting Chair of the ABC. And it was to canvass their thoughts about acting chair arrangements.

Senator HANSON-YOUNG: Did the conversation of political interference or the perception come up at all?

Senator Fifield: I don't believe so.

Senator HANSON-YOUNG: There's all this discussion about whether the ABC is being hampered by political interference and you didn't even raise it?

Senator Fifield: There wasn't the need, because I know that not to be the case and the individual board members know that not to be the case.

Senator HANSON-YOUNG: Secretary, in relation to the report that you've commissioned—I know you've covered off quite a few questions in relation to this with Senator Storer—you didn't have a copy of the dossier and you say that you were told that it wouldn't be handed over to you. I just want to be clear: did that information come from the Chair of the ABC board or did it come from the acting managing director?

Mr Mrdak: That advice was provided to me by the acting managing director, firstly in the conversation when I met with him on 2 October, and his senior team, in relation to the scope of my report and inquiry. He made clear that it was very unlikely at that stage that board documents would be provided to an inquiry such as mine. And subsequently the ABC wrote to me when they did provide documents outlining what documents they were prepared to provide.

Senator HANSON-YOUNG: Did you speak to anybody who is a current member of the board?

Mr Mrdak: No.

Senator HANSON-YOUNG: Why not?

Mr Mrdak: I was asked to ascertain the facts in relation to specific media reports, based on the conversations I had with particularly the former chair and forming managing director. On the material that I had available I felt I was able to meet what the government had asked me to do in terms of ascertaining the facts. I did not believe that what I had been asked to do would be further added to by speaking to any of the current board members.

Senator HANSON-YOUNG: I find it extraordinary that you didn't speak to any member of the current board when they were the ones that had the dossier, that they were the ones who made the decision to sack Michelle Guthrie and that clearly they were the ones who had a conversation with Mr Milne about whether his tenure was sustainable too. Is that because of the scope that the minister gave you was too narrow?

Mr Mrdak: I was asked to determine the facts in relation to media articles appearing around 26 September which were particularly focused on four lines. As I set out in my report, they relate to the articles by Ms Alberici and the comments by the chair to the then managing director in relation to that, matters relating to the pieces by Mr Probyn, matters relating to the TripleJ Hottest 100 and matters relating to, the fourth area, the *Tonightly* program and a particular instance of language used on that program. The media reporting was in those contexts and the context of comments and the relationship between the chair and the managing director. I believed that my conversations with those two parties and the documents I had available to me at that point enabled me to go back to the government with my report at this stage. I don't believe that further discussion with other board members would have enabled me to further understand matters in relation to those four specific items, as conveyed by the media around that time.

Senator HANSON-YOUNG: Did Mr Milne think that you should get a copy of the dossier?

Mr Mrdak: Mr Milne directed me to the ABC, that it was an ABC board document. Yes, he believed that there were matters in there but he also made clear to me they covered a broader range of matters than just those four matters which I was looking into.

Senator HANSON-YOUNG: How long was your conversation with Mr Milne?

Mr Mrdak: It was in the order of two, 2½ hours.

Senator HANSON-YOUNG: And did he deny saying that Andrew Probyn should be shot?

Mr Mrdak: Mr Milne, as I outlined in my report, said to me that he had no recollection of using that term.

Senator HANSON-YOUNG: Did he deny saying that they should get rid of Emma Alberici?

Mr Mrdak: He did confirm the email that was reported in the media and which I was subsequently provided a copy of by the ABC.

Senator HANSON-YOUNG: Did he believe at any point that the ABC's coverage of government policy was a reason why budget cuts had come forth in the recent budget?

Mr Mrdak: No. As I made clear in my report, Mr Milne certainly shared some very strong concerns about the accuracy and the way in which he believed opinion had led a number of the pieces put to air by both the

journalists involved and certainly was strongly aware that that would influence relationships with government, and I think that certainly—as I report in my report—he felt it was important in the context of relations with the government in the ongoing ability of the ABC to operate in relationship with the government, and that was pretty much where his position was.

CHAIR: Senator Hanson-Young, we will break for 15 minutes and we will come back to you, if that's okay. And the committee will have a private meeting just at the beginning of the break.

Proceedings suspended from 09:59 to 10:15

Senator HANSON-YOUNG: Mr Mrdak, before the break we were talking about why you didn't speak to any of the current board members. The reason that I find this quite surprising is because all of those board members obviously had a copy of this document from Ms Guthrie where these allegations were outlined. You said Ms Guthrie felt legally compelled by her confidentiality agreement with the ABC not to give it to you. It was a document given to the board, not to ABC management, so it's clearly the board who were in a position to give it to you or not, and yet you didn't ask them.

Mr Mrdak: I asked the ABC, through their acting managing director, for a copy of the document. It was not provided to me. As I indicated in my earlier answer to Senator Storer, the document, to my understanding, contained a range of matters pertaining to the reasons provided to Ms Guthrie by the board for the termination of her employment. They were not matters pertaining to the matters about which I was inquiring—the four specific areas that I was asked to ascertain the facts on. For those reasons I felt that—

Senator HANSON-YOUNG: How do you know that when you haven't seen the document?

Mr Mrdak: Through my conversations with Ms Guthrie and Mr Milne, I was given an appreciation of the matters covered in the 11-page dossier that was referred to in the media, and most of those matters were not relevant to the matters which I was asked to ascertain the facts on, as appeared in the media. They related to a broad range of matters which formed the basis of the board's decision and advice to Ms Guthrie to terminate her position. I felt I had enough information, based on what I had from the two discussions I had with the two principal parties that were featured in the media articles and the documents, to get to the point of being able to provide my report to the minister at that point.

Senator HANSON-YOUNG: Why did you not ask the acting chairperson of the ABC board for a copy of the document?

Mr Mrdak: I felt, from the advice I had received from the ABC to that point, that I was not going to—

Senator HANSON-YOUNG: Mr Mrdak, the reason I'm struggling to understand your logic is because the dossier was written as a document to the board, not to ABC management. It is not their document to give you. It is the board's document to give you.

Mr Mrdak: That's correct, and I felt that, based on the material I had collated by the time I had completed my initial work, I did not need to see that document in relation to those four matters that I was reporting on.

Senator HANSON-YOUNG: Did the minister at any time ask you not to secure the document?

Mr Mrdak: No. The minister requested me to undertake the inquiry. As I outlined in my report, I ascertained the terms of reference based on the statements made by the minister, and his request to me—it was left to me to ascertain what the scope of the inquiry should be, based on the areas that had been covered in the media that week.

Senator HANSON-YOUNG: Did the minister at any time ask you not to speak to current members of the board?

Mr Mrdak: No.

Senator HANSON-YOUNG: Did the minister request that you speak to certain individuals?

Mr Mrdak: No. With the inquiry, it was left to me to establish terms of reference, and the operation of the inquiry was in my hands.

Senator HANSON-YOUNG: Did you think through what the perception of your report would be if you didn't speak to a single member of the current board and the acting chairperson?

Mr Mrdak: Yes. I was always of the view that I was asked to ascertain the facts in relation to specific matters in the media. I had a clear view of that. As I outlined in my report to the minister, I did not feel that, based on what I had been asked to do, there was any benefit in talking to people beyond those I had spoken to in delivering the report.

Senator HANSON-YOUNG: What about the assertion that Ms Guthrie had raised with Ms Ferguson in May the pressure she was under from Mr Milne, that she couldn't handle it anymore—that his interference was hampering her ability to do her job? Did you think that perhaps it was worth having a conversation with Ms Ferguson?

Mr Mrdak: Based on what I had been asked to do, to establish the facts of the matter, I did not believe there was a need to talk to Ms Ferguson.

Senator HANSON-YOUNG: How can you establish the facts of the matter if you don't speak to one of the people who are referenced in the allegations?

Mr Mrdak: I believed I had enough from speaking to her, to Ms Guthrie and to Mr Milne, to ascertain—and I think I captured in my report the fact that she believed that the chair operated in a very interventionist manner in relation to the operations of the corporation. I left it at that because, as I say, I ascertained the facts in relation to the specific media reporting of certain incidents. Those matters in relation to how she operated as managing director and her relationship with the board were matters which were the subject of other inquiries and processes which the board is now undertaking.

Senator HANSON-YOUNG: Did Ms Guthrie ask you to speak to other members of the board?

Mr Mrdak: No.

Senator HANSON-YOUNG: To ascertain whether her version of events was correct?

Mr Mrdak: No.

Senator HANSON-YOUNG: Did Mr Milne suggest that other members of the board could confirm his view of events?

Mr Mrdak: He certainly made clear to me that the decision to terminate Ms Guthrie was taken by the board. He outlined to me the various factors which underlay that decision. It was open to me to speak to other members of the board but I chose not to do so.

Senator HANSON-YOUNG: Is it that the terms of reference and the scope that the minister has given you have made it merely impossible for you to actually have a comprehensive inquiry into what happened, or is it simply a matter of convenience?

Mr Mrdak: I was asked on 26 September to provide a report on the facts as they were being reported in the media. I felt that the report I was able to provide to the minister on 11 October covered what I had been asked to do.

Senator HANSON-YOUNG: Since the report has been released, Mr Mrdak, have there been any conversations with ABC management?

Mr Mrdak: Yes.

Senator HANSON-YOUNG: What has been the nature of those?

Mr Mrdak: I had a number of discussions last week with the acting managing director of the ABC—firstly, in relation to media inquiries as to what material was available to my inquiry. I had a series of conversations with him last Monday evening in relation to that—Monday week ago. I met with the acting managing director and some of the senior staff last Friday in relation to some ongoing budget and forward strategy issues.

Senator HANSON-YOUNG: Have you met with any of the members of the current board?

Mr Mrdak: No, I have not

Senator HANSON-YOUNG: Have you had any conversations with the acting chairperson?

Mr Mrdak: No, I have not

Senator HANSON-YOUNG: Has there been any attempt to have a conversation with the acting chairperson?

Mr Mrdak: No.

Senator HANSON-YOUNG: How do you expect the parliament to believe that you've been able to ascertain the facts—they're your words—if you only spoke to the two people who are removed from the situation now and not the board that has to follow through with the decisions?

Mr Mrdak: In relation to the four matters about which I was asked to inquire, which were featuring in the media in that period around 25-26 September, I believe, based on the information that was available to me, I have ascertained the facts and put that in my report. With the other matters being raised around the termination of Ms Guthrie, there are separate processes now looking at those, including a review by the commission, by the board, and, as featured in the media in the last few days, a Fair Work action as well, which will cover those

matters. I felt there was no need to discuss with any current members of the board the matters about which I was asked to inquire.

Senator HANSON-YOUNG: Mr Mrdak, do you think it's usual for a government minister to raise concerns about ABC reporters, or a particular report, with the ABC, have that dismissed and then refer it to ACMA? Is that a usual practice?

Mr Mrdak: I believe it's ministers' longstanding practice where ministers have had issues with media coverage. Particularly in relation to factual accuracy and the like, ministers have raised those with the national broadcaster. I would need to take on notice where ministers in the past have referred matters to ACMA, but I'm happy to do that.

Senator HANSON-YOUNG: When a minister raises a concern with the ABC—on coverage or questioning a report—are you notified?

Mr Mrdak: No, not always. We would sometimes be made aware of it if the minister's office was seeking any assistance from the department in drafting correspondence or seeking advice on a matter. But often these are matters that the minister and his office will handle directly with the national broadcaster.

Senator HANSON-YOUNG: Have you given advice to Minister Fifield or any other government minister in relation to raising any complaints with the ABC?

Mr Mrdak: I have not.

Senator HANSON-YOUNG: Has your department drafted or given briefing notes on any complaints given to the ABC by a government minister?

Mr Mrdak: Not that I'm aware of. I will check with my colleagues and take that on notice.

Mr Eccles: Not that I'm aware of, either.

CHAIR: We might go to Senator Keneally.

Senator KENEALLY: Can I go back to the process for the selection of Korn Ferry? I have a few more questions on that. Has the department run open tenders for ABC and SBS board appointments in the past? If so, please provide details of when the process was conducted, which firm was awarded the tender and the value of the contract.

Mr Mrdak: Certainly, Senator. We'll take that on notice. My understanding is that we have in the past run either select or open tenders. I will get you that detail and also the process that was undertaken.

Senator KENEALLY: In this case you've run a closed tender?

Mr Mrdak: We've done a select tender process given the urgency of seeking to fill this position. We felt it was imperative that we did this quite quickly.

Senator KENEALLY: How long would an open tender process have taken?

Mr Mrdak: They generally take a period of weeks because you have an advertisement process and the like, or through AusTender. It can take some time to get that gazetted, go through AusTender, and, if you do, to go to the national press. It depends on the value of the contract, obviously. In these circumstances we felt that the appropriate action was to go to a select group of firms, including a firm that had previously undertaken this role.

Senator KENEALLY: Is that Korn Ferry?

Mr Mrdak: No. The previous firm that had undertaken support for the selection process was Challis and associates.

Senator KENEALLY: With this particular select tender process, as you've described it, will Korn Ferry, as you've confirmed it has been chosen by the department, determine which applicants are considered by the nomination panel? Is that how it will work?

Mr Mrdak: No. The role of the firm is essentially to try and look at as broad a field as possible and, with parties who might have the right experience and skill sets they have been looking for, to identify those, if necessary contact those people and see whether they would be prepared to nominate. As I said there would be a public advertisement in the weekend press seeking nominations for the process. It would then be a matter of the firm assisting the selection panel in relation to short-listing and then interviewing the various parties who are short-listed, and writing the report to the minister from the panel.

Senator KENEALLY: Will applicants be able to apply to the nomination panel directly?

Mr Mrdak: Yes.

Senator KENEALLY: Specifically, what positions has the agency been selected to recruit for? Is it the ABC chairman as well as the ABC managing director—or just the chair?

Mr Mrdak: It's just the chair at this stage. The firm would be available for any subsequent selection processes, were there future vacancies available for the period. We will contract the firm for a period. I might ask Mr Makin to give you the details of that.

Mr Makin: Yes, we contract them for a two-year period.

Senator KENEALLY: You run a select tender that goes not just for this appointment of the chair, but that means they now have a contract for two years?

Mr Makin: Yes.

Mr Mrdak: They are available for anything within that period, should other vacancies arise, but not for the managing director role. It is the preserve of the ABC board to run a separate process for that.

Senator KENEALLY: So they have been contracted to be available to the nomination panel?

Mr Mrdak: That's correct.

Senator KENEALLY: Given that it was a select process, and the urgent need to appoint a chairperson, why have they not been just selected for that purpose? What was the thinking that said: 'We'll do a select process and we'll get the chair done, and we'll also keep them on a retainer, of sorts?'

Mr Mrdak: It's consistent with previous practice, where the firm is available. Vacancies can often arise at short notice for such processes. We want to be in a position to move very quickly if we needed to. It's not a long period in terms of government contracts. The parties we went to are all on various panels available to the Australian Public Service. We essentially provide some certainty that there is a firm available for a period that has the expertise required to support the panel on very short notice.

Senator KENEALLY: If I can explore this idea that it was a select tender, not an open tender, was it just about the urgency of appointing the chair? Or was it a relatively low value contract as well?

Mr Mrdak: It is. It falls within the guidelines for procurement, which enables us to go to select tender, but it was also driven very much by the urgency of having to fill this position, given the need to get some certainty for the ABC quickly.

Senator KENEALLY: If I can go back to the other question—you may need to take this on notice—regarding previous open tender processes for a recruitment firm, how many firms would you usually expect to put forward a proposal in an open tender?

Mr Mrdak: It can vary. Some open processes receive one applicant, or a small number of applicants. With others you'll get the full range of people. Some will have the skill sets required, others won't. In some tender processes you will get an open field and you'll get large numbers of people.

Senator KENEALLY: If I can put this on notice: how many companies in the past have responded to previous open tenders for ABC and SBS board recruitment?

Mr Mrdak: Certainly.

Senator KENEALLY: Thank you.

Mr Mrdak: Can I answer your earlier question about Mr Webster, Chair?

CHAIR: Yes.

Mr Mrdak: I'm advised that Mr Webster was nominated as one of eight senior representatives of the company in the Australian entity, and his former role in the New South Wales parliament was identified.

Senator KENEALLY: So to be clear, he was nominated as a person who will participate and his former role as a Liberal minister in the Greiner government was disclosed.

Mr Mrdak: That's correct.

Senator KENEALLY: Thank you. I'm trying to understand this process: did the department go for an open tender process in relation to the replacement of the former SBS chair, Nihal Gupta? That was an urgent situation as well.

Mr Mrdak: I will take that on notice.

Mr Eccles: We will need to check that.

Mr Mrdak: I don't think any of the officers here today were involved in that process.

Senator KENEALLY: Thank you. Minister, have you or anyone in your office met with anyone from Korn Ferry this year?

Senator Fifield: Not that I'm aware of.

Senator KENEALLY: Have you had any meetings with Robert Webster this year?

Senator Fifield: No; I haven't.

Senator KENEALLY: Minister, yesterday David Speers released a book called *On Mutiny*. On page 74 he says that you said, 'I think I made a terrible mistake yesterday.' This is in relation to your decision to move against Turnbull to back Mr Dutton. Would you confirm or deny that statement?

CHAIR: Back to the point, Senator Keneally, that we discussed earlier today around questions being relevant to the operations—

Senator KENEALLY: I'm giving the minister an opportunity to respond. Mr Pyne has responded—

CHAIR: In Senate Estimates?

Senator KENEALLY: to statements in Mr Speers' book. I thought this might be a first opportunity for Minister Fifield to respond.

CHAIR: I would like us to maintain a modicum of relevance as to why we are here.

Senator KENEALLY: So you are denying the minister the opportunity to respond to that question?

CHAIR: The minister can respond. I would like you to remember we are here to deal with Budget estimates—the supplementary estimates process.

Senator KENEALLY: Is there something more important than the removal of a Prime Minister in this great nation?

CHAIR: A free plug for David Speers' book.

Senator KENEALLY: Minister, would you like to respond to the quote in Mr Speers' book that you apparently said that you think you 'a terrible mistake yesterday'?

Senator Fifield: I haven't spoken to Mr Speers.

Senator KENEALLY: Is his reporting accurate?

Senator Fifield: I haven't spoken to Mr Speers.

Senator KENEALLY: That's not my question.

CHAIR: The minister has answered, though.

Senator KENEALLY: He says that Kelly O'Dwyer impressed upon you that you might be fine in the Senate, but those trying to defend lower house seats in Victoria would be smashed with Mr Dutton as Prime Minister.

CHAIR: I'm not sure what item that book comes under in Senate estimates. Do you have any further questions for the minister or any officers from the department—

Senator KENEALLY: The minister hasn't answered my question.

CHAIR: He has answered.

Senator KENEALLY: Did he tell one of his colleagues that he thinks he made 'a terrible mistake'?

CHAIR: The minister has answered. If you have no further questions, we can go to Senator Hanson-Young, who has.

Senator KENEALLY: Senator Chisholm will have some questions, as well.

CHAIR: I will go to Senator Hanson-Young, and then to Senator Chisholm.

Senator HANSON-YOUNG: Mr Mrdak, did the minister give you a timeframe that you had to have this inquiry completed by?

Mr Mrdak: Not specifically. The public comments by the minister and the Prime Minister were that we would seek to do this as quickly as possible. The timing was left to me to determine.

Senator HANSON-YOUNG: You did it pretty fast, didn't you?

Mr Mrdak: I did it as quickly as I could, yes.

Senator HANSON-YOUNG: Do you think that if you'd taken a bit more time, perhaps, you would have got around to speaking to other board members?

Mr Mrdak: Again, my judgement is that, in relation to the matters I was asked to look at, which were those featuring those media reports in the days of 25 and 26 September, I don't believe that I would have been further assisted by speaking to those board members. The matters you have raised around the broader issues of termination of Ms Guthrie were not germane to what I was asked to do.

Senator HANSON-YOUNG: In your conversations with Ms Guthrie, did she raise any other concerns about behaviour by Mr Milne that she had interpreted as political interference?

Mr Mrdak: I specifically spoke to her in relation to the four matters into which I was inquiring. In that conversation she did raise with me broader concerns in relation to how the chair operated and how the board operated. They were matters which are reflected in my notes of the meeting, but which I didn't believe were relevant to what I'd been asked to report to government on specifically.

Senator HANSON-YOUNG: Are there outstanding issues that need to be dealt with by the board in relation to perceived interference?

Mr Mrdak: There are matters that were put to me by Ms Guthrie that I think the board—as I understand it—is now looking to investigate as per its own inquiry, and that is the appropriate way they should be handled.

Senator HANSON-YOUNG: Did Ms Guthrie speak of any other examples of journalists whom Mr Milne or other members of the board raised concerns with?

Mr Mrdak: No.

Senator HANSON-YOUNG: Did Ms Guthrie raise concerns with you about how this matter had been discussed by the minister in public, any public commentary from the minister in relation to this? Did Ms Guthrie raise that as a concern?

Mr Mrdak: My recollection is certainly in relation to the government's views being put, particularly in relation to the matters of the *Tonightly* program. I think that came up in the context that the minister had made written complaints in relation to a number of stories, including *Tonightly* and a couple of the others, but not any others beyond the four that I was looking at.

Senator HANSON-YOUNG: Did Ms Guthrie raise with you concerns that she felt undermined by the chairperson at the time, Mr Milne?

Mr Mrdak: I don't recall any such questions of undermining, but she certainly indicated to me that there were matters concerning the style of the chair which impacted on how she operated as a managing director.

Senator HANSON-YOUNG: What did she say the style of the chairperson was?

Mr Mrdak: As I reflect in my report—an interventionist chair that took a much greater role in the operations of the ABC than the previous chair had done.

Senator HANSON-YOUNG: Did Ms Guthrie raise concerns with any other members of the board with you?

Mr Mrdak: She certainly reflected that she had had conversations with the other members of the board in relation to matters of her operation as managing director; yes.

Senator HANSON-YOUNG: Did she raise any concerns about their interference with the management of the ABC?

Mr Mrdak: In the context of the conversation I was having with her, I was seeking to ascertain how the board dealt with complaints about journalists' articles and the factual nature of them, or opinion, and the like. I was trying to understand how these matters are dealt with within the corporation. She did discuss with me other instances where members of the board had taken positions in relation to matters of operation of the corporation. But I don't recall from the conversation any discussion around specific matters of other journalists and members of the board.

Senator HANSON-YOUNG: Did it cross your mind to consider speaking to the staff representative on the board at any point?

Mr Mrdak: No. As I said, I felt the matters on which I had been asked to establish the facts were able to be done. Based on the limited documents with which I was going to be provided, I did not feel there was a need to discuss the matters with other members of the board.

Senator HANSON-YOUNG: Were any concerns raised by the staff representative of the board in relation to the perceived interference on ABC journalists and staff members?

Mr Mrdak: I'm sorry, they're matters you would have to put to the board members. I'm not in a position; they weren't areas which are germane to what I was asked to look at.

Senator HANSON-YOUNG: Mr Mrdak, is there a problem with a perception of political interference in the ABC Board?

Mr Mrdak: That's a matter of opinion, on which I'm not able to give you a view.

Senator HANSON-YOUNG: Are you concerned about a perception of political interference on the ABC Board?

Mr Mrdak: The independence of the board is clearly set out in statute. The ABC has a very strong position on its independence. Were there any questions about the independence of the ABC and its operations, that would be a matter of concern.

Senator HANSON-YOUNG: In your conversations with Ms Guthrie, did she raise any concerns about the impact that the government's budget cuts or reviews were having on the morale of the ABC staff?

Mr Mrdak: Yes, but not specifically in the conversation I had with her in relation to this inquiry. Since my time in this portfolio, I've had a number of discussions with Ms Guthrie where she has made clear the impact of resourcing on the operations of the ABC and her concerns about that.

Senator HANSON-YOUNG: In previous conversations you have been made aware that government policy and actions have impacted on the morale of the ABC staff and journalists?

Mr Mrdak: Ms Guthrie has been very clear in her public statements in relation to her concerns about the resourcing levels. We were working, and continue to work, with the ABC in relation to funding for the future in terms of the next triennium and future investment strategies.

Senator HANSON-YOUNG: Did Mr Milne raise with you, in your conversations with him, any concerns about the impact of government policy on the ability of the ABC to do their job?

Mr Mrdak: No.

Senator HANSON-YOUNG: Did Mr Milne raise any concerns with you at all about government policy in relation to the ABC?

Mr Mrdak: Not in that sense, no.

Senator HANSON-YOUNG: Did Mr Milne ever advocate to you better resourcing for the ABC?

Mr Mrdak: Yes. As I mentioned earlier, we continue to work with the ABC in relation to their future investment requirements, their strategies and also their budget positions.

Senator HANSON-YOUNG: Mr Mrdak, where is the competitive neutrality review report? Has that been completed?

Mr Mrdak: Yes, it has. It's with the minister for his consideration.

Senator HANSON-YOUNG: When was that completed?

Mr Mrdak: That was completed at the end of September.

Mr Eccles: 28 September.

Senator HANSON-YOUNG: So it's with the minister?

Mr Mrdak: Yes.

Senator HANSON-YOUNG: Did you see a draft of that report before it was finalised?

Mr Mrdak: Yes.

Senator HANSON-YOUNG: Were there any changes made between the draft of that report and the final version handed over on 28 September?

Mr Mrdak: I'd have to take that on notice as to whether there were changes. Obviously I saw drafts of the work that was being done by the panel. But I'd have to take that on notice. There was always an iterative process that these reports have been finalised.

Senator HANSON-YOUNG: I feel likes Mr Eccles wants to respond to that. No?

Mr Eccles: No. I was just checking that the report was finalised. We saw a draft but the changes that were made weren't as a result of our feedback.

Senator HANSON-YOUNG: What about the efficiency review? Where is that up to?

Mr Mrdak: That review is still underway. That is now due to be completed towards the end of this month or into early November.

Senator HANSON-YOUNG: And whom at the ABC will they be speaking with in relation to that?

Mr Mrdak: The efficiency review has been working with the managing director and also their chief finance officer at the ABC and various officers within the ABC in relation to information that the ABC's been providing to that review.

Senator HANSON-YOUNG: Have you seen a draft of that thus far?

Mr Mrdak: No.

Senator HANSON-YOUNG: You haven't seen any working document?

Mr Mrdak: No, I haven't.

Senator HANSON-YOUNG: Has the minister requested any specific outcomes of that review to you?

Mr Mrdak: No. The terms of reference were settled and the review is now working to the areas that have been identified and announced as part of the terms of reference.

Senator HANSON-YOUNG: Has the minister given you any indication of the government's desire to have the vacant chair position filled before the end of the year?

Mr Mrdak: The minister has asked that we establish the panel quickly and get the work underway. Timing of the panel's consideration is with the panel. It may not be possible to complete that before the end of this year. It will depend on the number of nominations and the assessment by the panel.

Senator HANSON-YOUNG: At any point, Mr Mrdak, have you raised concerns with the minister in relation to the appointment processes of current board members?

Mr Mrdak: No.

Senator HANSON-YOUNG: At any point have you questioned whether going around the panel process was appropriate?

Mr Mrdak: These are matters as per the legislation which the minister can take decisions on. They have been handled appropriately, as per the legislation.

Senator HANSON-YOUNG: Has there been any work done within the department to draft any other regulations or protocols in relation to the appointment process for ABC or SBS board members?

Mr Mrdak: No.

Senator HANSON-YOUNG: When was the last time any work was done within the department in relation to refining the appointment process of the public broadcasters?

Mr Mrdak: I presume it would have been done at the time the legislation was amended to provide for the current process but I will take that on notice.

Senator HANSON-YOUNG: Could you? There are a number of reviews outstanding. We have the competitive neutrality review, which is with the minister. We have the efficiency review into the ABC, which you're saying is not complete. When do you think that will be complete?

Mr Mrdak: Towards the end of this month.

Senator HANSON-YOUNG: And we have the content review, which is still with the minister. Is that right?

Mr Mrdak: Yes.

Senator HANSON-YOUNG: And you haven't been directed to prepare for the release of that report at any point?

Mr Mrdak: That's still under consideration by the government.

Senator HANSON-YOUNG: Is there anything else outstanding that is either underway or sitting with the minister and hasn't been released to the public?

Mr Mrdak: There are always a range of matters which we provide advice on which the minister is considering. You've highlighted three areas. There would be a range of matters which are with the minister. We provide briefing on virtually all aspects of the portfolio.

Senator HANSON-YOUNG: The content review was completed some 12 months ago, was it not?

Mr Mrdak: The final report was provided towards the end of last year, yes.

Senator HANSON-YOUNG: So almost 12 months ago?

Mr Mrdak: Yes. Around December last year, I think.

Senator HANSON-YOUNG: Is it fair to say that the minister's office is a bottleneck?

Mr Mrdak: I wouldn't characterise it as that. There are some very complex issues in the content review. There have been ongoing interactions with developing options and further advice in relation to matters in the content review. That work's been ongoing throughout the course of this year.

Senator HANSON-YOUNG: Minister, when will you release the content review?

Senator Fifield: The work of the department, ACMA and Screen Australia, which constituted the content review, is an input for consideration of government on content issues, and we're still working through those.

Senator HANSON-YOUNG: When, minister, can we expect to see the findings of that review?

Senator Fifield: What the government is planning on doing is reaching some decisions in relation to content issues. As I say, the content review is an input; it's not an end in itself.

Senator HANSON-YOUNG: Minister, have you spoken to Ms Guthrie since she was sacked by the board?

Senator Fifield: No.

Senator HANSON-YOUNG: When was the last time you spoke to Mr Milne?

Senator Fifield: I'm just trying to think. Certainly not in recent weeks.

Senator HANSON-YOUNG: Have you had any conversations with the acting chairperson in relation to a perception problem of independence at the ABC?

Senator Fifield: I wrote to the Acting Chair of the ABC on the 14th of this month—which is a letter that I tabled in the Senate on Monday of last week—in which I conveyed a copy of Mr Mrdak's report and where I sought assurance that the board had upheld its duty to maintain the independence and integrity of the corporation and also sought advice on the scope and time frames of the investigation into the matters that the former managing director had raised. The acting chair replied to me on 19 October, and the ABC put that response on their website.

Senator HANSON-YOUNG: Minister, did Mr Milne ever raise with you concerns about ABC management's attitude towards complaints that you had raised? You've raised a number of them.

Senator Fifield: I have raised a number of matters with the ABC, and the ABC addressed those through their processes.

Senator HANSON-YOUNG: Did you ever speak to the chairperson about those complaints?

Senator Fifield: I'm just trying to recall. Some of them would have come up in conversation on occasion.

Senator HANSON-YOUNG: What about with other board members? Have you ever spoken to other board members about complaints you've had about the ABC?

Senator Fifield: No.

Senator HANSON-YOUNG: Not once?

Senator Fifield: No.

Senator HANSON-YOUNG: Only Mr Milne?

Senator Fifield: He is the chair—or was the chair.

Senator HANSON-YOUNG: Have you ever spoken to Ms Ferguson about complaints you've raised with ABC?

Senator Fifield: No.

Senator HANSON-YOUNG: Have you raised concerns with anyone on the SBS board about SBS management or editorial decisions?

Senator Fifield: I'd have to check. Certainly not recently.

Senator HANSON-YOUNG: Mr Mrdak, can I just go back to the content review briefly. And then, Chair, I will hand over.

CHAIR: Thanks.

Senator HANSON-YOUNG: How many submissions were made to the inquiry, the content review?

Mr Mrdak: I will get that information for you. I will just see if anyone's got it available.

Mr Eccles: I should do. If you give me two minutes.

Senator HANSON-YOUNG: Yes, that's fine. I don't even think you'll need two.

Mr Eccles: I will come back to you when I find the reference to it.

Senator HANSON-YOUNG: Mr Mrdak, did the content review satisfy the terms of reference, in your opinion?

Mr Mrdak: Yes, I believe it did. It was put together between my department, the ACMA and Screen Australia. It provided, I think, a very comprehensive analysis of the issues involved in promoting Australian content.

Senator HANSON-YOUNG: Has the government or has the minister raised any concerns with you whether the government's satisfied that it's met the terms of reference?

Mr Mrdak: Not in relation to the terms of reference. As I mentioned earlier, there's been ongoing work done for the minister in relation to various options and measures that might meet the issues identified in the report.

Senator HANSON-YOUNG: So the department has been working on a response to the review then for the minister?

Mr Mrdak: That's correct.

Senator HANSON-YOUNG: How many people have you got working on that?

Mr Mrdak: It's a small team of people in our content division. I can get you those numbers.

Senator HANSON-YOUNG: Thank you.

Mr Eccles: There were 70 submissions made, and it's fair to say that the people working on this are working on a whole range of things. So it's difficult to say exactly how many people would be working on this at any point in time.

Senator HANSON-YOUNG: There have been a number of briefings, Mr Mrdak, between you and the minister's office in relation to how to respond to the content review?

Mr Mrdak: Yes. There have been various issues that have been identified in the content review, and we have been providing advice and further analysis to the minister in relation to a range of matters.

Senator HANSON-YOUNG: Has the minister asked you to refine any of the recommendations?

Mr Mrdak: No. It's been in relation to how the government best responds to the content review.

Senator CHISHOLM: I just have some questions around the $30 million handout to Foxtel that was announced as part of the last budget. I just want to get an understanding of when the first payment under that measure was made to the recipient.

Mr Eccles: The first payment would have been made about 13 months ago, at the very beginning of the financial year 2018-19.

Senator CHISHOLM: So it would have been about September last year?

Mr Eccles: It would have been July, I suspect, but I'll just check.

Mr O'Neill: The first payment was made in February this year.

Senator CHISHOLM: What was that first payment? And what are the total funds provided to the recipient so far?

Mr O'Neill: Certainly. $7.5 million was the first payment. I can confirm the second payment of $7.5 million was made in September this year.

Senator CHISHOLM: That's Foxtel as the recipient?

Mr O'Neill: Correct.

Senator CHISHOLM: Fox Sports?

Mr O'Neill: Fox Sports.

Senator CHISHOLM: So basically half of the $30 million has been paid to them?

Mr O'Neill: That is correct.

Senator CHISHOLM: The guidelines relating to this funding agreement, when were they first made public?

Mr O'Neill: The exact month I will likely have to take on notice, but my understanding is that they were made public early this year, in approximately February.

Senator CHISHOLM: So about the same time the first payment was made?

Mr O'Neill: Yes, but I think I will need to take that question on notice for the exact month.

Senator CHISHOLM: So the details of the arrangement took more than six months after the funding was announced in the budget.

Mr Eccles: Perhaps I could step you through the process. The decision was made in the context of the budget about 15 months ago or thereabouts. Not long after the announcement, we started to work with Fox Sports. A key part of the decision-making process and the accountability process was for Fox Sports to propose a schedule, if you like, outlining the sports that were going to receive additional coverage or new coverage; that formed the basis of the first agreement. The time period between the announcement of the initiative and the making of the first payment was time spent with Fox trying to understand which sports they were going to support as part of this program.

Senator CHISHOLM: Yes. The time line, though, was broadly what I outlined in terms of that's how long it took.

Mr Eccles: Yes.

Senator CHISHOLM: As part of the guidelines, Fox Sports is required to provide a strategic road map for each year of the funding agreement; is that the case?

Mr Eccles: That's right, and that's the schedule that I was referring to that was worked on between the announcement and the execution of the contract.

Senator CHISHOLM: When was the first strategic road map provided to the department?

Mr Eccles: It would have been to accompany the February payment.

Senator CHISHOLM: So the money wasn't handed over until that strategic—

Mr Eccles: Until we'd agreed the strategic road map.

Senator CHISHOLM: Did they do the strategic road map in a silo and then rock up and say, 'Here it is,' or was there to and fro with the department before it was presented?

Mr Eccles: In any of these things, I think there's always an element of toing and froing, but we largely relied on Fox Sports' expertise in these areas.

Senator CHISHOLM: To the department's knowledge, has Fox Sports used or could Fox Sports use funds provided under this agreement to acquire the rights to broadcast particular sporting events?

Mr Eccles: Can you repeat the question?

Senator CHISHOLM: Has Fox Sports used or could Fox Sports use funds provided under this agreement to acquire the rights to broadcast particular sporting events?

Mr Eccles: Yes.

Senator CHISHOLM: Doesn't that give Fox Sports an advantage over free-to-air broadcasters in bidding for women's sport broadcast rights?

Mr Eccles: This goes back to where Fox Sports is well placed to do some of this work. Subscription television is able to sustain a viewership much less than free-to-air, just by the nature of their business model and the number of channels that they have. It is most unlikely that any of the sports that they have broadcast would be sustainable in a free-to-air market. I guess if they were commercially viable in their own right, they would have been picked up by free-to-air broadcasters in the past.

Senator CHISHOLM: Isn't a good example women's basketball, WNBL—

Mr Eccles: Yes.

Senator CHISHOLM: which has been broadcast on the ABC for decades but was cancelled due to budget cuts? Isn't Foxtel just using public money to then pick up those rights?

Mr Eccles: The ABC made a decision to stop broadcasting women's basketball.

Senator KENEALLY: After the 2014 budget cuts to the ABC.

Senator CHISHOLM: That was the timing of when they made that announcement.

Mr Eccles: That was before my time. I'd need to look into that.

Senator KENEALLY: That's what happened, Mr Eccles.

Senator CHISHOLM: Aren't Foxtel now just using public money that was previously available for the ABC so that every Australian could watch it to now cater to only a select few who can afford to fund it?

Mr Eccles: I'm not sure if that's the right characterisation of it. There was—

Senator CHISHOLM: What is the characterisation of it then?

Mr Eccles: The money is being provided to Fox Sports to fill a gap. It is to be able to broadcast sports that are high participation and that have struggled to get air time in the past in order to increase their exposure.

Senator CHISHOLM: It wasn't struggling. It was on free-to-air on the ABC so that every Australian could watch it, no matter where they lived and no matter whether they could afford it or not; it was on free-to-air.

Mr Eccles: I think you're making a direct link between the ABC budget arrangements and a decision that the ABC made independent of government.

Senator CHISHOLM: Following budget cuts.

Mr Eccles: I've got nothing to add, Senator.

Senator Fifield: It's entirely open to the ABC as to how they deploy their budget. The ABC get in excess of a billion dollars a year. Fox will be getting $7.5 million per year for a fixed time period.

Senator CHISHOLM: Do you accept, Minister, that more Australians are able to watch the ABC compared to Foxtel?

Senator Fifield: One is a free-to-air platform and one is a subscription-based platform.

Senator CHISHOLM: So if the aim was to enable more people to watch these shows—niche sports, women's sports—surely more people would be able to watch them if they were on a free-to-air broadcaster rather than a subscription service?

Senator Fifield: The objective is to have more coverage and—

Senator CHISHOLM: No; it was to increase the reach of women's and niche sports.

Senator Fifield: If no-one picks up something then there's no coverage. This was intended to increase the coverage, which Fox Sports is well placed to do, and it's entirely—

Senator CHISHOLM: No, it's not well placed to do, because it's a subscription service.

Senator Fifield: I think, as Mr Eccles has indicated, because of the number of channels that Fox Sports have, they're able to sustain a range of sports broadcasts, which wouldn't be open to free-to-air TV, with sports that don't necessarily have the same following as others.

Senator CHISHOLM: Just to be clear: Fox Sports can use this $30 million to outbid free-to-air broadcasters when it comes to women's sports broadcast rights?

Mr Eccles: Let's be clear, Senator. Fox Sports have used this funding to increase the hours of content by around 4,800 hours of content during the 2017-18 financial year. They have used that funding to increase the hours of these small, underrepresented niche sports.

Senator KENEALLY: It's great that they have more hours but, if two-thirds of the population can't watch, what's the point?

Senator Fifield: It's entirely up to the ABC as to how they deploy their budget.

Senator KENEALLY: You think that has no relationship to the budget cuts that occurred to the ABC in 2014?

Senator Fifield: The ABC still receives more than a billion dollars a year and the ABC always has made and always will make decisions in relation to programming. Its programming is never set in stone.

Senator CHISHOLM: Just to be clear, you didn't really answer the question; you gave a different statement. Fox Sports can use taxpayer funds that were given to them—$30 million over four years—to bid for women's sports and niche sports against free-to-air broadcasters.

Mr Eccles: I'd need to check to see whether or not they have actually bid for any particular sports' rights or whether they have just been involved in the production and broadcast. I'll take that on notice and come back with whether or not it's been subject to any bidding process, but I suspect that the answer is that it has not.

Senator CHISHOLM: But there's nothing in the agreement that would preclude them from doing that.

Mr Eccles: I will check the agreement and come back to you.

Senator CHISHOLM: Aren't you responsible for the agreement?

Mr Eccles: Yes, I am.

Senator CHISHOLM: So surely you'd know whether or not they can do it.

Mr Eccles: Not off the top of my head. I will take it on notice and come back to you.

Senator CHISHOLM: Has any of the funding provided to Fox Sports been used to support advertising of Fox Sports or any of its coverage on its own channels or other channels; and, if so, how much has been spent on advertising?

Mr Eccles: I'd need to take that on notice. That would be a matter about which we'd have to go back to Fox Sports.

Senator CHISHOLM: But they can use some of that $30 million to advertise on their own shows?

Mr Eccles: To draw attention to the fact that these programs exist, I'm not sure whether they used any of this money. I do know that they have, throughout standard broadcasting, made reference to the fact that they are showing *Summer of Surf,* for example, or some of the new programming. As to the extent to which that's a discrete line item in their budget, I'd need to check. I think it's just a part of standard broadcasting so that, when people are watching Fox Sports, they're alerted to the fact of the time of particular programming.

Senator CHISHOLM: Quite often Fox Sports employ commentators who commentate on a range of sports. Would they be able to use the $30 million to subsidise some of the salaries for commentators who did commentate on some of the sports that they were covering as a result of this agreement?

Mr Eccles: I'd need to look into that. That would be unusual. The terms of the contract are essentially to increase the broadcasting of these sports that are within scope. As to the extent to which that goes to commentating, I would need to check back in with Fox Sports. It's a standard part of a broadcast, so it wouldn't be unusual with a broadcaster, for example, in one of the sports that's quite new, the Murri Rugby League Carnival. I would assume that the broadcasting of that, for example, would have included provision for commentators.

Senator CHISHOLM: Sure; but what I'm asking is whether they are subsidising, because a lot of the commentators cover a wide range of sports.

Mr Eccles: Yes, indeed.

Senator CHISHOLM: Are they subsidising their salary while they are covering the sports that they've been granted as a result of the $30 million while they cover other sports that they get commercially at the same time?

Mr Eccles: I would doubt that, but I will check.

Senator CHISHOLM: Does the expenditure of funding on advertising rather than actual sport coverage comply with the funding agreement?

Mr Eccles: I'm not sure. We are funding them to increase the hours of broadcast sport; we're not funding them to do advertising. But it's a standard part of broadcasting to have, within programming, references to the time that particular things are going to be shown. I'll come back to you about exactly how it's broken down and the costs attributed.

Senator CHISHOLM: If, as part of their coverage that they've been doing with the $30 million, they attract sponsors to that program, are they able to take that money for themselves?

Mr Eccles: Can you give me an example of what—

Senator CHISHOLM: For instance, if they're covering the women's cricket as a result of the $30 million and they attract sponsors for that program as part of their coverage, do Foxtel keep that money?

Mr Eccles: It would go back into their standard operations, yes. This is a grant and, just to be really clear, the grant is to increase the hours of broadcasting of these underrepresented sports.

Senator CHISHOLM: So potentially they're using this to attract more sponsors and pocketing that money for themselves?

Mr Eccles: Or re-investing it in more underrepresented sports.

Senator CHISHOLM: Where's the evidence of that?

Mr Eccles: We'll have a look at that.

Senator CHISHOLM: But the government has no role in deciding how they spend their money.

Mr Eccles: No—

Senator CHISHOLM: They've been given $30 million. If they make money on the back of that, that's up to them how they spend it.

Mr Eccles: To be clear: there is an agreement that we have struck based on the road map that they give us and then they provide us a report on the extent to which they have met the terms of that road map or, in some instances, exceeded it, and the key criteria that we are after is an increase in broadcasting of these underrepresented sports.

Senator CHISHOLM: But if they're using this to increase their ability to attract sponsors for those programs, that money goes to them. So they could actually be making an extra profit out of this.

Mr Eccles: The facts of the matter are that these sports are very small. The viewership is growing. We hope that Australians do watch and take motivation and inspiration from these women athletes and other high-participation sports. As to the extent to which it generates an income for Fox Sports and the extent to which that is material, I'm not sure.

Senator CHISHOLM: But there's no limit on their ability to do it; that is the point I'm making.

Mr Eccles: I think that's right.

Senator CHISHOLM: Just on the strategic road map, are they calendar years or financial years along with the funding in terms of—

Mr Eccles: Financial years.

Senator CHISHOLM: Based on the 2018 financial year, the one that's been provided already, is it possible to say exactly how many additional hours of live women's sports would be broadcast?

Mr Eccles: Yes. In terms of women, we would need to check that; but, in order, there have been 4,800 hours of content that have been covered by the funding agreement in the year 2017-18. Of those, around 1,600 have been live action.

Senator CHISHOLM: Is that part of the negotiation with Fox Sports? Potentially, when they bring the next road map, there could be an increase?

Mr Eccles: Absolutely.

Senator CHISHOLM: I understand that, in addition to the strategic road map, the funding agreement also requires Fox Sports to provide a performance report each financial year and a final performance report at the end of the four-year funding cycle; is that correct?

Mr Eccles: That's right.

Senator CHISHOLM: Has the first of those performance reports been provided?

Mr Eccles: Yes, it has.

Senator CHISHOLM: When was that provided?

Mr O'Neill: The performance report was provided to the department on 30 July 2018.

Senator CHISHOLM: Has it been provided to the minister's office?

Mr O'Neill: Yes, it has.

Senator CHISHOLM: When was it provided to the minister's office?

Mr O'Neill: The exact date? It was approximately two weeks ago.

Senator CHISHOLM: Have there been any FOI applications seeking documents relating to the funding agreement?

Mr Eccles: Yes, there were. FOI requests were lodged not long after the decision was made to support this.

Senator CHISHOLM: Have there been any FOI applications sought for the performance report?

Mr Eccles: Not that I'm aware of.

Mr O'Neill: Yes. I believe that two FOI requests were received by the department this year, and we have responded to those FOI requests.

Senator CHISHOLM: Have you received any other requests other than through the FOI process for either the performance report or any other documents relating to the funding agreement, either directly or via the minister's office?

Mr Eccles: Yes. I think the minister's office may have been approached by the shadow minister's office for some information.

Senator CHISHOLM: Has that been provided?

Mr Eccles: I'm not sure.

Senator CHISHOLM: Minister, are you aware?

Senator Fifield: I'm not sure whether there were approaches from parliamentary colleagues for information. Those don't necessarily come to me; more often than not they're handled directly by the staff. We can check.

Mr Eccles: We have been providing advice to the minister's office and others on the extent to which the information contained in the Fox Sports report to us did contain elements of it that were commercial-in-

confidence, which goes to the cost of some particular elements. The broad structure and the nature of the sports that are being supported are able to be seen.

Senator CHISHOLM: The performance report hasn't been made public yet?

Mr Eccles: No.

Senator CHISHOLM: It's only been provided to, obviously, Fox Sports, the department and the minister's office?

Mr Eccles: It's been provided to us to make sure that Fox Sports have complied with the nature of the agreement that we have, and we are satisfied that they have.

Senator CHISHOLM: I presume that the performance report will be released in due course, Minister?

Senator Fifield: I haven't turned my mind to it or spoken to the department about that. Obviously, we'd be for maximum transparency.

Senator CHISHOLM: So it will be released at some stage?

Senator Fifield: As I say, it's not something that I've turned my mind to or spoken to the department about, but we would be all for maximum transparency. It's just about whether there would be any commercial-in-confidence material there. We'd absolutely want to provide the maximum information publicly that we can.

Senator STORER: I want to return to the inquiry matter. I'm trying to understand the dossier and the time line that you created regarding that report. I want to reiterate that 'this inquiry will examine the recent allegations insofar as they relate to actions by the ABC board and the extent they impinge on the board's statutory role in maintaining the independence and integrity of the corporation'. You note that there is an email written by the chair to the managing director on 8 May regarding Ms Alberici and the termination of her employment. Reference to that email is not in the time line. Should it have been in that time line?

Mr Mrdak: The time line tried to capture the key events as reported. Given that I reference the email elsewhere, I thought I'd captured it, but it probably should have been reflected in that 8 May development.

Senator STORER: You've spoken about the dossier and that the ABC considered it a board document; correct?

Mr Mrdak: Yes.

Senator STORER: Confidentiality.

Mr Mrdak: Yes.

Senator STORER: So they did not provide it to you?

Mr Mrdak: That's correct.

Senator STORER: Ms Guthrie felt that she was bound by a deed of disclosure of her termination to not provide it to you?

Mr Mrdak: That's correct.

Senator STORER: What was Mr Milne's opinion on provision of the dossier to you?

Mr Mrdak: His advice to me was that he did not hold the document, that it was an ABC board document and it would be a matter for the ABC as to whether it was provided to me.

Senator STORER: This was because, at the moment you spoke to him, he was no longer—

Mr Mrdak: That's correct. He'd resigned from his position at the ABC and his advice to me was that he did not have a copy of the document. But he did confirm to me one of the things I was trying to ascertain—the existence of the document and the sorts of matters it covered.

Senator STORER: Yet, given that you came up short on obtaining the dossier, you didn't speak to any other board member regarding their holding of the dossier or their being able to provide it to you?

Mr Mrdak: That's correct. What I had ascertained from Ms Guthrie and Mr Milne was that it largely pertained to her response to her employment.

Senator STORER: I asked about other board members. You didn't speak to them about their ability to provide you with this dossier?

Mr Mrdak: The advice I'd received was from the acting managing director. He'd conveyed to me the ABC's position. I took that to be the position of the board of the ABC.

Senator STORER: You mentioned before that, given their characterisation of it, you felt that the dossier was not relevant to the four matters?

Mr Mrdak: No; that's correct. It pertained to matters relating to the reasons that had been given to Ms Guthrie for her termination.

Senator STORER: Surely, the dossier would have included perhaps the chair writing the email to the managing director regarding Ms Alberici and the termination of her employment?

Mr Mrdak: Yes, and I believed that I had ascertained that separately from receiving that document. In relation to those matters, my judgement was that I had ascertained as much evidence as I was going to be able to determine, based on what I had without that document.

Senator STORER: Of course, around the time of that email, there were a number of complaints and letters being written by the minister on that matter and responses. Surely, that would provide more information for you to ascertain whether there has been influence on the ABC board by the government or ministers thereof?

Mr Mrdak: I have had access to the letters that the minister has written to the ABC in relation to the matters set out in the report. As I said my primary focus, in relation to the media reports, was on the relationship between the then chair and the then managing director.

Senator STORER: You have seen the email which said 'they hate her; get rid of her'. Is that correct? That was the email of the 8th.

Mr Mrdak: That's correct. That was provided by the ABC.

Senator STORER: But the chair considers that that was not a direction to the managing director?

Mr Mrdak: That's correct.

Senator STORER: At that time you chose not to speak with the Acting Chair of the ABC on this matter.

Mr Mrdak: My understanding was, and the media reporting reflected, that the matter was between the then chair and the then managing director. I had no indication that that email had been shared with other members of the board.

Senator HANSON-YOUNG: It was referred to in the dossier, in the document from Ms Guthrie.

Mr Mrdak: That's my understanding.

Senator HANSON-YOUNG: How do you know that the email wasn't included in that document?

Mr Mrdak: The reference was in the document, and that was confirmed by Ms Guthrie. I don't know whether it was attached as part of it, but certainly a reference to that was in the 11-page dossier.

Senator HANSON-YOUNG: This is the problem, isn't it? You didn't get it, so you don't really know what was in there; you don't know what could have been helpful.

Mr Mrdak: I'd been advised of the general matters and, as I said, they largely related to the reasons for her termination and her response to that.

Senator STORER: You've been asked to establish the facts in relation to these matters, yet establishing the facts means that you ask somebody and they say, 'You don't need to look in there,' and you say, 'That's okay.' Is that right?

Mr Mrdak: The first fact that I was asked to establish was: did such a document exist? It was confirmed to me that the document does exist. It was not made available to me, given that my inquiry did not have powers of compelling provision of documents. Other processes may well provide those.

Senator HANSON-YOUNG: But you didn't ask the people who have the document.

Senator STORER: Yes.

Senator HANSON-YOUNG: Why didn't you just ask the board of the ABC or the acting chairperson for the document?

Mr Mrdak: I asked the acting managing director—

Senator HANSON-YOUNG: But it's not the managing director's document.

Mr Mrdak: No, but he reflected back to me the ABC's view. I took that to be the view of the board of the ABC.

Senator HANSON-YOUNG: You know that mum is going to give you a different answer to dad. Mum is the one who might give you the nicer answer, so you go and ask mum. That's effectively what you have done.

Mr Mrdak: No. I formally requested the document from the ABC. I was not provided with the document from the ABC and, as I outlined in my earlier evidence to this committee, I felt that I had completed the task that was asked of me.

Senator URQUHART: I've got some questions around the content review. I know that Senator Hanson-Young touched on some of this, but I've got some further questions. Can you provide an update as to the nature of the efforts to increase Australian content on TV, including but not limited to pay services such as Netflix, and public broadcast content?

Mr Eccles: I might ask Dr Arnott to come forward, to talk a little bit about some of the programs that we're supporting at the moment around taxation assistance for television broadcast in Australia. The government has quite a well-established program of activity that is designed to work with the screen production sector and with broadcasters, with a view to increasing the amount of Australian content on our screens, both television and the big screen. Dr Arnott can go into a little more detail about some of the specific programs.

Dr Arnott: Would you like me to talk through what incentives are available?

Senator URQUHART: Yes, if you can do that very quickly, that would be great.

Dr Arnott: The government runs a program called the Australian Screen Production Incentive, which has a number of elements to encourage screen production in Australia. The producer offset, which is run by Screen Australia, is designed to encourage film, television and documentary production. A 40 per cent tax rebate is available for Australian feature film that meets the significant Australian content test. A 20 per cent rebate is available to television, if that meets that test. From the department, we also run a couple of important offsets—the location offset, which is designed to attract international production to Australia, and the post-digital and visual effects offset, which obviously brings significant visual effects work here to Australia.

Senator URQUHART: What about Netflix?

Dr Arnott: Yes, I'm aware that Netflix is commissioning significant Australian content.

Senator URQUHART: Can the department state whether it has met with stakeholders and producers such as Netflix and Amazon?

Mr Eccles: Yes, we certainly have, quite regularly.

Senator URQUHART: Would the government consider partnerships and subsidies with production companies to incentivise more Australian-produced content?

Mr Eccles: Increasing Australian content and providing whatever we can to help the production sector is foremost in our minds. In discussions with Netflix, I can assure you that we push quite hard for them to continue and increase their investment in Australian stories and, equally as important, in using the services of the production sector in Australia, including actors and those behind the cameras.

Senator URQUHART: Does that go as far as considering partnerships and subsidies?

Mr Eccles: Dr Arnott has taken you through the programs. It's fair to say that we are always interested in new opportunities to increase the amount of Australian content.

Senator URQUHART: Minister, would the government consider partnerships and subsidies with production companies to incentivise more Australian-produced content?

Senator Fifield: We haven't provided our decisions in relation to the content review, so I wouldn't want to go to any particular mechanisms.

Senator URQUHART: Has the department sought and/or obtained advice on the impact of the Australia-US Free Trade Agreement or TPP in relation to the content review?

Mr Eccles: No, not to my knowledge.

Senator URQUHART: In view of the US-Australia Free Trade Agreement, is it an option for policymakers to impose Australian content obligations on US-based over-the-top content providers such as Amazon and Netflix?

Mr Eccles: I'd like to take that on notice. You're assuming that that's an avenue being entertained. We haven't sought advice on that, so I would need to take that on notice.

Senator URQUHART: When you take that on notice, if it's not an option, can you give me details around why? If it is, under what conditions do you see that occurring?

Mr Eccles: To be clear, your question goes to a hypothetical situation: whether the imposition of quotas on a US company would be problematic under the US—

Senator URQUHART: Is it an option for policymakers to impose Australian content on US-based over-the-top content providers?

Mr Eccles: I don't think we've sought advice on that, but I will check.

Senator URQUHART: On 7 December 2017, the House of Representatives Standing Committee on Communications and the Arts released its report on the Inquiry into the Australian Film and Television Industry. The report made 13 recommendations. There is a resolution of the House that the government is required to respond within six months. Can you tell me when and how that response will be available, given that it's quite a bit over six months?

Dr Arnott: Yes. The timing of the response is a matter for the government.

Senator URQUHART: Minister?

Senator Fifield: We'll be responding shortly.

Senator URQUHART: In the next few weeks?

Senator Fifield: Yes.

Senator URQUHART: The discussion paper for the content review that was released in August last year noted that future policy settings need to recognise that Australian culture extends beyond traditional forms of screen content into video games and it highlighted the changing consumption habits of children who have moved away from traditional platforms to video games. What options did the content review consider to support the development of Australian-made games?

Mr Eccles: That goes to advice, and I'm not in a position to be able to talk to you about what's in that report.

Senator URQUHART: I'm sure that that content review considered the mix of financial incentives that are currently available to film and television production in Australia, including direct funding and tax offsets. Could these options be used to support the development of Australian-made games—and what methods would work best?

Mr Eccles: I can't add to what I've said earlier. That goes to the advice. The discussion paper did canvass those areas.

Senator URQUHART: According to research conducted by the Interactive Games & Entertainment Association, Australian-made games generated just $118.5 million in revenue in the 12 months to March this year, which is less than New Zealand-made games generated. What options are there for increasing the volume and value of Australian-made games, and were these considered by the content review?

Mr Eccles: Again, I can't add to that. It was part of the considerations in the content review.

Senator URQUHART: You're probably going to answer all my questions in the same manner.

Mr Eccles: Yes. It goes to the nature of advice and, unfortunately, I can't go into any detail.

Senator URQUHART: I'll skip over a couple that I know you'll answer in the same way. The Canadian games development industry has 21,700 full-time employees and the UK has 12,100. According to research conducted by the Interactive Games & Entertainment Association, Australia has just 928. Why do you think Canada and the UK are investing in a games development industry and Australia isn't?

Mr Eccles: I'm absolutely not an expert on the UK and Canadian games systems, so we will have a look at that.

Senator URQUHART: You will take that on notice?

Mr Eccles: Yes.

Senator URQUHART: Do you think Australia is missing out on an opportunity by not investing in the games development industry?

Mr Eccles: You're asking for an opinion.

Senator URQUHART: Okay. Did the content review look at Canadian and UK policies and whether they should be implemented here?

Mr Eccles: The content review did look at international examples, but I can't go into any details; again, that constitutes advice.

Senator URQUHART: Minister, can you answer whether it looked at Canadian and UK policies?

Senator Fifield: Whether it looked at those specifically we'll take on notice.

Senator URQUHART: I will leave that one. Minister, it's been well over a year since public consultation for the content review finished and it's getting close to a year since you received the final report of the review from the department. That's correct, isn't it?

Senator Fifield: That's correct.

Senator URQUHART: Can you tell me where the report is, why there has been such a delay in releasing it and what its findings are?

Senator Fifield: We've had what I might term an iterative response in that the government announced in the budget the establishment of the location incentive to complement the existing location offset to effectively take the offset from 16.5 per cent to 30 per cent. A couple of weeks ago I announced the first projects which are being supported through the location incentive. That was one of the issues raised—the competitiveness of the location offset. It was raised by both the House of Representatives inquiry and through the content review work. So we have provided a partial response, or government has taken some decisions in relation to content matters—

Senator URQUHART: Is that how it's going to be done? Are you going to do it in piecemeal?

Senator Fifield: We had the opportunity in the last Budget to do that, so we did. Also at about the time of the last Budget a number of stakeholders, off the back of some erroneous reporting, were concerned that the government was about to remove quotas for the screen industry, which was completely wrong and not our intention. That was erroneous reporting. At that time it was clear that a range of stakeholders were keen to have some further and more detailed discussions about options for incentives and quotas; so that's what we've been doing. The overwhelming feedback from the sector is that it's important to get this right rather than to seek to meet an arbitrary timeframe.

Senator URQUHART: Is the report of the content review considered an advice to government?

Senator Fifield: Yes, it's an input to government deliberation. It is an input, just as the House of Representatives inquiry is an input.

Senator URQUHART: Why won't you just release the report so that industry and the opposition have the benefit of the work of the department and Screen Australia? Do you think it's reasonable to keep everyone waiting for information?

Senator Fifield: It's a report to government, it's not a report of government, and it's an input to our decision-making, so having it would not necessarily give an indication as to the decisions that government is likely to make.

Senator URQUHART: Why do you feel the need to hold back that information?

Senator Fifield: It's not so much a matter of holding back; it's an input to the decision-making processes of government.

Senator URQUHART: The wheels of which move very slowly, obviously.

Senator Fifield: As Mr Eccles has indicated, this is a complex area. Most stakeholders would prefer that we take the time to consult closely and to make sure that decisions the government makes are broadly welcomed by all stakeholders.

Senator URQUHART: You've said that the content review is equivalent to the House of Representatives report.

Senator Fifield: In the sense that they're both inputs—

Senator URQUHART: So that's a public document. Why is this one not?

Senator Fifield: I've said that they are both inputs. I didn't say that the two are exact analogies of each other, because one is the result of a parliamentary inquiry and the other is the result of an administrative Public Service process.

Senator URQUHART: If it's so complex, then why not share the findings widely?

Senator Fifield: They're not findings; it's input to government.

Senator URQUHART: I know that the Interactive Games & Entertainment Association wrote to you weeks ago seeking an update on the review and whether the review was providing support for games development. Have you responded?

Senator Fifield: I would have to check.

Senator URQUHART: You did receive a letter; you're aware of that?

Senator Fifield: They do write on occasion, but I'd have to check—

Senator URQUHART: You're not sure whether they wrote specifically on that?

Senator Fifield: I'd have to check.

Senator URQUHART: So you're not sure.

Senator Fifield: I'd have to check.

Senator URQUHART: I'll leave my questioning there; thanks.

CHAIR: We're done with general questions now. Thank you very much, officers. We'll now move to Australia Post.

Australia Post

[11:44]

CHAIR: Welcome, Ms Holgate, and officers from Australia Post. Ms Holgate, do you want to make an opening statement?

Ms Holgate: I do. Before I begin, I'd like to start by sharing some fantastic news. This is my first quarter since I joined Australia Post that we've had no fatalities and we're starting to see some encouraging signs from our focus on safety. You may have noticed our national campaign on the side of our trucks—'be alert, there's a life riding on it'—and we're using our own vehicles to promote our message. This is the first time that we will not be ordering motorbikes. We are switching to electric bikes, good both for the environment and for the safety of our people.

Last week we tabled our annual report for the previous year. All our community service obligations were exceeded. We maintained 4,357 post offices, with a delivery rate of 98 per cent. Our headline profits after tax were up 41 per cent to $134 million. If you exclude the benefit of one-off items, this rose from $19 million to $72 million. Our profits were secured though with $265 million of additional efficiency savings, which helps us refocus on optimising the use of our posties to carry parcels. This has helped us to save jobs and protect important investments.

Although we had a very strong exit to the previous financial year we have had a very challenging first quarter. In a highly competitive market, I'm pleased to report that parcels remain very strong at over 10 per cent growth, four times that of the GDP. Our strong parcel growth, though, alone is not enough to compensate for the significant volume declines that we are seeing in letters, which is a $2.4 billion business. They are currently down 11 per cent in the first quarter. For every $1 of revenue that we lose in letters we have to get $2 in parcels. In addition, international revenues have been impacted by the significant fall-off in inbound small packets and parcels. This fall-off appears to have been impacted by the introduction of GST, the softening of the Australian dollar and softer consumer sentiment for non-discretionary goods.

We continue to drive a strong efficiency program to ensure that we can protect investments as we drive growth in our rapidly transforming business. This is a very challenging period. We are working hard to maintain that we are commercially independent, protect important capital investments and meet the needs of our consumers.

One of our major achievements in these early months of FY18-19 is the landmark partnership announced with Commonwealth Bank, Westpac and NAB, securing investments of hundreds of millions of dollars to support our Bank@Post service. The Bank@Post service allows customers to make simple banking transactions at their local post office. Last year the service lost almost $50 million to operate, as Australia Post subsidised this growing service with increasing demand. It is in need of significant investment and a review of the rates paid to our licensed post office partners. Our costs to operate this service are very real. Australia Post can no longer subsidise this service. We do not have the funds, nor do our licensed post offices, to make the investment needed. We need to invest in post offices, whether a small handful of customers use them or thousands.

We need to ensure our communities have access to safe, secure and reliable banking services. Commonwealth Bank, Westpac and NAB have all agreed to pay a community representation fee of $22 million annually and revise transaction rates. This, in return, will give them access to use our services in 3½thousand post offices nationally. Together we are looking at further ways in which we can support small businesses.

There are 1,550 communities in Australia where there is a post office but no bank branch. If it were not for the support of CBA, NAB and Westpac, we would have faced suspending the service and closing post offices, which would have cost jobs and hurt communities. I'm extremely grateful for the three CEOs of these banks for supporting us.

The other major bank, ANZ, has not yet agreed to make a commitment to our community post offices. After nine months of discussions, and nine weeks very actively, ANZ has not yet chosen to support a longer term investment. ANZ is the fastest growing user of the Bank@Post service. In the last 15 months we have supported ANZ with 81 branch closures—a service we do not get paid for—20 branch closures in the last three months alone and we have been notified of four more imminently. The bank closures of ANZ are almost double those of any other bank. Approximately 70 per cent of these closures are in rural and regional Australia.

When a bank branch closes, the average number of transactions in the local post office rises by eight times. The values rise by seven times. The sudden increase in cash deposits results in Australia Post being required to increase security and Armaguard visits—again a cost we are not today paid for.

Last year we saw ANZ transactions grow by over 20 per cent and the value of those transactions in our post offices by 30 per cent year on year. Over 6,000 ANZ customers use this service every day in a community post office; 85 per cent of those we estimate to be small businesses. Last year they accessed 99 per cent of our post office network. Almost 50 per cent of their transactions are in a post office more than five kilometres from the nearest ANZ branch. We see this trend continuing in this new financial year. If we look at just the last quarter of the last financial year, the value of the transactions in ANZ was up 40 per cent.

When we see these big spikes in these local communities, this actually disproportionately accelerates our costs disproportionately. It is not the absolute value or number but is the fact that we have to actually go out to these communities and start supporting them. Last week our current Bank@Post agreement with ANZ commenced its three months notice of expiry. We have offered ANZ a new agreement to commence from 15 January which would enable their customers to continue to use our services. We do not yet have an agreement with ANZ for this either.

I am informed that last night the ANZ CEO took to Twitter to tell our licensed post office partners that they would use the service if they had a fair deal. 'We can't pay multiple times per transaction what our competitors pay,' the CEO is quoted as saying. I believe I can make this comment on behalf of all our licensed post office partners, the customers who use our post offices and the staff at Australia Post: ANZ, we urge you to consider your customers and the services they need in communities before you consider your profits and what you think they are compared to other banks.

In developing the agreements with all these major banks, we have had to follow very strict competition law advice. This has included that we must treat all banks equally and that we do not undercut any agreement of one bank with another. All our bank partners have been very aware of this advice since August when we commenced detailed discussions. This, in effect, means the three banks that have signed all have the same financial terms—the same as those offered to ANZ. This also means that Australia Post will not be cutting a deal with ANZ. I would risk neither ANZ nor Australia Post in doing so.

It is absolutely not true that ANZ transactions are multiple times larger than those of any competitor. All four banks have had transparent, fair and equal treatment. I am sure that CBA, Westpac and NAB would all vouch for that. We continue to be open to discussions with ANZ and, whilst we have different views on customers and the needs of the communities, ANZ remain an important customer to me. We urge the leadership of ANZ to give clarity and assurance to their customers on how they wish to serve them going forward.

One of the most important aspects of our agreement—

CHAIR: Ms Holgate, I'm sorry but we are very tight on time today.

Ms Holgate: I'm finishing off for you.

CHAIR: Excellent; thank you.

Ms Holgate: One of the most important aspects of our agreement with CBA, Westpac and NAB is that it enables us to make significant increases to our licensed post office partner payments. The minimum amount of payment will rise by 25 per cent, from $32,000 to $40,000, and we will give a 50 per cent increase in base transaction fees. Securing the future viability of post offices remains our No. 1 priority. We are on track to have our new agreement in place for the end of the financial year and just last week we announced that we will move from CPI increases to the average retail price increases. This gives important boosts to the financials of the post offices.

Finally, we enter a period of Christmas—our peak. I'm pleased to say that we've made significant investments in our facilities which will speed up our ability to deliver our parcels to our people. I would like to thank all the team at Australia Post, our partners, our contractors and their families for all the work that they do every day to serve the people of Australia.

CHAIR: We'll go straight to questions. Senator Urquhart.

Senator URQUHART: Thank you very much for that. I did have a couple of questions around the Bank@Post agreement—first of all, well done with that—but I won't labour them. But just in terms of the Bank@Post, will a banking transaction fee continue to be charged on top of the $22 million per annum contribution?

Ms Holgate: There will.

Senator URQUHART: Australia Post has emphasised the importance of the agreement in helping to support investment in the Bank@Post service. For the benefit of the committee, can you provide clarity as to what's meant by 'investment'?

Ms Holgate: Sure. First of all, we significantly have to improve the infrastructure, particularly in licensed post offices. If I may give you an example, the other evening I was talking to one of our post office partners in Queensland, in a little town called—I am going to say this wrong, so correct me—Jandowae. This small post office had a bank branch close and overnight those people started to have large cash deposits in. We immediately had to go and put in a larger safe and increase Armaguard visits and training and security. This is the cost no-one pays us for. It doesn't work out when you look on a sheet. That money will help cover those costs and make sure that our people are safe.

Senator URQUHART: Does the agreement require Australia Post to develop new capabilities or facilitate different types of banking services to what you've previously offered?

Ms Holgate: No. We are offering to do some basis things, if I may explain. One of the big challenges is that so often it's small businesses that suffer in communities where there are no bank and they need access to coin floats. I know that might seem very basic to this committee but, if you're a small business, it's critical. So that's what we're aiming to do—to provide those and help.

Senator URQUHART: Will this investment be predominantly targeted at regional post offices and LPOs or spread across the entire retail footprint?

Ms Holgate: Sixty-five per cent of Australia Post's network is in regional and rural Australia and it is our smaller branches in regional and rural Australia that are getting hit. When 70 per cent of branch closures are in regional and rural Australia, it's disproportionate.

Senator URQUHART: But will that investment be predominantly targeted?

Ms Holgate: Yes.

Senator URQUHART: You've talked about this. You said that agreement would allow Australia Post to increase the Bank@Post transaction payment to post office licensees by 50 per cent from early next year. What type of financial relief might the average LPO expect as a result of this development?

Ms Holgate: Perhaps I could give you an example. If we look at post offices which are close to a branch closure, which almost all of them are at the moment, we looked at an average of—I think a sample was—50 and we saw the number of transactions go from 244 to 2,000. If those post offices are getting paid such a higher rate with all that extra work, it makes a significant investment on its own.

Senator URQUHART: But what sort of financial relief would they expect to receive?

Ms Holgate: I think if you work those figures out, perhaps another way would be to say that they would be getting close to $4,000 extra as opposed to a few hundred dollars today. Does that help?

Senator URQUHART: Yes; thank you. I turn to the annual report. In the 2018 annual report I note that there have been changes to how the operating segment information is now reported. I want to focus on the following passage, which sets out some of the underlying reasons:

The operating network brings together our letters and parcels teams to reduce duplication and deliver an efficient, customer focused network. As a result of this, the Executive Management Team now contemplates business decisions on the basis of Group profitability, with the Group viewed as a single operating segment, comprising the provision of delivery and related services to customers across a shared network.

Can you just expand on that. Does this reflect a shift in how Australia Post examines opportunities and challenges within the business?

Ms Holgate: No, not necessarily. Actually, very fortunately, we have the person running the one network program sitting at the table, Mr Rod Barnes, so I will let him speak in a moment.

Senator URQUHART: Thank you.

Ms Holgate: Historically, we had three different networks—one for StarTrack, one for parcels and one for mail. We're actually bringing those all together to one network. The postie is the most trusted person who knocks on the door. As the letter volumes were going down, their jobs were under threat. This enables us to save those jobs and keep the most trusted person in the community. Rod, would you like to add anything?

Mr Barnes: Today we see nearly 45 per cent of all parcels delivered by posties. So when you think of the context of the letters declining at 10 per cent per year, that's been a big boost for our posties in keeping them busier out there. We expect to see that close to 50 per cent within a year and a half. That network is certainly

growing and we are able to spread the resource to make sure that we're really covering vast miles for our customers and community.

Senator URQUHART: Thank you. Inbound international parcel volumes increased by 46 per cent in the previous financial year. Can you provide any perspective on trends in outbound international volumes?

Ms Holgate: Yes, I can. They were growing at more like 10 per cent. In my opening remarks I said that we have seen a significant fall-off on inbound volumes since 1 July.

Senator URQUHART: But outbound international volumes?

Ms Holgate: Outbound international is still growing at around seven per cent. It's not as strong as it was, but it's still growing.

Senator URQUHART: In terms of the significant growth in inbound volumes, can you provide some perspective on why that's outpacing the overall parcel growth so significantly? What does that mean for the Australia Post business both in financial and non-financial terms?

Ms Holgate: The first thing I would say is that it is an almost seven billion revenue. In a very simplified way, our international revenues were only 10 per cent—so $700 million. They are a very important $700 million to me. Sometimes the percentages can look greater than what the absolute really is. Last year we saw very large increases in inbound packets and parcels, with 90 per cent of those coming in from China. But since 1 July we have seen that fall off significantly.

Senator URQUHART: You delivered an interesting speech to CEDA in October 2016. One of the key points made was about the importance of thinking differently about financial hurdles and how companies invest in innovation and opportunities. The speech then went on to make the point that sometimes stakeholders need to be brought along in understanding not just the bottom line implications but also the non-financial milestones. Having now been in the role for over a year, what's your intuition telling you about the future direction of Australia Post over the next five to 10 years?

Ms Holgate: I didn't realise the words I was saying then would be so pertinent for where I am today. One thing—no matter what piece of research I've learnt at Australia Post—is the needs of our community to maintain their post offices. With over 90 per cent of Australians saying they are either extremely or very important, that becomes a very large focus for us. For me, if we are to protect jobs, it is really important that we grow. For every person that we employ in Australia Post, particularly because we are weighted to rural and regional Australia, two or more jobs are created in the economy. If I want to protect these post offices and protect our workforce, we have to learn to grow.

Senator URQUHART: Are there any opportunities that you see that might appear risky now that would potentially be even more risky in the long run if Australia Post did not pursue them? What reflections can you share on the risk-reward environment that Australia Post is actually operating in?

Ms Holgate: One of our largest risks is the speed of decline of letters, with letters coming down 11 per cent. We lost $50 million on letters last year. It is a $2.4 billion business. Our costs are up 15 per cent since we had our last increase. We have some major hurdles there and it's our single biggest risk in the business.

Senator URQUHART: I just want to turn briefly to Australia Post board member Mr Tony Nutt. On 31 August the *Australian Financial Review* reported:

> Liberal heavyweight Tony Nutt has been called in act as the government's 'director of transition' to oversee the move from Mr Turnbull to Mr Morrison.
>
> This will be the third time Mr Nutt has been drafted to manage such a transition, having previously provided support to Tony Abbott and Mr Turnbull after they took the top job.
>
> Mr Nutt has extensive experience advising Liberal leaders, having spent more than a decade working as a principal adviser to former prime minister John Howard and Victorian premier Ted Baillieu.

Minister, can you confirm whether Mr Nutt was called in to act as the director of transition for Scott Morrison?

Senator Fifield: Yes, he was engaged to assist the Prime Minister's office with a range of transition matters. I'm advised that the role was temporary and unpaid.

Senator URQUHART: I refer to clause 2.6 of *Commonwealth Government Business Enterprises—Governance and Oversight Guidelines*, which states:

> … the government expects GBE boards to establish and maintain a code of conduct for directors … employees and contractors and that GBEs, in undertaking their business, avoid activities that could give rise to questions about their political impartiality. For example, GBEs are not to make direct or indirect political donations or participate in activities that would bring the government into disrepute.

Did Mr Nutt notify the Australia Post board prior to accepting the position as Scott Morrison's transitional director?

Ms Holgate: I'm sorry, Senator; that's really a matter for our chair. He would have notified our chair, not me personally as the CEO.

Senator URQUHART: So you're not aware?

Ms Holgate: I am aware he notified him, but I'm not aware of timings. Actually, I was overseas when the whole thing happened. I was on leave.

Senator URQUHART: Minister, are you aware?

Senator Fifield: I am aware.

Senator URQUHART: You are a shareholder, Minister?

Senator Fifield: I'm advised that he did advise the chair, but the timing of that I don't know.

Senator URQUHART: Given that he did advise, did the board assess and judge that the role would not give rise to questions about Mr Nutt's political impartiality?

Senator Fifield: I'm sorry; could you just repeat that?

Senator URQUHART: Given that he did advise, did the board assess and judge that the role would not give rise to questions about Mr Nutt's political impartiality?

Senator Fifield: The board, I understand, have guidelines that deal with actual or potential conflicts of interest, and it's a matter for the board to administer their guidelines.

Senator URQUHART: Did you seek any advice on the matter, as the minister?

Senator Fifield: It's a matter for the board to administer their guidelines. I do note, Senator, that you referred to some before where you spoke about Australia Post, in undertaking its business activities, being seen to be impartial. That relates to Australia Post's business activities. This was not an Australia Post business activity.

Senator URQUHART: But did you seek any advice on the matter, Minister?

Senator Fifield: As I say, this is a matter for the board of Australia Post.

Senator URQUHART: No. I'm asking you whether you sought any advice.

Senator Fifield: Senator—

Senator URQUHART: It's easy. It's either yes or no.

Senator Fifield: I was advised that the role was temporary and unpaid and that Mr Nutt had advised the chair of Australia Post. That's what I was advised.

Senator URQUHART: Okay. Minister, Mr Nutt was obviously a close professional associate of John Howard. Have you recommended any other close associates or family members of Mr Howard for employment within Australia Post?

Senator Fifield: I have absolutely no role in the employment decisions of Australia Post.

Senator URQUHART: Have you been approached by any current or former directors of the Liberal Party seeking jobs for their mates within Australia Post?

Senator Fifield: No, Senator.

Senator URQUHART: Have you directly interfered in any staffing matters?

Senator Fifield: No.

Senator URQUHART: All right.

CHAIR: You have five minutes.

Senator URQUHART: I'm just about to start a new section, so do you want to go to Richard first?

CHAIR: I might do that rotation. Senator Di Natale, and then I will come to you, Senator Williams.

Senator DI NATALE: Thank you very much. I want to go back to the issue of Australia Post and the delivery of financial services. How many of your activities are now split between postal services as against financial and government services?

Ms Holgate: I'm so sorry—

Senator DI NATALE: Yes, I know; there's a bit of distraction over there from Senator Williams. I will repeat the question and I will get some of Senator Williams' time, I think. How many of your activities are split between postal services as against financial and government services?

Ms Holgate: Perhaps I can step back for a moment. In relation to letters, last year it was about $2.4 billion; parcels, about $2.4 billion; and roads, about $600 million. Our post offices turned over about $1.1 billion. So about $350 million in financial services in total. We do many different types of financial services, but that was its entirety.

Senator DI NATALE: So $350 million, did you say?

Ms Holgate: Of which $40 million, approximately, would be Bank@Post. So it is a very small percentage in terms of our revenues, but not necessarily of our work. It's about 10 per cent of the work that we do in the post office.

Senator DI NATALE: So it is 10 per cent of the work. I would have to do a very rough calculation, but it looks like a much smaller percentage—a couple of per cent, if that, of your total revenue.

Ms Holgate: I'm sorry?

Senator DI NATALE: It would be a couple of per cent, if anything, of your total revenue?

Ms Holgate: Yes, not even one per cent.

Senator DI NATALE: Okay. Is that part of the business growing?

Ms Holgate: Yes, it's growing very rapidly.

Senator DI NATALE: Is that just a consequence of the changing nature of other parts of the business, digital disruption and so on, that people are seeing the role for Australia Post in delivering essential banking services?

Ms Holgate: I think there are two different factors impacting it. First of all, undoubtedly, bank branch closures are impacting the growth in the service because people have got nowhere else to go. That is definitely impacting the service. Secondly—if I may use the term 'in the old days'—people worked with one bank; they had their mortgage, their credit card and everything else with them. These days, increasingly people work with multiple different banks and so often come to Australia Post as a safe, reliable place where they can do multiple different transactions rather than go to four different places.

Senator DI NATALE: Okay. You said that there is a $50 million loss—

Ms Holgate: Yes.

Senator DI NATALE: from running those services?

Ms Holgate: Yes.

Senator DI NATALE: Where does that come from? You've mentioned security as one aspect, and that's something you've obviously got to pay for. What other costs are incurred in running those services?

Ms Holgate: First of all, you have to pay your licensed post office partners. We have to pay our own workforce.

Senator DI NATALE: Sorry; 'pay your licensed post office partners'—what does that mean?

Ms Holgate: If somebody comes into a post office and they want to deposit an amount of money, the post office gets paid for taking that money and processing it for them.

Senator DI NATALE: But how do you end up with a $50 million loss?

Ms Holgate: Because of the volumes of transactions, the amount of money that we've been receiving from the banks to date and the amount that we have to pay out to other partners, and particularly then, on top of that, our licensed post office partners, our own employees and the provision of security and IT services to support the business.

Senator DI NATALE: All of that means that even though you've got $40 million in revenue coming in, you're running at a $50 million loss because of all of those additional things that aren't taken into account?

Ms Holgate: That's correct.

Senator DI NATALE: You've now got what you called a landmark partnership with three of the four big banks, at $22 million each. You made some very strong statements about the ANZ in your opening statement. *The Australian Financial Review* today reported some comments from CEO Shayne Elliott. He indicated that he would be interested in upping the cost of the transaction fee, but the reality is that when compared to the big three there's a huge difference. He feels that he has been treated unfairly. Can you explain why he's wrong? You indicated that you believed he was wrong in terms of the quotes he was making around the transaction fee.

Ms Holgate: I most definitely believe it is misleading. First of all, we need to provide these services whether one or 1,000 people go. The fees being offered to all the banks are exactly the same. No bank is being charged

multiples of any other bank. We charge an access fee, and the more times you use it, you pay a varying transaction fee.

Senator DI NATALE: There are some fixed costs and some variable costs?

Ms Holgate: That's right. The rates are exactly the same for any one bank. We need to provide the service. What's quite different—

Senator DI NATALE: Is that also for banks that aren't part of the big four?

Ms Holgate: No, only the big four. The reason for this is that 85 per cent of our volume for this service is the big four. Why our costs have accelerated goes alongside where we've had these branch closures in rural and regional Australia. It's the Peter and Susie Wilsons of this world, where we need to go in immediately and put in extra security. That's a cost that nobody sees. When we help banks, when they announce branch closures and we go into those communities and try and help their people, we're not paid for that service. It takes up a significant amount of time, of both our own people and our licensed post office partners.

Senator DI NATALE: Mr Elliott says, 'We'd be happy to double or triple the cost for a transaction.' He wants to move to what looks more like a fee-for-service model. Tell me why the other three have been satisfied with the arrangement and Mr Elliott isn't.

Ms Holgate: I have to be very careful that I don't speak on behalf of Mr Elliott. What I can say is that I personally have been involved in talking with Mr Elliott since 22 January. The community representation fee is not a new idea. We actually have put forward three different proposals. The last proposal was agreed by all three major banks. Our costs were review by KordaMentha—actually at the request of the government, not by Australia Post—in order to give the four major banks some kind of reassurance that our costs were real. KordaMentha, Mark Korda, agreed to meet with any of the banks who wanted to challenge what we were doing. Mark Korda met with ANZ. ANZ specifically was the first bank to ask me to really check competition rules. We are a post office, not a bank; in doing that, we became very aware that we had to treat all four banks exactly the same. It was actually ANZ who asked to have in our agreements that if we did an agreement with one bank we wouldn't the next day go and lower the price with another. Three banks have signed up—No. 1, 2 and No. 4. No. 3 has chosen not to. I do not recognise the number of customers they quote, nor do our licensed post office partners. If they don't want to use this service, I respect that.

Senator DI NATALE: What are the implications, though, if they don't?

Ms Holgate: I don't know. Last night, Mr Elliott was saying on Twitter, and I think was saying in that article you're referring to, that he will have alternatives for these customers. I don't know what they are. I have asked ANZ whether we can get our communications team to work together to give clarity for these customers.

Senator DI NATALE: I've got a story here that says, for example, that if you're in Trafalgar, you've now said to the customers of Australia Post, who are ANZ customers, that you can no longer provide that service and that customers are now going to have to visit the Moe branch. I don't know how far it is from Trafalgar. In here it says 10 kays; I'm not sure if that's right. The implication here, clearly, of ANZ not joining in is that some of their customers in one rural community in Victoria are going to have to drive, with large amounts of cash if they are a small businesses, to deposit it at another bank or Australia Post office in Moe.

Ms Holgate: I've offered ANZ to go into the agreement, the same as the other three banks. I've offered them an alternative where they can just sign up for one year at a time, to make sure that while they work through whatever their strategic options are their customers can still have access.

Senator DI NATALE: And they have refused a one-year agreement?

Ms Holgate: They have not yet signed a one-year agreement.

Senator DI NATALE: Have you said that you might start charging dead people? That might make them more attracted to your services.

Ms Holgate: I'm sorry, Senator; I don't know what 'fair' is. 'Fair' is being able to recoup our costs and to be able to make sure our people are safe.

Senator DI NATALE: I want to talk about the proportion of your branches and explore this idea of banking—the proportion of your branches that are in regional and remote Australia compared to urban centres.

Ms Holgate: Sixty-five per cent of all Australia Post facilities are in remote and regional Australia.

Senator DI NATALE: Sixty-five per cent?

Ms Holgate: Just over 3½ thousand of our 4,357 network are in rural and regional Australia.

Senator DI NATALE: How many of those branches offer banking services?

Ms Holgate: In total, of the 4,357, 3½ thousand offer banking services.

Senator DI NATALE: It seems to me that you're in this ideal position where you've got a whole rural and regional network that's providing a range of services. Obviously, many of them are already providing those services for people through other banks. Obviously, you're helping many of those small businesses. I know that's a big focus for you. Do you have an ADI licence—an authorised deposit-taking institution licence?

Ms Holgate: No, we do not.

Senator DI NATALE: Obviously, that's with the banks and you're able to offer that service through your partnership with the banks. Have you looked, perhaps, at offering—we know, for example, that Kiwibank in NZ offer their own banking product. Is that something Australia Post has explored? In answering that, can you explore potentially taking out an ADI licence so that you can offer your own products?

Ms Holgate: I have very strict guidelines about what I'm allowed to work with and what I'm not, and the strict guidelines mean that an ADI is not for Australia Post.

Senator DI NATALE: Given you've got the situation with ANZ customers, isn't one option to be able to offer a product yourself? Let me ask you the question in this way, because I understand the restrictions: do you have the capacity, if you were to have an ADI licence, to be able to offer those services and a discrete product in the same way that Kiwibank does?

Ms Holgate: When Kiwibank set up their services, they actually had to invest significantly in technology and all of the smarts behind it in the back. We don't have that today. If ANZ choose not to join our service—and I have deep respect for their CEO, by the way—the other banks, and there are 70 financial institutions that we work with at Australia Post, have offered to help those customers and switch them over.

Senator DI NATALE: Yes, I understand that, but we also know how difficult it is for people to switch banks. It sounds good in theory, but in practice it's—

Ms Holgate: It's very traumatic for them.

Senator DI NATALE: Yes, it's very difficult. The question, I suppose, is about the capacity for you to be able to deliver those services, effectively through becoming a low-cost people's bank yourselves. You said that part of the issue is the back-of-house—the IT, security and so on. I imagine you have a pared down or other version of that to be able to offer the services that you're delivering at the moment. Is that correct?

Ms Holgate: Part of what we need to do the investment in—I think it was Senator Urquhart or yourself who asked me about this earlier—is the technology to be able to do the transactions with the banks. But they have a whole set of different technology which enables them to look at whether someone should have a loan or not. We do not have that capability inside Australia Post today, and that's what the Kiwibank built.

Senator DI NATALE: Yes. I suppose one other way of doing it is to look to see whether there are any other smaller financial institutions, banks, that would be prepared, in partnership with you, effectively to establish a product. Is that another model, so that at least you're able to utilise their IT and infrastructure that might exist and scale that up?

Ms Holgate: Interestingly, the stories regarding our Bank@Post in the last couple of weeks have raised the attention of lots of people who have come forward offering to do that. But we do not have—

Senator DI NATALE: Do you want to explain that a bit more?

Ms Holgate: There are many people who would love to be in a position to be a major player with Australia Post who have much smaller banks or online banks.

Senator DI NATALE: And they've approached you?

Ms Holgate: They've approached me, of course. We've got the most trusted brand in the community.

Senator DI NATALE: Yes. Tell us about that. At a time when banks are at their very lowest ebb, you guys are a reasonably well-trusted institution. Do you have any metrics on that?

Ms Holgate: We are the most trusted brand in the community.

Senator DI NATALE: How do you know that? You say that, but on what basis are you making that claim?

Ms Holgate: Because there is continual research. Just recently, Access Economics produced a piece of research on Australia Post. That's why I happen to know about the 1,550 communities with only a post office and no bank branch. Ninety-one per cent of adults said that they regularly visit a post office, on average, six times a year—actually, I apologise: it was 10 times in six months. So we know it from independent research. Particularly our licensed post offices—Dave should really speak about this—are run by people in the community who have been in those communities for many years. They are known, well trusted and well respected. Equally, 95 per cent

of all passports happen in an Australia Post office. People trust them to go in and go through that process. We don't make the decision whether someone should have an Australian passport or not, but we facilitate those people going through that process.

Senator WILLIAMS: Do you know any figures? When it comes to the $22 million paid by CBA, Westpac and NAB, who does the most transactions? Is it CBA?

Ms Holgate: CBA would make the highest number of transactions. They are the largest bank.

Senator WILLIAMS: Is this the argument ANZ are putting forward? Imagine that CBA did 22 million transactions a year; that's a dollar a transaction. Then if NAB and Westpac did 11 million, it's $2 a transaction. If ANZ only did about five million, that would be $4 a transaction. Is this the argument they're putting forward, that they do fewer transactions than the other big three?

Ms Holgate: It's not necessarily about the other big three; they are actually the third-largest bank in Australia.

Senator WILLIAMS: Right. With rural transactions, I thought they might have had less.

Ms Holgate: They're arguing that they are smaller. I think today they quoted the two large Sydney banks. Our costs don't just occur by the absolute volume or the absolute value of transactions. It goes back to the example of what we were just talking about—the rural post office in Queensland. There's a small post office where, overnight, we had to put in a safe—

Senator WILLIAMS: You've been there; I understand?

Ms Holgate: and an armoured guard to go there multiple times. That added $50,000 of costs into our network immediately. We're not paid for that. The number or value of those transactions that we do with that post office will never compensate us for that. But Australia Post is about giving a community service. Whether you are a customer who goes in once to a branch or 100 times, we are here for everyone.

Senator WILLIAMS: With the LPOs, you had about 2,800 of them when I was chairing a committee here years ago. How are they performing? Do you have many in trouble? We had an extensive hearing about more money being paid to the LPOs because they were doing it really tough, especially the small community ones. How are the LPOs performing?

Ms Holgate: Overall, we have roughly 4,357 post offices and post points. Of that, about 800 are corporate-owned and about 3½ thousand are licensed post offices. Often, our licensed post office partners talk to me about the need to have increased payments. Their business has changed so significantly; predominantly they would have been in the world of letters—we've talked about letter volumes coming down—and now they're in a world of parcels and, increasingly, Bank@Post operations. That's why increasing this minimum fee by 25 per cent is so important for them. Dave runs the post offices nationally; he can give you more detail.

Mr McNamara: A lot of our post offices have been in trouble, so we've been working with them. We worked through what we did with minimum payments and, since the Senate inquiry, we have increased them. We're currently working through the payment review. Part of that payment review is ensuring that we balance the work based upon the work the outlets are doing. We are looking at what other capabilities we can work with at our small outlets and at giving them other sources of revenue. We are looking at buying programs, and how we help them get merchandise in there. So we are looking to support them in a lot of ways right across the network.

Senator WILLIAMS: When will the review be completed?

Mr McNamara: We're looking to have it wrapped up by the end of this year.

Senator WILLIAMS: During our inquiry the LPOs were getting the raw end of the deal when it came to parcel handling. We are aware of the huge drop-off in letter volumes—400 billion emails a year are sent in Australia, a huge amount. I hope your considerations and your inquiry into the LPOs keep them alive financially, because they are an essential service—especially in the regional small communities.

Mr McNamara: Definitely.

Senator URQUHART: Ms Holgate, given that you sit on the Australia Post board, do you recall the activities of Tony Nutt being discussed at the board level?

Ms Holgate: If you are referring to the incident that you were talking about earlier—

Senator URQUHART: Yes, I am.

Ms Holgate: We hadn't had a board meeting before then. Our next one is this evening; we have a board dinner.

Senator URQUHART: Right. So, you haven't had a board meeting since Tony Nutt was engaged?

Ms Holgate: Yes.

Senator URQUHART: Would you normally seek advice from the chairman on those types of issues?

Ms Holgate: I would, but the members of the board are the responsibility of the chair. It wouldn't typically be me—

Senator URQUHART: But you sit on the board?

Ms Holgate: I do sit on the board.

Senator URQUHART: Do you consider it appropriate for Mr Nutt to be working as a director of transition for the Prime Minister? Is that considered good practice?

Ms Holgate: I'm not familiar with what Mr Nutt is doing. I have read the media, too. I am happy to take it on notice and get my chair to give you a formal response.

Senator URQUHART: That would be useful. Thank you.

Ms Holgate: No problem.

Senator URQUHART: I want to go to print post pricing. Senator Williams asked a couple of questions on LPOs. Can you tell me what the justification from Australia Post was to increase the print post product by around six per cent, whereas pre-sort products realised a 1.2 per cent increase?

Ms Holgate: I'm not familiar with that question, so I'm happy to take it on notice. I don't know where that comes from.

Senator URQUHART: I might put those questions on notice, because there are a couple around that. In terms of any pricing changes, how does Australia Post approach consultation with industry and printing on price changes? How do you go through that? What factors do you consider in terms of how price increases might potentially accelerate volume decline?

Ms Holgate: Is this with regard to letters?

Senator URQUHART: Yes.

Ms Holgate: With letter pricing we spend a lot of time talking to many different stakeholders to get a view. There is no planned change to the BPR at this moment.

Senator URQUHART: No changes?

Ms Holgate: No.

Senator URQUHART: Okay. I will put these questions on notice, with a bit more detail, because they are all linked to the same thing. I will go to LPOs. You talked about the review at the end of the year. What can Australia Post do to improve the viability of licensees whose businesses are at those very tight margins? You've talked about the 25 per cent increase—is that across the board? How are you approaching businesses that are at the margins? There are a number of them.

Ms Holgate: My personal view is that increasing the minimum payment gives larger head room for security for those post offices. Ninety per cent of them are in—what do you call it, Dave?

Mr McNamara: In conjunction.

Ms Holgate: In conjunction with. So the payment review is important. I will let Dave comment on that. Perhaps more importantly, it is about increasing the role of the post offices in the community. We've definitely seen a need for that. Our job is to increase foot traffic going into those post offices to help secure their viability.

Mr McNamara: We're working through what we do with payments. Obviously, price increases flow through to our LPOs. We are working on business efficiency: what areas they can work through to lower their costs, how they can do things more efficiently and new products and services they can offer. We're working through what the different products are that they could make greater margins on.

Senator URQUHART: That's been ongoing.

Mr McNamara: Ongoing. We are working through improving their range, and looking at what we can do inside their stores to get customers to buy. We have been doing that through our corporates with the Customer Centricity program and have started now with our LPOs to help them get their customers to see the services they provide. Bank@Post is an important part. For many of those small communities, banking is increasingly important.

Senator URQUHART: So the review will be finalised at the end of the year, and once that review's finalised, what's the process from there?

Mr McNamara: From that point we go out to our LPOs to notify them of the changes. Then we would pay the changes from that point.

Senator URQUHART: Will all the LPOs be involved in the changes?

Mr McNamara: Yes. This payment scheme covers all our LPOs.

Senator URQUHART: Australia Post licensees have been calling for fairer remuneration from Australia Post across the terms of the Abbott-Turnbull-Morrison government. Minister, I understand there's been a recent postcard drive from licensees. How many postcards did you and your office receive from licensees?

Senator Fifield: I would have to check. I am happy to take that on notice.

Senator URQUHART: So you don't know?

Senator Fifield: I'd have to check. I'm happy to take that on notice.

Senator URQUHART: Last month the government successfully moved a motion in the Senate calling on Australia Post to bring forward a new licence office payment agreement that ensures that licensees who operate post offices are paid fairly. Minister, were you or your office involved in the preparation of that motion?

Senator Fifield: Colleagues will often touch base with ministers' offices when a motion relates to their portfolio.

Senator URQUHART: So that was the case—

Senator Fifield: I wouldn't be surprised.

Senator URQUHART: You were aware of it?

Senator Fifield: I would have to check.

Senator URQUHART: If you could check that. As shareholder, Minister, what conversations have you had with the CEO and others at Australia Post about implementing that Senate motion?

Senator Fifield: I haven't spoken to Australia Post directly about that motion.

Senator URQUHART: Why not?

Senator Fifield: It was a motion of the Senate. I know that Australia Post monitors things that occur in the parliament that are relevant to them. Australia Post are always working to support LPOs as well as they can.

Senator URQUHART: Ms Holgate, are you aware of that Senate motion?

Ms Holgate: I only became aware of it recently. I'm a strong supporter of the importance of licensed post offices so I'm encouraged to know that the Senate is also.

Senator URQUHART: My final question, Ms Holgate: has the Australia Post board met or had a teleconference since 31 August?

Ms Holgate: No, we have not.

Senator URQUHART: Thank you.

CHAIR: Thank you, Ms Holgate and staff from Australia Post. That concludes our examination of this agency. We will suspend proceedings for one hour, returning to examine the Australian Communications and Media Authority.

Proceedings suspended from 12:40 to 13:44

Australian Communications and Media Authority

CHAIR: Welcome to officers from ACMA. Is there an opening statement?

Ms O'Loughlin: Yes, I do have a brief opening statement.

CHAIR: Fire away.

Ms O'Loughlin: I'd like to advise the committee that this morning I announced to ACMA staff that Mr Giles Tanner PSM, the ACMA's general manager for the communications infrastructure division, will retire on 30 November this year. Mr Tanner has been with the ACMA and its predecessor organisation, the Australian Broadcasting Authority, for almost 30 years and has made an enormous contribution to these organisations over that time. At the ACMA, Mr Tanner has worked chiefly on spectrum planning and management issues since its establishment in 2005. I believe it's fair to say that, in his time at the ACMA, he has become the pre-eminent adviser to industry and to government on spectrum, licensing and telecommunications infrastructure matters. In recognition of his work, Giles was ordered the Public Service Medal in 2015 for outstanding public service in enabling generational change in radio frequency spectrum management and use, known as the digital dividend, and longstanding contribution to broadcasting and spectrum regulation.

In terms of this committee, Giles has been an almost unfailing attendee since 1997 and has supported successive ABA and ACMA chairs, members and staff before you over the years. On my count, that makes around 60 appearances before this estimates committee, on top of extensive appearances before the committee to assist its consideration of broadcasting, telecommunications and radio communications legislation matters. As this will be Mr Tanner's last estimates appearance, I wanted to acknowledge his long service to the Australian community and his outstanding career achievements and put on record our appreciation and admiration and our best wishes for the future. Thank you, Chair. We're now happy to take any questions from the committee.

CHAIR: Thank you, Ms O'Loughlin. Minister, would you like to add something?

Senator Fifield: On behalf of the government and all colleagues here and also on behalf of previous communications ministers of all hues, I thank and acknowledge Mr Tanner for his service. It is fair to say in the nicest possible way that he has become something of an institution within the regulator and within the broader sector. His work has been invaluable and always professional. He has served the nation well through the ACMA and its predecessors. Thank you, Mr Tanner.

CHAIR: Thank you also on behalf of the committee, Mr Tanner. Sixty appearances before this committee and its predecessors—you get more for serious crimes, I think. Thank you for what you've done, and best wishes. Now we'll kick off with questions. Senator Urquhart.

Senator URQUHART: Can I just say, Mr Tanner, on behalf of Labor we wish to extend our thanks and gratitude to you for your excellent contributions to the committee over the many, many years. Your expertise and ability to communicate very complex concepts clearly has been of great service. I know when I started on the committee I didn't always understand what you were saying, but you said it in such a way that I learnt very quickly. So thank you for that, and good luck.

Mr Tanner: Thank you, Senator.

Senator URQUHART: I want to go to the minister first. Minister, earlier today we were discussing the content review. You didn't outline a time frame for releasing that review, so I now formally request that you table the content review today. Will you table it today?

Senator Fifield: I'll take that on notice.

Senator URQUHART: Well, it's either a yes or a no.

CHAIR: He's taken it on notice.

Senator Fifield: Senator, I've taken that on notice.

Senator URQUHART: Well, Minister, the delay in tabling this report of the Australian and Children's Screen Content Review is causing—as I'm sure you're aware—uncertainty and frustration across the screen sector, and it's impeding the committee's ability to do its work. How would you respond to an order for the production of documents in the next sitting period?

Senator Fifield: Any senator is always at liberty to put before the Senate a motion for an order for the production of documents.

Senator URQUHART: Chair, can I request that we have an immediate private meeting of the committee. I want to move that the committee formally request that the minister immediately table the report of the Australian and Children's Screen Content Review.

CHAIR: Sure. Good to see you've been caucusing in the lunchbreak. We'll suspend briefly and return shortly.

CHAIR: We've had our private meeting and we considered Senator Urquhart's motion and have resolved not to pursue things as were proposed by Senator Urquhart. We will continue on now.

Senator KENEALLY: I would like to ask some questions regarding the auction of the 3.6 gigahertz of spectrum. What is the time frame for the auction?

Ms O'Loughlin: The current time frame for the auction to occur is towards the end of November this year.

Senator KENEALLY: There are different types of auctions, aren't there?

Ms O'Loughlin: Yes, there are.

Senator KENEALLY: What is the reason that ACMA decided on the Enhanced Simultaneous Multi-Round Ascending Auction?

Ms O'Loughlin: I will refer to Mr Tanner for the detail of that.

Mr Tanner: There is a choice of different auction formats used internationally for spectrum auctions. We choose the one which is simplest and easiest and best suited. The advantage of the ESMRA auction is that, similar

to a combinatorial clock, it has a clock round to start with, which establishes the number of lots in each area that bidders obtain, but not the location of those lots. It then has a second round, an assignment round, which deals with the lots you get. The attraction of that is it allows package bidding. It allows bidders to be confident, when they're bidding, that they're going to get the spectrum allocation they want and not the wrong shape or location of spectrum allocation. The issue there is that particular bands, or amounts of bands, are going to have a much higher value to some bidders than different amounts. I've not put that particularly well. In a spectrum auction, some bidders are going to want to have a great deal of confidence that when they bid for some lots they'll get a particular number and not be left with half that number or lots in the wrong place. This complex auction, with the clock round at the front and then the assignment round, allows people to place a value on the location of the lots they buy, as well as the number.

Senator KENEALLY: I understand that there have been calls for dynamic spectrum sharing, which has been growing in use in the United States. Is that a separate issue to this auction?

Mr Tanner: That goes more to the planning stage that precedes an auction. It's a different way of organising. It's a non-traditional, emerging, new way of organising access to a radio frequency band by multiple players.

Senator KENEALLY: We make come back to that. I want to stick with the time frame for a moment. Is November the preferred time frame for ACMA?

Ms O'Loughlin: Yes, that's the time frame to which we're working at the moment.

Senator KENEALLY: That's not the question I asked. Is this your preferred time frame?

Ms O'Loughlin: It's our preferred time frame, but we consulted on the timing for the auction quite extensively before we landed on that date.

Senator KENEALLY: What are the reasons for November?

Ms O'Loughlin: We consulted with the sector. There were various views on when on action should occur. Some potential bidders wanted it later; other bidders wanted it earlier. We originally landed on October as our preferred timing, mainly because the industry also wants to get 5G services in the market as quickly as possible. We do have a slight delay from October to November, and that was to take account of some feedback from the sector, but we're committed to late November for the time frame, at this point in time.

Senator KENEALLY: Was ACMA asked to provide advice to the communications department about the feasibility of moving the auctions forward?

Ms O'Loughlin: Pre-October?

Senator KENEALLY: Yes.

Ms O'Loughlin: I think some of the original discussions, which various industry players had, were to try and get to an auction around August/September?

Mr Tanner: Yes.

Ms O'Loughlin: But we had those discussions some time ago. As I mentioned, different potential bidders had different preferred time frames, so we came to a landing which we thought accommodated those views and also made sure that the spectrum could be allocated as quickly as possible to allow vendors to start building their 5G networks and services.

Senator KENEALLY: Did that advice outline any risks as a result of bringing forward the auction?

Ms O'Loughlin: I'm not saying that we provided formal advice to the department. I might need to check on that, but, certainly, we did a careful risk analysis of all the pros and cons of both the auction methodology and the auction timing before we settled on that date.

Mr Tanner: If I could just give a little bit of context, you referred to it being earlier in the process, and that's my recollection. If you go back to last year, before the government or the minister made a reallocation declaration, which is a formal process that really starts the process of reallocation and really constrains us as to time, before that, when parts of the industry were extremely interested in getting access to 3.6 because of 5G, there was significant informal discussion with the department at least. There may or may not have been more formal requests for advice—I would have to go back and check—about how soon it could be brought to market. That bore very much on the issue of how early we could conduct an auction. In that context, yes, risk is relevant to the issue of how early. If your key criterion for an auction is how soon you can do it, then you have to accept that there are risks. For example, it may not be possible to complete the planning in time or that by hurrying you might increase the risk of making mistakes—the process is very complex. But I'm talking about discussions that occurred last year, before we really moved into the formal planning environment. The ACMA has sent clear

signals since about August or September last year, when we published last year's *Five-year spectrum outlook*, about when it thought it was feasible to conduct the auction. We were signalling and consulting on a roughly October time frame or a fourth quarter this year time frame, both in that *Five-year spectrum outlook* and some consultations we undertook in November. So, we were not only providing advice on that issue and giving a lot of thought to it but also consulting with industry on the time frame.

Senator KENEALLY: You're saying that advice to government was before September of last year?

Mr Tanner: I would think so, yes.

Senator KENEALLY: Would it have been as early as January?

Ms O'Loughlin: I can't recall exactly when.

Senator KENEALLY: Does it mean that the risks that were identified in that advice have now been addressed?

Ms O'Loughlin: I believe so. As Mr Tanner said, when thinking through the time frame and being asked to bring it forward, we felt that there was too much risk in the process to bring it forward, and that's part of the reason why we settled on the date that we have.

Senator KENEALLY: Has ACMA identified any remaining risks with the current time frame?

Mr Tanner: We do maintain risk registers and we do use project management processes in running our auction. So, yes, as a matter of routine, we keep a risk register open.

Senator KENEALLY: Can you give us an idea of what some of those risks are?

Ms O'Loughlin: Some of them might be technical and software risks, training and bidders risks, but we see no risks at the moment that would get in the way of a November auction.

Senator KENEALLY: It is your evidence that the risk register doesn't show any risks that pose a threat to getting to auction on time?

Ms O'Loughlin: I don't believe so at this stage.

Senator KENEALLY: Thank you. Are there any remaining risks associated with relocation or sharing arrangements?

Mr Tanner: I would suggest not. The effect of the reallocation process is very certain. Basically, the reallocation process fixes, in law, for how much longer existing operators are allowed to continue operating in that band. We've set different periods of years for operators in different regions. So, for regional Australian services we've set an unprecedently long period—seven years from when the reallocation declaration was made. The incoming spectrum licensees know, and it's built into the conditions of the licences, that they must protect those services as long as they stay on air, until the end of that seven years, and the operators of those services understand that, at the end of that seven years, their licences are cancelled by operation of law. There really is no uncertainty about that.

Senator KENEALLY: I understand, though, that there are some incumbent WISPs, as well as the Bureau of Meteorology, that have raised concerns regarding relocation to the alternate spectrum. Has ACMA completed discussions with these stakeholders?

Ms O'Loughlin: No, we haven't completed discussions. We have completed discussions around the 3.6 reallocation, but we've been in consultation with the incumbent since probably around the end of 2016, beginning of 2017. We're very aware of their concerns, as Giles mentioned. That's why we have given an unprecedented seven-year process for them to move out of that spectrum. We are also, at the same time, exploring a number of opportunities of where on the spectrum which is currently vacant or can be made vacant they might move to. There's some spectrum in 5.6 gigahertz, which—I think, we are now consulting on?

Mr Tanner: We are considering submissions.

Ms O'Loughlin: We are considering submissions on that one. We're very aware, as the WISPs tell us, that that won't satisfy all their requirements, so we're also looking at 28 gigahertz and what can be done there. It's fair to say that we will continue those discussions with the incumbents and with the successful auction bidders over the coming years through that seven-year reallocation process. The conversations have not stopped, and we will continue to consult with them.

Senator KENEALLY: When did ACMA last meet with WISPAU and the Bureau of Meteorology regarding the spectrum auction?

Mr Tanner: I'm not sure when we last met with WISPAU—that is, in person. I'd have to take that on notice.

Ms O'Loughlin: I can say that James Cameron, who's a full-time member of the authority, met with WISPAU and the minister's office. I will get the date for you, but it was a couple of months ago.

Mr Tanner: On the issue of the opportunity to relocate or locate some WISP services in 5.6 gigahertz, we've met on several occasions with representatives of the bureau. We are also considering submissions from both the bureau and WISPAU on the arrangements that we have proposed to give access to 5.6 gigahertz, and we hope to have something public to publish on that very shortly.

Senator KENEALLY: Some of the answers you've just provided are fairly similar to what this committee was told in February. Can you indicate if there has been progress on resolving these issues, and what is the time frame for resolving them?

Mr Tanner: I'll give you a sense of progress, perhaps, since the last account at estimates. On the 5.6 issue, we have put out a proposal for access. Included with that was a proposal for giving preferential access to WISPs that were potentially displaced from 3.6 and that would prefer to move to a band where there was a longer guarantee of access—that is, longer than seven years. With regard to that process, we are very close to publishing responses to that. I expect that the core document which we will be producing is a thing called a RALI, which is simply a piece of jargon we use for the coordination rules which we publish so that assigners can find licence spaces. I'm expecting that that work will be finished by the end of the year. We were hoping to have it finished now, but we've held off a little because we are still obtaining some technical information from the Bureau of Meteorology about services that they wish us to protect, and we believe they need an extra six weeks or so to get us that data. We've been very keen to work with the bureau to ensure that its interests in the band are protected. But we will be actually going out sooner with a response to submissions. We'll also be hoping to re-engage with both the incoming spectrum licensee community and the WISPs about the exact details of how that preferential access scheme may work, because we didn't get a lot of information from submissions. But we'll presently be publishing the whole story, so you'll see what the submissions were and what our response is. So that's progress on 5.6.

We have also, as we've indicated, begun work now on 28 gigahertz. We put out a general discussion paper on 28 gigahertz last month. I say 'general discussion paper' because, in fact, while we do see that as a very strong candidate band for small, regional point-to-multipoint services with particular needs, there are also a series of other demands on the band. We think that the demands are potentially all compatible, but the satellite industry has a very big interest in it. So we've put out a general paper, and we'd like to consider submissions on all issues across that band before we come in with something more specific. But that work has been given priority as well. I expect to have submissions in response to that by the end of this year, and we will then continue to progress that band. So those are two of the mitigations where we've made progress.

The third area actually wasn't foreshadowed when we were talking last. One of the big concerns, I think, that the WISP community has is that there's not a lot of spectrum in 5.6. In some areas there won't even be spectrum, because it's being used for weather radar. The sector, I think, has been concerned at the loss of bands that are harmonised with mobile use overseas but are available for small to medium enterprises wanting to operate single base station point-to-multipoint services. In our latest five-year spectrum outlook, we've actually advanced our studies of what may prove to be potential candidate bands for dynamic spectrum access—and I know that issue is of particular concern to some of the WISPs—and we're also taking a look at a block of spectrum from 3.8 to 4.2. While I don't want to overpromise about the scope there, the point is that that's a band where there may be options emerging for additional use by point to multipoint. It's also a band which is very precious to the satellite industry, so I won't go much further than that; however, I would say this: we are very mindful of the concern from the small to medium enterprise sector that we have not left much spectrum available in the mid-bands that is suitable for them. That probably is going to have some longer-term solutions, but we are working on them and, if you look at our processes, we're moving forward.

Senator KENEALLY: Thank you, that's very helpful, Mr Tanner, I appreciate that. On 11 July 2018, the minister announced the government's decision on competition limits. I understand that on 31 August TPG and Vodafone subsequently announced they would form a joint venture for the purpose of bidding during the 5G auction as a single entity. Does that mean there will be two incumbent mobile entities bidding for the spectrum instead of three?

Ms O'Loughlin: As the auction process is underway, I don't think it's appropriate for us to speculate on who may bid. Applications have been received, so we are in full auction mode at the moment. We are very well aware that Vodafone and TPG are working towards a merger, and we are also well aware that in late August, as you mentioned, subsidiaries of TPG and Vodafone entered into a joint venture arrangement. The joint venture has noted it intends to acquire future spectrum licences, so we have turned our mind to that and we have determined

the auction should proceed on the current time frame. However, I'm probably constrained in what I can say about any potential bidders.

Senator KENEALLY: Thank you. In terms of the reserve price, was that intended to reflect an estimate of the estimated market value of the spectrum; or was it set low on the assumption that the auction process and the competitive bidding would deliver a market based outcome?

Mr Tanner: That's quite a difficult question to answer because of the value of spectrum—I think people approach these questions by thinking about real estate, where there's a deep market and a pretty good knowledge of what a house or a piece of land is worth. The value of spectrum, if you look at auctions anywhere in the world, varies enormously, and it varies enormously between individual bidders as well. Therefore when we set reserve prices we do, in general, take into account a range of factors, and one of them is that we don't want to set the valuation too high because we would like the market to operate, to find and to discover what the highest-value users are.

I should say, too, that there are factors that cause us not to set the price too low either. I would dispute that the reserve prices we've set are low. They may seem low because we tend to focus on one or two headland experiences that are not really indicative of all that goes on in spectrum. I'm thinking particularly of the 700 megahertz digital dividend auction and the second auction. I think we obtained there what may very well be a world record price in one of those auctions: $2.50 per megahertz pop. There are particular situation reasons for that, and it would be, I think, very, very difficult for public administration if regulators attempted to guess what was the highest possible price. So, no, we take into account multiple factors, and one of the main reasons we use auctions is because we actually don't know what the value is to the bidders. We know that it varies perhaps quite markedly between bidders.

Senator KENEALLY: So if I might follow that up: was the reserve price determined by the ACMA, or was it recommended by the ACMA to the minister? Whose decision was it?

Mr Tanner: It was determined by the ACMA. We have seen instances where the minister has made that decision by direction, and that reflects the fact that in the radio communications area the minister can, if he wishes, direct us in great detail as to the exercise of our powers. However, on this occasion that did not happen and we set the reserve price.

Ms O'Loughlin: And, as Mr Tanner mentioned earlier, in the circumstances of the 700-megahertz spectrum, that was a price set by the minister at the time.

Senator KENEALLY: Thank you. Is ACMA confident that the current auction design and reserve price will not result in an undervaluing of the spectrum relative to a situation where three carriers were bidding?

Ms O'Loughlin: As I said, I'm not going to speculate on the outcomes of the auction.

Senator KENEALLY: Can I ask this then: was advice sought from ACMA on the design and timing of the auction following the announcement by TPG and Vodafone?

Mr Tanner: I think it's fair to say that we gave careful consideration to the events that were occurring in the marketplace, and we've decided to continue on the path that we were on. Unfortunately, while we're in the midst of the auction, I'm reluctant to speculate or provide any more information, simply because there is a risk of inadvertently disclosing information about the auction, which, for reasons of the design of the auction and the probity rules, we don't make available. That's the problem we've got and why we're being a little bit coy. There are perhaps some discussions we can more fruitfully have after the auction.

Senator KENEALLY: All right. Thank you very much for your answers.

Senator HANSON-YOUNG: I have some questions in relation to the television code of practice. I understand that the commercial television code of practice, of course, is not a code of practice that Foxtel or Sky News would have to comply with. Is that correct?

Ms O'Loughlin: There are a variety of different codes. The free-TV code applies to free-to-air broadcasters. The ASTRA code applies to the subscription broadcasters. I think—I will ask Ms McNeill to comment—Sky News, broadcast on WIN—

Ms McNeill: will be covered by the—

Ms O'Loughlin: will be covered by the free-to-air code.

Ms McNeill: That's correct.

Senator HANSON-YOUNG: That's what I want to draw out. Now that some Sky News content is being broadcast on the WIN network, can you just confirm which jurisdiction it will come under?

Ms O'Loughlin: It will be covered by the free-to-air television code of practice.

Senator HANSON-YOUNG: How is that going to work, seeing as the content is effectively just copied over from Sky News?

Ms O'Loughlin: It's really a matter for the licensee to make sure that the content that may be shown on subscription and free-to-air television complies with the codes that are relevant to them.

Senator HANSON-YOUNG: What is the difference between the obligations? What is the difference between—

Ms O'Loughlin: That's probably quite a lengthy question, unless there is a particular area you're concerned about.

Senator HANSON-YOUNG: I don't care if it's lengthy; I'd just like an answer.

Ms O'Loughlin: I don't know.

Ms McNeill: There are minor differences in the accuracy obligations that apply to the various broadcast sectors. As Ms O'Loughlin indicated, the code that governs the content broadcast by a particular licensee depends on that licensee. It's not the case, for example, that all Sky News is regulated in the same way. Sky News broadcast on a commercial free-to-air platform by a commercial television licensee will be regulated by the commercial television code of practice. However, if it's carried, for example, by Foxtel, it will be regulated by a different code of practice. We are cognisant that there are minor differences between those codes of practice—

Senator HANSON-YOUNG: Particularly in relation to accuracy obligations.

Ms McNeill: But they're very minor. But that notwithstanding, when this announcement was made, we did reach out to the licensee of WIN and flagged the fact that this content now being broadcast by them would be regulated in a slightly different way, and we received some assurances around the processes that WIN, as a licensee, is putting in place to satisfy itself that its obligations as the licensee will be met.

Senator HANSON-YOUNG: Would you be able to table that correspondence?

Ms McNeill: I don't have it with me, but I'm sure that we would be able to make it available to you, yes.

Senator HANSON-YOUNG: In terms of the accuracy obligations, have there been instances where complaints have been raised against Sky News and what's been broadcast on Sky News in relation to breaches of the ASTRA code?

Ms McNeill: I will have to take it on notice, but, as a general proposition, we receive very few complaints about compliance with the subscription television code of practice. But I'd have to take it on notice in order to give you a full answer to that.

Senator HANSON-YOUNG: Could you let us know how many complaints you've had in the last two years and what those complaints were based on—which part of the code was believed to be breached.

Ms O'Loughlin: Is that particularly Sky News?

Senator HANSON-YOUNG: Yes, thank you.

What about in relation to commercial television and the code of practice? Do you receive more complaints in relation to audience members and members of the public raising concerns about breaches of the code of practice?

Ms McNeill: We do receive more complaints, and arguably one would expect that because, on the whole, the audiences are larger for those free-to-air platforms than for subscription platforms.

Senator HANSON-YOUNG: Have you received any complaints as yet in relation to some of the Sky News programs being played on the WIN networks?

Ms McNeill: We have not.

Senator HANSON-YOUNG: How would a member of the public know that they would now be able to raise concerns, particularly when it comes to accuracy and breaches of the accuracy obligations now that Sky News programs are being shown on WIN TV?

Ms McNeill: They would see the program on a free-to-air broadcaster. Under the Commercial Television Code of Practice, licensees broadcast reminders and information to their viewers about the fact that the code of practice operates, the availability of a copy of the code of practice and the fact that the content is covered by a code of practice. That is one way that viewers would learn about that opportunity. The other thing that happens, obviously, is that, if viewers are unhappy about particular content, they typically are motivated to contact the broadcaster with their complaints and engage with the broadcaster.

Senator HANSON-YOUNG: Would category would the Sky News shows that are now being broadcast on the WIN networks fall into?

Ms McNeill: That would depend on the programming. Typically there's a distinction drawn between news programs and current affairs programs. I should think that a lot of the content would fall into one or the other of those categories.

Senator HANSON-YOUNG: The reason I'm asking is that, of course, the categories for free-to-air television are slightly different from the categories for subscription television. I'm just trying to work out whether the programs are categorised differently under the new code.

Ms McNeill: I don't think so.

Senator HANSON-YOUNG: You think they would all be captured under news and current affairs?

Ms McNeill: I should think so. To be honest, I've not sat through the full gamut of programming offered by either the Sky News channel or WIN, but most of the programming would be of that kind. It may be that there are some entertainment programs; I'm not sure.

Senator HANSON-YOUNG: Well, some of it perhaps is just for pure entertainment; it doesn't seem to have much news or be that accurate—but anyway. Have you got the code in front of you in relation to the rules around accuracy, fairness and impartiality?

Ms McNeill: I do not.

Senator HANSON-YOUNG: No-one has them?

Ms McNeill: We can google them. If there are particular questions—for example, based on comparisons of different provisions across codes, it may be that we could take them on notice to have a considered response.

Senator HANSON-YOUNG: For the sake of those who are perhaps reading this *Hansard* later on, I'd like to have what the code rules are now clearly understood for those programs that are being shown on WIN news in relation to accuracy fairness and impartiality.

Ms O'Loughlin: Perhaps we could move on to other questions, and we will see if we can come back with that for you.

Senator HANSON-YOUNG: That would be helpful.

Ms O'Loughlin: I will just add something to Ms McNeill's evidence also. You well know this, I'm sure. The way the co-regulatory arrangements work is that complainants are encouraged to go to the broadcaster in the first instance. It's only if the complainant is not satisfied with the answer from the broadcaster that they come to the ACMA.

Senator HANSON-YOUNG: Is there any type of auditing of that? Is there any transparency around that? Do you ask how many complaints a particular broadcaster receives in any one year?

Ms O'Loughlin: From memory, I think the free-to-air broadcasters release their complaints data on a quarterly or annual basis, but very clearly free-to-air broadcasters, I have to say, take their obligations seriously in both responding to complainants and making sure that complainants are advised that, if they are not happy with the answer to their complaint, they come to the ACMA.

Senator HANSON-YOUNG: Was there a particular reason that ACMA decided to point out to WIN TV their code of practice again now that Sky News programs are going to be shown?

Ms O'Loughlin: I don't believe so. I think it would just be normal practice where we knew that there is going to be a change to the programming. It was programming that was covered under a different code. We thought it was useful to write to the licensee just to alert them to it. They already understood that and gave us commitments back.

Senator HANSON-YOUNG: So that communication, which I've asked to be tabled, was just to WIN TV, not to Sky News itself?

Ms O'Loughlin: WIN TV is the licensee we wrote to. The obligations fall on the licensee.

Senator HANSON-YOUNG: Yes. Have they undertaken to review content before it is reshown on WIN TV to make sure it does comply with the new rules?

Ms O'Loughlin: I am not aware, but they know what their obligations are and they would need to make sure that programming was being put on that complied with them.

Senator HANSON-YOUNG: Would you be able to give us on notice a list of which programs on the new Sky News WIN channel are classified as news and current affairs?

Ms O'Loughlin: We can certainly take that on notice for you.

Senator HANSON-YOUNG: And how would that be determined?

Ms O'Loughlin: It would be determined by us looking at what the content of the program is.

Senator HANSON-YOUNG: So it's a determination made by ACMA.

Ms O'Loughlin: Usually only when complaints come to us. There's no role for us in pre-classifying what a program is in terms of news and current affairs. We would normally look at the program when it came to us and make a call. Ms McNeill, did you want to add to that?

Ms McNeill: No.

Senator HANSON-YOUNG: But you would be able to look at the programming list and be able to tell us—

Ms O'Loughlin: I'd like to take it on notice, because I'm not quite sure whether we can do that without—

Senator HANSON-YOUNG: I find it interesting; how would you be able to apply a code of practice if it's not known up-front whether a show is entertainment, which obviously has a different set of rules around accuracy and impartiality, versus news and current affairs. Surely there needs to be an understanding up-front about which category your program falls into.

Ms O'Loughlin: We make that assessment when the complaint comes to us.

Senator HANSON-YOUNG: Okay. Ms McNeill, did you happen to find the code of practice there in relation to what the obligations are for accuracy, fairness and impartiality?

Ms McNeill: Do you want me to read out the particular code obligations?

Senator HANSON-YOUNG: Yes, please.

Ms McNeill: The code obligations in relation to news and current affairs accuracy in the Free TV Code of Practice are all dealt with in clause 3. 3.3 deals with accuracy an fairness. 3.3.1 specifies

In broadcasting a news or Current Affairs Program, a Licensee must present factual material accurately and ensure viewpoints included in the Program are not misrepresented.

Then there are some interpretive matters. The following clause specifies:

Clause 3.3.1 applies to material facts and material misrepresentations of viewpoints only.

That's the core provision. Clause 3.4 deals with impartiality. Clause 3.4.1 specifies:

In broadcasting a news Program, a Licensee must:

a) present news fairly and impartially;

b) clearly distinguish the reporting of factual material from commentary and analysis.

Again, there are some interpretive matters, and it specifies that the impartiality obligation does not apply to current affairs programs.

Senator HANSON-YOUNG: Just to news?

Ms McNeill: Correct.

Senator HANSON-YOUNG: Do you have at hand, or could you take on notice, what are the specific differences between this code of practice, in relation to the obligations under news and current affairs, versus the obligations for subscription television in the ASTRA code of practice?

Ms O'Loughlin: We would be happy to take that on notice.

Ms McNeill: I do have the code on hand, if you would like me to read the relevant provisions. In the ASTRA code news and current affairs programs are dealt with in clause 2. Clause 2.2(a) says:

News and current affairs programs, including news updates, broadcast by Licensees must:

(i) present news accurately, fairly and impartially;

(ii) clearly distinguish the reporting of factual material from commentary, analysis or simulations;

(iii) not simulate news or events in a way that misleads or alarms the audience.

Senator HANSON-YOUNG: I look forward to getting the list of programs that fall into those categories that are now broadcast on WIN TV.

Ms McNeill: I could be proven wrong, but my expectation is that it will be a relatively simple exercise, because the news programs will be a much smaller category than the current affairs, commentary-style programs.

Senator HANSON-YOUNG: A breakdown of that would be very helpful.

Senator URQUHART: Minister, on 26 July 2018 Fairfax Media and Nine entertainment announced a proposal to merge their print, TV, radio and online businesses to create a large commercial media entity in one of the biggest media mergers in Australian history. Do you acknowledge that the Liberal's government repeal of the two-out-of-three cross-media control rule permits that merger to be proposed?

Senator Fifield: Yes.

Senator URQUHART: So it couldn't have been proposed before that two-out-of-three rule was repealed? That's correct, isn't it?

Senator Fifield: That's correct.

Senator URQUHART: Did you welcome the announcement, Minister?

Senator Fifield: Senator, as minister I am agnostic when it comes to proprietors and those arrangements. What I did acknowledge at the time of the Nine-Fairfax announcement is that part of the purpose of our media reforms was to give greater freedom to Australian media organisations as to how they configure themselves, and that there were these two media organisations who had decided to put forward a proposition to configure themselves in a way that would better support their long-term viability.

Senator URQUHART: Minister, you're aware that Australia already has one of the most concentrated media markets in the world. Are you at all concerned that the Nine-Fairfax takeover might mean that Australia's media market will get even more concentrated?

Senator Fifield: As I said during the discussion in this building about media reform when it was in prospect, I have the concern as to what the failure of a significant Australian media organisation would mean for diversity. I think that that probably represents the greatest threat to diversity. As you would be aware, the ACCC is doing its work in relation to the proposed merger and has yet to conclude that work.

Senator URQUHART: So you're not concerned that it might concentrate it even more than what it would have done?

Senator Fifield: As I always make clear during the media reform debate, the ACCC still has an important role to play. I wouldn't want to prejudge the work of the ACCC, but just as a general observation, our media reforms were intended to give Australian media organisations greater flexibility to configure themselves in ways that best support their viability, because we, as a government, wanted to do what we could to help create an environment that would be less likely to see the failure of a major Australian media organisation.

Senator URQUHART: Are you aware of a report in *The Australian* dated 14 October 2018 entitled, 'Nine opens door to job cuts on merger with Fairfax'?

Senator Fifield: There have been many media reports. I'm not specifically aware of that one.

Senator URQUHART: This one was by Lilly Vitorivich.

Senator Fifield: I'm not specifically aware of that report.

Senator URQUHART: Do you concede, then, that the merger would result in job losses, because that's what that article is about?

Senator Fifield: That's a newspaper article. The ACCC have yet to complete their work on the proposed Nine-Fairfax merger. Questions in relation to the Nine-Fairfax merger and their employee profile are a matter for Nine and Fairfax.

Senator URQUHART: That article stated:

> Nine has opened the door to job cuts for the first time following completion of a $3.6 billion merger with Fairfax and all but confirmed its lack of interest in retaining the 177-year-old publisher's rural, regional and agricultural newspapers as part of a radical corporate restructure … and outlined plans to make the combined group's sales teams and back-end functions bear the brunt of a $50 million cost-cutting plan within two years of the media merger.

Do you concede that those job cuts that are discussed there are a direct result of the government's repeal of the two-out-of-three cross-media control rule?

Senator Fifield: You have read media reports to me. I can't speak to the veracity of those in relation to the employment profile of a future merged Nine-Fairfax. They are questions to be directed to Nine-Fairfax. In general I just observe, what is the counterfactual? What would happen to jobs if we didn't provide greater freedom to Australian media organisations to configure in ways to best support their viability?

Senator URQUHART: Fairfax has approximately 135 regional newspaper titles, including 10 in your home state of Victoria. Do you concede that there is a question mark over their regional titles as a result of the government's repeal out of the two-out-of-three cross-media control rule?

Senator Fifield: No, I don't. Even in the absence of our media reforms, there were changes from time to time in the ownership arrangements of regional mastheads.

Senator URQUHART: So you're not concerned about that?

Senator Fifield: What I said is that even before the media reform changes there were from time to time changes in the ownership of regional mastheads. As to whether that happens to these particular mastheads, they are questions to direct to Nine-Fairfax.

Senator URQUHART: Ms O'Loughlin, would you step me through the ACMA's statement of 26 July 2018 on the proposed merger? For what reason is the ACMA of the view that the merger is compliant with remaining media diversity and control rules administered by the ACMA? Your statement was posted by 12:30 pm on 26 July. Did the ACMA have early notice of the proposed merger?

Ms O'Loughlin: I don't know that we did have early notice of the proposed merger. But we do keep a current record in our media control database of the registers of controlled media groups. The residual control in the Broadcasting Services Act is around the voices test. So once the two-out-of-three rule was abolished there was still the safety net of the voices test. It was a fairly simple exercise for us to check the various radio areas—because it's done by reference to commercial radio licence areas—to see whether there was an adverse impact on the voices in those areas.

Senator URQUHART: When was the ACMA made aware of the proposed merger?

Ms O'Loughlin: I would have to take that on notice and check.

Senator URQUHART: What analysis did the ACMA undertake to assess the proposed merger?

Ms O'Loughlin: We would assess it against the current regulatory rules for which we're responsible.

Senator URQUHART: Does the proposed merger comply with all the rules?

Ms O'Loughlin: Yes.

Senator URQUHART: You just looked as though you were looking for—

Ms O'Loughlin: I'm actually seeing whether it's included in our annual report.

Senator URQUHART: You didn't look confident. Will the merger lead to consolidation in any markets?

Ms O'Loughlin: I think it will lead to a reduction in voices, but not a reduction below the prescribed minimum number of voices.

Senator URQUHART: In what markets and with what effect?

Ms O'Loughlin: I would have to take that on notice, I'm afraid.

Senator URQUHART: Will the merger see a worsening in the number of markets at or below the minimum thresholds?

Ms O'Loughlin: No.

Senator URQUHART: Can you provide a breakdown of how many markets in Australia are currently at or below the minimum voices rule required by those rules?

Ms O'Loughlin: Yes, we can.

Senator URQUHART: What's the current breakdown and how that would change if the Nine-Fairfax merger went through?

Ms O'Loughlin: We can take that on notice. That would have been part of the analysis that we undertook on the merger to make sure that it wasn't going below those limits.

Senator URQUHART: I understand that the ACMA finds the merger to be compliant with the rules, but does the ACMA acknowledge that the Nine-Fairfax merger will reduce media diversity in Australia?

Ms O'Loughlin: I think you're asking me to speculate on that. Our job is to assess the merger against the rules for which we're responsible, which is what we have done.

Senator URQUHART: But surely a merger between Australia's highest rating commercial television network, highest rating radio news and news talkback broadcaster and the second largest newspaper proprietor could only result in reduced media diversity in Australia? It's already one of the most concentrated media markets in the world.

Ms O'Loughlin: As I have mentioned, the ACMA's role is to assess mergers against the media diversity rules as agreed by the parliament, and that's what we have done.

Senator URQUHART: You're the media and communications regulator. Surely you have a view on diversity?

Ms O'Loughlin: As I have said, our role is to assess mergers against the legislated provisions for which we are responsible, which the parliament has provided.

Senator URQUHART: What, if anything, is the ACMA doing to inform the ACCC's review of the merger?

Ms O'Loughlin: The ACCC's process is quite different from ours. They have different tests. They were made aware of our decision that we did not have any concerns around the merger in terms of the legislation for which we're responsible. Their test is quite different, which is about substantial lessening of competition, which is included in their act. They will go through their process of looking at it quite separately from us.

Senator URQUHART: Minister, for the benefit of the committee, can you describe the process the ACCC's now undertaking to review the merger? What is the ACCC reviewing?

Senator Fifield: They are questions which should be directed to the ACCC in Treasury estimates.

Senator URQUHART: You can't answer that?

Senator Fifield: It's not for me to speak on behalf of the ACCC. I know Mr Sims takes his statutory obligations very seriously.

Senator URQUHART: I'm just talking about the process.

Senator Fifield: They are questions for the ACCC in Treasury estimates.

Senator URQUHART: You can't answer any of those questions about process?

Senator Fifield: It's not appropriate for me to do so. It's not my place to speak on behalf of an independent regulator in the execution of their duties.

Senator URQUHART: Is the ACCC assessing whether the merger is likely to substantially lessen competition, the SLC test, in breach of section 50 of the Competition and Consumer Act?

Senator Fifield: It's for the ACCC to speak to the matters for which it is responsible in Treasury estimates.

Senator URQUHART: Senator Hanson-Young touched on the Sky News and WIN agreements, so I will skip over them. What is the ACMA doing the measure media diversity in Australia and inform debate and review, including by the ACCC?

Ms O'Loughlin: We don't have any work underway in that space.

Senator URQUHART: No work underway?

Ms O'Loughlin: No.

Senator URQUHART: I've just a couple of quick questions on different but related matters. With the Regional and Small Publishers Innovation Fund, what, if any funds, are being directed at Fairfax titles or News Corp titles?

Ms O'Loughlin: With the Regional and Small Publishers Innovation Fund, we have received around 186 applications on that. The ACMA has actually considered the applications against the nine eligibility criteria.

Senator URQUHART: Sorry, nine of them?

Ms O'Loughlin: Eligibility criteria that was set for the program and established by the government. The Minister had appointed an advisory committee for the fund, who would advise the ACMA, and they have gone through the process of considering each eligible application and they have made recommendations to the authority. The authority only considered the advisory committee's recommendations last week, on 18 October. So, we expect to announce the successful applicants in the coming weeks, but as we have not notified neither successful nor unsuccessful, I would prefer not to comment on individual applications.

Senator URQUHART: Are you able to tell me the number of successful applicants?

Ms O'Loughlin: I would prefer not to at this stage, thank you, Senator.

Senator URQUHART: The ACMA's current research program mentions work in relation to news, trust, influence and distinguishability. Can you advise what prompted that research, what that research is examining, and when the report is expected to be made available?

Ms McNeill: The research is planned. I don't think that we have let the research contracts yet. It's the sort of thing that we periodically dip into to test how content impacts audiences and how audiences engage with content, depending on the platform and so on.

Senator URQUHART: Was there anything that actually triggered that research?

Ms McNeill: No, not specifically.

Senator URQUHART: When is the report expected to be made available?

Ms McNeill: First of all, it will have to be undertaken and completed. It is part of our forward work program. I would think that it's probably going to be something like a quarter to next year, maybe.

Ms O'Loughlin: With all of our research, we do make that publicly available once we have completed it.

Senator URQUHART: I have a few questions around the ACMA and eSafety functions.

Ms O'Loughlin: Senator, that would be probably questions for the eSafety Commissioner.

Senator URQUHART: No, they are for ACMA. I have separate ones for the eSafety Commissioner.

Ms O'Loughlin: Sorry about that.

Senator URQUHART: Minister, I understand that the department is undertaking reviews of the Enhancing Online Safety Act 2015 and the Online Content Scheme. Is that correct?

Mr Mrdak: Yes, that's right, Senator.

Senator URQUHART: It has been three years since the government established the Office of the Children's eSafety Commissioner, now called the eSafety Commissioner. Minister, what would you say the creation of the Office of the eSafety Commissioner has achieved in that time?

Senator Fifield: I think it's established a one-stop-shop that people who have concerns about their online safety can go to initially. The office was framed as the children's eSafety Commissioner. So, it does absolutely fulfil that obligation, but, as you would be aware, we've reframed the office to be a one-stop-shop for all Australians.

Senator URQUHART: Was that about 12 to 18 months ago?

Senator Fifield: Yes, it's probably about 12 months ago that the parliament altered the name and remit, and that's particularly in recognition of the role that the office is playing for women's online safety. I think it's particularly important to point out that the office has the world's first legislated anti-children's bullying online takedown regime, where offending material can be taken down and there can be fines for those platforms that don't do so. To date, the office has had a 100 per cent success rate in having material removed on a voluntary basis. The other thing I should point to is the work of the office in relation to the non-consensual sharing of intimate images. We do now have legislated a civil penalties regime and also enhanced criminal penalties, which I should acknowledge that across the parliament there was support for.

Senator URQUHART: Do you think the establishment of the office has been worthwhile? Or do you think the ACMA could have actually handled those functions?

Senator Fifield: I think the office's establishment has absolutely been worthwhile. I think it was a practical and sensible decision to use the existing institutional architecture of an existing agency for the establishment of the office and, as you've indicated, there is a review that's underway at the moment, in terms of the office itself.

Senator URQUHART: Do you think the office receives enough complaints to justify the ongoing expense of running a separate office? I think you would be aware that the office has received and assessed less than 1,000 cyberbullying complaints since it was established in 2015 and it has dealt with approximately 900 complaints.

Senator Fifield: The number of complaints receive and resolved by the office isn't the only measure of its work. It has an important role in education and raising community awareness, and also in liaising with other partner agencies in Australia and overseas.

Senator URQUHART: Is it the case that the formal powers granted under the act have never been used?

Senator Fifield: In terms of the cyberbullying takedown regime, that's correct, unless Ms Inman Grant is going to give us an update later today. But part of the purpose of having those legislated powers in relation to cyberbullying is that their very existence means you tend to find that platforms comply voluntarily.

Senator URQUHART: I think you said earlier that it had had a 100 per cent success rate.

Senator Fifield: In having material voluntarily taken down.

Senator URQUHART: Yes, so that's where social media sites have removed the cyberbullying content.

Senator Fifield: Yes.

Senator URQUHART: Do you believe the maintenance of separate agencies to be the best way of dealing with the converged media and communications environment?

Senator Fifield: The Office of the eSafety Commissioner is a statutory office, and it is legislatively separate and independent. But the ACMA and the office do share resources, and the chair of the ACMA is probably better placed than me to talk to the technical employment status of the staff who work to the eSafety Commissioner.

Ms O'Loughlin: As the minister said, the eSafety Commissioner is a statutory office holder, but the resources of the office are provided by the ACMA under the Public Service Act, and we also provide their corporate services function as well. So there are efficiencies there that you wouldn't get from having two standalone agencies. I think that's the way the arrangements work, and then, of course, the commissioner has her own statutory office and statutory office holder obligations.

Senator URQUHART: Ms O'Loughlin, I note in ACMA's submission to the review that there are a number of observations about the difficulties in developing a consistent and coordinated approach to addressing harms online if responsibilities are fragmented across the Commonwealth. So, for the benefit of the committee, could you take us through the key elements of the ACMA's submission to this review?

Ms O'Loughlin: I don't believe I have the submission in front of me, but I think what we were alluding to is that online activities, as they increase, present different harms and that having various different regulators looking at those may not be as efficient as having one. I give the example of online gambling. We have a role in that now. It is a new role and an increased role, but there are also other harms that may emerge, and the question for the government is: how are they best dealt with? Are they best dealt with within portfolio departments who already have responsibilities in those areas, like Health? Are they best placed in a standalone statutory office holder? Or are they best placed in a communications and media regulator? That was the question that we are proposing. I might ask Ms McNeill if that's a good description of the submission.

Ms McNeill: I think that is a fair description. If there are any particular matters you would like us to canvass in more detail—

Senator URQUHART: One of the issues is: what concerns does the ACMA have about the risks, inefficiencies and complexity in having separate agencies, where you're not dealing with one agency, but with a number of agencies—or in this case two?

Ms O'Loughlin: I think that is what our description was trying to tease out. It didn't come to a conclusion but it just pointed out that there are different ways that you could organise these arrangements. We thought that was a useful piece of information to provide to the reviewer.

Senator URQUHART: Okay. So what does the ACMA see as the major concerns about the risks and the inefficiencies and the complexity of having those separate agencies? Talk me through those three points.

Ms O'Loughlin: I don't have my submission in front of me, so it's a bit difficult for me to do so. I'd just prefer to take it on notice, I'm afraid.

Senator URQUHART: Can you elaborate on what you mean by the different risk tolerances as between agencies?

Ms O'Loughlin: I would expect—but then again I would like to check—is that every regulator comes to a view about risk tolerance, and different regulators may have different views. They may be quite risk-averse, for example. They may be much more, perhaps, legalistic in their approach to matters. Other regulators may take the view that they want to be more accepting of risk. The difficulty that we were alluding to is that you may have regulators who are dealing with the same online entities but are taking quite different risk based approaches, and that may be confusing to industry, where one regulator says, 'Absolutely, black-letter law', and others are saying, 'We have more flexibility here'. I think that's what we were alluding to.

Senator URQUHART: I note that the ACMA is intended to be a converged regulator, created to bring together and regulate four key elements of the communications and media regulatory landscape—that's telecommunications, broadcasting, radio communications and online. Could the ACMA better leverage its resources and expertise with a more holistic remit?

Ms O'Loughlin: I think in the ACMA review and the government's response to it, we were given quite a broad remit, right across the telco radio communications sector. But it's fair to say that the government wanted to lift the profile of, at the time, children's safety issues, and the profile of eSafety more generally and chose an approach to lift that up to a statutory office holder, supported by the ACMA. I think we still get the benefits of the understanding of the work of the eSafety Commissioner, but that was an alternative approach taken by the government.

Senator URQUHART: Do you have a sense of what savings might be realised if the Office of the eSafety Commissioner were incorporated back into the ACMA?

Ms O'Loughlin: That's not something we've done any work on.

Senator URQUHART: Could you do that work?

Ms O'Loughlin: I don't believe so. The way the office operates also is slightly different through—has a different funding mechanism, but it's not something we have turned our minds to.

Senator URQUHART: Do you think the office should be expanded to have a broader remit?

Ms O'Loughlin: You're asking me to speculate. I don't have—

Senator URQUHART: No. You work very closely with the eSafety Commissioner, so do you think there is an opportunity to have the remit of that office expanded?

Ms O'Loughlin: I think that's probably something that the schedule 5 and 7 review was better placed to consider. I would say, though, that, if you look at things like online gambling, where a new harm was identified—that was a role given to the ACMA, so I think that you will find that potentially both our remits may need to expand as we look at different harms emerging in the online world.

Senator URQUHART: My final question: do you think the role of the commissioner is mainly a regulatory role or another kind of role?

Ms O'Loughlin: I think Ms Inman Grant is better placed to comment on that, but I think it is a mixture of roles. I was looking at their 'year at a glance' from their annual report. You pointed out they have 409 complaints about combatting cyberbullying but I note that they've had 779,000 website visitors, three million page views for promoting online safety, 51 visitors to their eSafety women website, and they've done 172 workshops. That's very much not just a regulatory role but a very strong education and outreach role. I think the eSafety Commissioner is better placed to talk about that, but that's just a reading from their annual report this year.

Senator URQUHART: And just, before I go, Mr Tanner, before you depart, and for the record, could you please, in great detail, and with a certain flair, (1) describe the propagation characteristics of millimetre wave spectrum and how that differs to spectrum that has typically been used by broadcasters and mobile operators, (2) supply a list of the best and worst analogies for spectrum and spectrum management, from first principles and in accordance with world's best practice and, (3) answer, finally, whether those feet did in ancient time walk upon England's mountains green? Or you may wish to refer those questions to the minister. All the best, Mr Tanner.

Mr Tanner: Thank you, Senator.

Senator PATRICK: I have a couple of questions. I apologise if this has been covered. I want an update on the operation of the Regional and Small Publishers Innovation Fund—specifically, how many grant applications were received, how many grants were made and the value of those grants?

Ms O'Loughlin: We did touch on this earlier. But I'm happy to go through it again.

Senator PATRICK: Is it on the *Hansard*?

Ms O'Loughlin: It is on the *Hansard*.

Senator PATRICK: Fantastic. How many cadetships have been allocated?

Ms O'Loughlin: Cadetships are the responsibility of the department, as are scholarships.

Senator PATRICK: Okay, that cancelled that question. That leads me to my last question. I have been asking around the traps here if there are any officials that are members of the Chairman's Lounge and/or 'the club' as a result of their official position. You've provided answers to that. I was particularly interested in the case where an employee, an official, was only a member of one or the other. That's in the break-down of their air travel. You provided some information that says that there is one person in your organisation—I'm not interested in the name—that is a member of the Chairman's Lounge and their spend on travel is: Qantas, $14,953; and Virgin, zero.

Ms O'Loughlin: Yes.

Senator PATRICK: One of the tests we employ around here is called the pub test. Noting that Virgin is often cheaper, this break-down in travel doesn't pass the pub test. I'm wondering if you're prepared to provide a comment in respect of that?

Ms O'Loughlin: Yes, I'm aware of that figure. I think that we've also provided information that is only for one person, but I'm happy to take that on notice and look into the matter further for you.

Senator PATRICK: I have no problem with people being members of these lounges because it allows people to get work done and justices, for example, don't necessarily want to be attacked by previous litigants.

Ms O'Loughlin: Yes. But I can see your concern.

Senator PATRICK: It's about saving money. The problem I have is the only people I can really ask about club membership are those who have received it because of an official position they hold, as opposed to how people in the department who are members of the Qantas club or the Virgin club—I can't get access to that because it is not proper for me to ask that question. I have a concern that these lounge accesses are biasing the way people travel and that has an effect on the taxpayer.

Ms O'Loughlin: I must admit, when I saw the figure it caused me some concern as well.

Senator PATRICK: So it didn't pass your pub test either. I'll leave that with you. I will be repeating this particular question in the future. I hope that number gets better.

Ms O'Loughlin: Of course, Senator.

Senator PATRICK: Thank you.

CHAIR: I think that's everything for ACMA. Thank you very much, Ms O'Loughlin and Mr Tanner. Farewell.

Department of Communications and the Arts

[15:11]

CHAIR: We now move to program 1.1, Digital technologies and communication services.

Senator CHISHOLM: Mr Mrdak, I'm interested in some general policy principles that are currently guiding how the department examines NBN wholesale pricing and its future direction—or has this been wholly left to the judgement of NBN Co management?

Mr Mrdak: The pricing strategy is developed by NBN, but obviously, as the department review the corporate plan and the strategy for NBN, we do analysis and do provide advice to government. We are engaged with NBN in relation to their pricing strategy, but principally around the corporate plan process.

Senator CHISHOLM: Is there anything that you could provide in terms of what guides the department in how they look at that?

Mr Mrdak: We certainly look at it in terms of the overall objectives of the NBN in terms of the network and accessibility to the network, whether it's achieving its goals of providing services to the community and also its financial impacts, both on the community and on the business.

Senator CHISHOLM: What about future considerations around changing markets and changing dynamics?

Mr Mrdak: We certainly do look at that, particularly, as I said, in terms of assessing the corporate plan and providing advice to government on future strategies. Obviously as we get closer to the completion of the network, which is now within two years, we are starting to turn our mind to what longer term pricing strategy should be applied by the NBN in terms of maximising community benefit from the investment that has taken place. That is something the NBN is also working on.

Senator CHISHOLM: I just want to seek your perspective on the emerging market structure and better understand how the department has been examining this issue. NBN Co is a wholesale-only operator and subject to future decisions. Its three biggest wholesale customers are shaping up as vertically integrated infrastructure competitors. At present the top three operators have 85 per cent NBN market share, according to ACCC data. Has the department undertaken any work to examine how this might play out and where the public interest lies in this?

Mr Mrdak: We are certainly keeping a very close eye on market developments. We do a lot of assessment of the business strategies and the market positioning of the major telcos and also the array of people who are now RSPs or resellers in the market. We are doing quite a bit of market analysis, but at this stage our focus remains on the NBN rollout and then understanding what that does to competitive dynamics on both fixed and mobile technologies.

Senator CHISHOLM: Are you aware of any overseas comparisons to the Australian situation?

Mr Mrdak: Ours is somewhat unique in terms of what the NBN is looking to do across such a wide variety, but we do keep a very close eye on what's happening in other markets in terms of NBN. I think that's fair to say. It's also fair to say that the NBN is somewhat unusual in terms of its rollout strategy.

Senator CHISHOLM: So nothing springs to mind in terms of an overseas comparison?

Mr Mrdak: Not directly.

Senator CHISHOLM: Some commentators have observed that the underlying economics of the NBN have the potential to drive higher levels of investment into the 5G infrastructure for the purpose of fixed wireless

bypass. Has the department undertaken any work or sought independent advice on the sensitivity of the NBN business case to such developments?

Mr Mrdak: Yes, we have done some work as part of our analysis of the NBN corporate plan.

Senator CHISHOLM: Who has been responsible for that? Has that been done internally or with external consultants?

Mr Mrdak: It's been led by the team inside the department assisted by some external consultants. Most recently, we engaged Ernst & Young to do some work for us in the assessment of the corporate plan, which was finalised this year.

Senator CHISHOLM: And is there any information you can provide as to what they were finding? Were they providing recommendations or, generally, advice?

Mr Mrdak: It was advice to enable us to advise the government in relation to the corporate plan settings, and around the future strategy and risks of the business.

Senator CHISHOLM: Do you think that it will lead to potential higher levels of investment in 5G infrastructure?

Mr Mrdak: At this stage, certainly 5G investment will take place for a variety of business reasons. As to whether the NBN itself will drive investment in 5G, I think it is a little bit less clear. Certainly, we foresee that 5G will not of itself be a replacement for the speeds and prices available on fixed line technology for most users of broadband.

Senator CHISHOLM: Again, some commentary around NBN wholesale pricing—three of the key issues appear to be pricing levels, pricing certainty and pricing structure. Can you describe the role of the department in terms of its interaction and oversight of NBN pricing?

Mr Mrdak: Again, our role has been to provide advice to government. We certainly work with NBN in terms of their pricing proposals, and we provide advice to government in relation to how that pricing strategy sits, both in terms of the rollout of the network—the financial position of the company—and what the impacts of those pricing structure will be on market users.

Senator CHISHOLM: From a competition and efficiency standpoint, does the department consider pricing uncertainty will accentuate distorted incentives and a misallocation of capital within the NBN?

Mr Mrdak: No, I don't think so. I will turn to my colleagues to see if they've got a different view. I don't think so, based on what we see at the moment with pricing strategies.

Senator CHISHOLM: Does the department undertake any independent analysis or scanning on whether fixed line broadband is becoming more or less affordable?

Mr Mrdak: We've done some work—and I'll take that on notice in terms of the work our bureau of communications research has done. They've done quite a bit of work around the future pricing strategies and on broadband. I'll take that on notice.

Senator CHISHOLM: Potentially, is data available that the department would have?

Mr Mrdak: Yes, I'll take that on notice.

Senator CHISHOLM: Just jumping back a moment to the analysis around the 5G. Has KordaMentha been involved from a departmental point of view?

Mr Windeyer: Yes, KordaMentha has assisted the department in doing some work with respect to NBN.

Senator CHISHOLM: Is it also the case that KordaMentha have the NBN Co as one of their biggest clients?

Mr Windeyer: I'm not sure.

Mr Madsen: That's not our understanding. Certainly when we engage consultants to work with us we make inquiries about whether there's any conflict of interest. As has been mentioned, over the course of the year we've worked with Ernst & Young and KordaMentha, and in both cases we've been able to satisfy ourselves that there weren't any conflicts which prevented them from undertaking that work.

Senator CHISHOLM: So you are aware that KordaMentha do some work for the NBN though?

Mr Madsen: I'm not aware that KordaMentha work directly for NBN. We know that Ernst & Young provide some auditing services for NBN Co, but that's a different team to the team that has worked with us.

Senator CHISHOLM: On another issue, Standard & Poor's has suggested that a writedown on the NBN is inevitable. The ACC market study has also suggested there may ultimately need to be pricing relief measures taken by government. Mr Mrdak, what is your interpretation of what a writedown would mean?

Mr Mrdak: I think people are somewhat confusing the asset writedown with a pricing strategy. They're two quite different things. The asset writedown would reflect the value of the entity, whereas the pricing strategy is actually quite a different business decision in relation to the revenue and the rollout of the network. I think people are somewhat confused that there is a direct relationship between the asset valuation and the pricing strategy and the revenue of the company. That's not the case.

Senator CHISHOLM: Has the department had conversations with Finance, Treasury and the ACCC about a writedown?

Mr Mrdak: No. We engage in a process through the department's financial statements to assure ourselves of the asset value of the NBN. Certainly, we engage the Department of Finance as the other shareholder portfolio department in that process. I'm not aware that we've had any discussions about asset writedown, per se, with other agencies.

Senator CHISHOLM: Would there be discussions around pricing?

Mr Mrdak: Certainly with the Department of Finance and the Treasury we've had discussions around the NBN pricing strategy, principally in relation to our assessment of the corporate plan.

Senator CHISHOLM: Mr Mrdak, can you confirm the policy of the government remains to sell the NBN?

Mr Mrdak: That's my understanding, yes. That remains the case, subject to all of the requirements of the act and the processes involved.

Senator CHISHOLM: Have you seen evidence to suggest the NBN could obtain a sale price of $51 billion, or is the expectation that a market price would be half this amount or less?

Mr Mrdak: To my knowledge, we've done no work in relation to the market valuation of the company, were it to proceed to a sale process. We have a valuation in the department's financial statements, which reflects the ANAO-agreed valuation of the company based on the rollout that's now underway. But we've done no work on what a market sale price of the company may be.

Senator CHISHOLM: Under the trajectory of government policy, is it not inevitable that the NBN will have to be written down to reflect the difference between what the Commonwealth injected and what an investor is willing to pay for the multi-technology mix?

Mr Mrdak: Again, I don't think you would say that is inevitable. We have not, at this stage, established what would be a market value for the company. That would be dependent on completing the rollout and establishing the revenue stream that is available at that stage when it went to market. We aren't in that position at this stage. We're still very much in the construction stage of the rollout, and, accordingly, the financial statements reflect that stage of the company.

Senator CHISHOLM: Given the NBN generates a three per cent rate of return, how could it be possible that it would achieve a sale price of $51 billion? What investor would pay that with that rate of return?

Mr Mrdak: Again, I couldn't give you an opinion on that at this stage. That would be subject to once the rollout is complete and various steps have been gone through to put it into a position if it were to go to market. At that point, there will be judgements made about the revenue available and the business strategies involved.

Senator CHISHOLM: Minister, do you have a view about a writedown of the NBN and what that would mean?

Senator Fifield: Valuation of the NBN Co's assets is not a government decision. Accounting standards are followed to determine the value of NBN annually, and writedowns would only be permitted where that reflected down-the-line facts or circumstances.

Senator CHISHOLM: But Minister, if the retail margins continue to be compressed, what is the desired market response from a government standpoint? Would you prefer that prices go up, or would you prefer to see the NBN reduce its wholesale prices?

Senator Fifield: Again, I think you are coming to the point that Mr Mrdak made before, which is the misapprehension that there is a direct relationship between the value of NBN and the internal rate of return, and the prices that NBN charges.

Senator CHISHOLM: Sorry, I missed that.

Senator Fifield: If you are coming to the point that Mr Mrdak touched on before, which is that there is in some quarters a misapprehension that the valuation of the NBN relates directly to the internal rate of return, and that relates directly to the NBN pricing structure.

Senator CHISHOLM: What do you think the value of the NBN is based on?

Senator Fifield: The value of the NBN is based on accounting standards, which are followed. That determines the asset value of the NBN.

Senator CHISHOLM: Do you think there is a prospect that the NBN could attain a market value of $51 billion—a sale?

Senator Fifield: NBN needs to complete construction and there needs to be a Productivity Commission inquiry before a sale can be looked at. What we deal with today is what the valuation of the NBN is today.

Senator CHISHOLM: Do you think there would need to be government intervention before there was a sale or do you think the market would be allowed to work it out on its own?

Senator Fifield: Legislatively, my understanding is that no action is required by government because the legislation passed by predecessors already makes provision for the sale of NBN. But the legislation does require that there be a Productivity Commission inquiry first. What we are focused on at this stage is completing the NBN build. Matters to do with a sale are for down the track.

Senator CHISHOLM: Would you accept that there is a difference between the book value, which is what you would be relying on if you based it on accounting standards, versus the market value, which is determined by what an investor would pay for it?

Senator Fifield: Obviously, a sale process down the track would determine what price was prepared to be paid for the NBN. But we're not at that point now.

Senator CHISHOLM: Would you accept that the market value of the NBN is less than the book value that you are relying on?

Senator Fifield: We don't know at this stage what would be the circumstances at the time of privatisation, and it wouldn't be appropriate to speculate as to what may be the case in terms of a sale price or proceeds.

Senator CHISHOLM: What would be the government's procedure ahead of sale of the NBN?

Senator Fifield: We haven't yet got to that point, so it is premature to talk to those matters.

Senator CHISHOLM: So, you have no idea what steps the government would go through before it proceeded with the privatisation?

Senator Fifield: There would be a range of decisions that government would take before proceeding to that stage.

Senator CHISHOLM: Mr Mrdak, have you met with anyone who believes that the market value of the NBN would be anywhere near $51 billion?

Mr Mrdak: I have not had any meetings with anyone to discuss what a market value of the NBN would be. We are not at the stage of having those considerations. I'm sure there are lots people who have a view and have thoughts about what that might be, but I've not engaged with that in any serious way.

Senator CHISHOLM: What about you, Minister? Have you met with anyone who believes that the market value of the NBN is anywhere near $51 billion?

Senator Fifield: I am not having discussions about the privatisation of NBN, because that would be premature. That is still many years off.

Senator URQUHART: Turning to the NBN corporate plan. The 2018 corporate plan contains an estimated $10.6 billion in cumulative subscriber payments over the peak funding period out to 2021. However, the 2019 corporate plan sets out $9.9 billion in cumulative payments over the peak funding period out to 2021 and $10.3 billion out to 2022. So, there appears to be $300 million to $700 million of potentially unaccounted-for subscriber payments, depending on which peak funding year comparison we want to make. What's the department's understanding of the reason for this? Presumably it's something the department asks questions about during the corporate plan process?

Mr Mrdak: I'll ask Mr Madsen to answer that.

Mr Madsen: Our understanding of those differences would be attributed to changes in the timing of the activation of the rollout and activation of the premises. Those figures have been adjusted between the previous corporate plan and the current corporate plan. As a result, the timing of those subscriber payments will fall into different financial years.

Senator URQUHART: But that's a lot of variation—$300 million to 700 million.

Mr Madsen: Yes. We can take on notice to confirm that. But there were quite substantial changes in the profile of the rollout, particularly in FY19 and FY20.

Senator URQUHART: But won't the NBN rollout be completed by 2020?

Mr Madsen: It will be completed in 2020. And then there's still an 18-month period over which premises are able to migrate onto other networks. That may mean that some of those subscriber payments are triggered later than the point at which the network is completed.

Senator URQUHART: When you say it will be completed in 2020, is that June 2020—

Mr Madsen: Yes.

Senator URQUHART: or December 2020? It's June.

Mr Madsen: It's June 2020.

Senator URQUHART: So, end of June 2020. Okay. Doesn't that mean that all services will be cut over by the end of 2021?

Mr Madsen: Do you mean calendar year? Potentially if—

Senator URQUHART: Well, no. If it's complete by, say, July, and you said end of June 2020, doesn't that mean that all services will be cut over by the end of 2021?

Mr Windeyer: Yes, December 2021 being 18 months after June 2020. That's correct.

Senator URQUHART: So they will be cut over by December 2021?

Mr Windeyer: The migration period is an 18-month period, yes.

Senator URQUHART: Does that mean that all subscriber payments will be made by July 2022?

Mr Windeyer: Can we take that on notice? I think the answer's yes, but perhaps we can take that on notice and make sure we're right in saying that.

Senator URQUHART: Yes. Can you come back during the course of—

Mr Windeyer: We'll see if we can do that for you.

Senator URQUHART: I understand that as a result of cost increases and revenue delays NBN Co will need to draw on an additional $2.1 billion in private debt. Is that correct?

Mr Windeyer: That's correct.

Mr Madsen: Up to $2 billion of private debt.

Senator URQUHART: 'Up to'—so, it's an additional up to $2 billion.

Mr Madsen: Yes, that's correct.

Senator URQUHART: Is it fair to presume, then, that the corporate plan is assuming that debt is carried at an interest rate of at least 3.96 per cent to four per cent?

Mr Madsen: That's correct. The corporate plan assumes that debt is carried at the same rate as the current Commonwealth debt, at 3.96 per cent.

Senator URQUHART: How much interest will the additional $2 billion of debt accrue per annum?

Mr Windeyer: I think we'd have to take that on notice.

Senator URQUHART: Surely you could work it out?

Mr Windeyer: Well, it depends—we just need to confirm what year they would be starting to borrow and what the profile of the borrowing would look like, and I just don't have an estimate of that number in front of me.

Senator URQUHART: Isn't it roughly about $85 million?

Mr Windeyer: I'm not sure. I wouldn't want to give you a number off the top of my head.

Senator URQUHART: You don't know?

Mr Madsen: Sorry, Senator: we don't have that figure with us.

Senator URQUHART: Can you get someone to punch that out?

Mr Madsen: Yes.

Senator KENEALLY: Would it be four per cent of $2.1 billion?

Senator URQUHART: So, it's effectively four per cent on $2 billion of extra debt.

Mr Mrdak: It's not as clear cut as that.

Mr Windeyer: It's not as clear cut.

Senator URQUHART: Tell me how it is, then.

Mr Mrdak: Essentially the government, through the corporate plan, has agreed private borrowings of up to $2 billion. When that will be drawn down if it's required is yet to be determined. The peak funding as set out in the corporate plan includes a contingency amount. It will be seen, if that's required to be drawn down. So it's not a straight calculation of $2 billion and an interest rate of 3.96; it's much more variable on when the loan's taken out over what period and then when it's drawn down. But we'll provide you some further advice on the assumptions that underpin the corporate plan.

Senator URQUHART: If the corporate plan peak funding has increased by $2.1 billion—or up to $2 billion, you keep saying—it is there in the corporate plan. So, where does the money come from?

Mr Mrdak: The peak funding set out in the corporate plan has just been published. It's at the top end of the range that was published in previous corporate plans. What the government has set out with NBN is that any additional funding over and above the current equity and loans being provided by the Commonwealth will be sourced from the private market, so it will be a commercial loan by the NBN entity into the private debt market.

Senator URQUHART: Is it possible that the interest rate could be greater than four per cent?

Mr Mrdak: The advice we have at this stage—and it's something you may put to the NBN when they appear later this evening—is that their view is that at the moment rates may be better than 3.96, but obviously it will depend on the market—

Senator URQUHART: But they don't know that, do they? That's just speculation.

Mr Mrdak: It's based on their current analysis of the market, but of course market conditions may change. It would have been tendered at the time at which the debt is negotiated and of course as it's drawn down.

Senator URQUHART: Therefore the plan assumes that there's an additional $2.1 billion of debt and that that debt is accruing interest at four per cent. Is that—

Mr Mrdak: It's assuming a debt of up to $2 billion, but that amount will be dependent on the peak funding need as it arises. That includes a contingency amount for the company. But it's premised, as Mr Madsen has said, on an interest rate at around the current rate that the Commonwealth loan is being provisioned for.

Senator URQUHART: Okay. So, that's what the corporate plans assumes.

Mr Mrdak: Yes.

Senator URQUHART: How much new revenue is the regional broadband levy expected to raise from non-NBN providers in 2021?

Mr Mrdak: We'll get that for you.

Mr Windeyer: We'll get that figure. We'll find the figure and come back to you. I just don't have it in front of me, but that figure can be found pretty easily.

Senator URQUHART: We've estimated it at roughly $40 million. Would that be—

Mr Windeyer: That sounds about right, but we'll check.

Senator URQUHART: If we say it's $40 million, then you can come back and tell me one way or the other.

Mr Windeyer: Yes, certainly.

Senator URQUHART: Just so I've got this clear: the most recent cost increase that's going to incur an annual interest charge—if we work on the basis that that is $85 million, which is double the amount of revenue raised by the proposed broadband levy. I know you're not agreeing that that $85 million is the interest rate on the up to $2 billion. But whatever that is it's going to be significantly higher than $40 million, is it not?

Mr Windeyer: Possibly, yes.

Senator URQUHART: So it would be fair to say that the revenue standpoint of the regional broadband levy has already been cancelled out.

Mr Madsen: I think one factor in that is that the $40 million that we're talking about there from the regional broadband scheme is the net amount from non-NBN carriers. The scheme is intended to create a level playing field so all fixed-line operators contribute towards the costs of maintaining the fixed-line and satellite networks. That includes a contribution from NBN itself.

Senator URQUHART: What's the difference between the contribution of NBN and the other?

Mr Madsen: The scheme assumes that NBN's market share will be somewhere between 90 and 95 per cent. So NBN's contribution makes up the vast amount of the costs of the satellite and fixed-wireless networks.

Senator URQUHART: When you say 'the vast amount', how much?

Mr Windeyer: Between 90 and 95 per cent.

Senator URQUHART: Mr Mrdak, the relationship between the rollout time frame and peak funding: as part of the most recent corporate plan process, or the one prior, there were scenarios considered where the NBN rollout would be completed over a longer time frame, with the effect of reducing peak funding from the $51 billion. That's correct, is it not?

Mr Mrdak: Yes. That was a potential option but that's not the scenario that's being put forward in the corporate plan.

Senator URQUHART: Talk me through the scenario that's in the corporate plan.

Mr Mrdak: The corporate plan, as Mr Madsen has outlined, has completion of the construction of the network in 2020, moving to a full running of operations of NBN from there, with a transition to the full switchover of customers happening in that transition period thereafter. The dates are as Mr Madsen's indicated.

Senator URQUHART: I want to go to minimum speeds. Is the 2020 time frame required by the statement of expectations?

Mr Windeyer: We don't think it is in the statement of expectation.

Mr Madsen: We'll double-check, but I believe the statement of expectation states that NBN has asked to build the network as soon as possible in the most efficient way, using a range of technologies. The 2020 time frame comes from NBN's corporate plan.

Senator URQUHART: So, that's in the corporate plan, not in the statement of expectation?

Mr Windeyer: That's right, and it's been consistent in this corporate plan.

Senator URQUHART: Minister, I want to confirm: my understanding is that under the government's policy every Australian would have access to minimum speeds of 25 megabits per second by 2020. Is that correct? That's my understanding.

Senator Fifield: That's correct, yes.

Mr Mrdak: Yes, with most Australians experiencing speeds much higher.

Proceedings suspended from 15:42 to 15:59

CHAIR: Welcome back. Mr Eccles, you have a statement?

Mr Eccles: I have a quick answer to a question that Senator Patrick inquired about. I can advise for the purposes of *Hansard* that the cadetships and scholarships programs are currently having the assessment finalised, and it's expected that they'll be announced at the same time as the regional small publishers grant outcomes.

CHAIR: Excellent. Thank you.

Senator URQUHART: Mr Mrdak, I want to go back to the question I asked about the relationship between the rollout time frame and peak funding. I think you said that it would be rolled out by 2020. I understand there was a mechanism where a slightly extended rollout time frame reduced the peak funding. Can you talk me through what that scenario looked like—a longer scenario, in terms of an alternative option? What was the rollout time frame and peak funding?

Mr Mrdak: There are scenarios that obviously can be worked through. If you have a longer construction period, then obviously you can spread the cost of rollout over a longer period. But that obviously has other trade-offs in terms of revenue that's not available to the company. It really is a point at which there is a judgement made about what is the best financial outcome, but you can reduce some peak funding by pushing the rollout out further over a longer period—

Senator URQUHART: The corporate plan shows the rollout time frame for 2020, with the peak funding at $51 billion. I understand there may have been an alternative option that was presented to the minister. Can you talk me through that? Was that longer than that time frame, beyond 2020?

Mr Mrdak: I don't think it was a proposal put to the minister. Certainly, in working through scenarios with the company on the corporate plan—

Senator URQUHART: What was the other alternative that was worked out?

Mr Mrdak: Essentially, you'd be scaling back your pace of rollout, allowing revenue growth in the parts of the network that are already there and then utilising that funding to, essentially, complete the rollout but over a longer period. Your trade-off is obviously when the network becomes available, but it depends on when you choose to delay the rollout to. The ultimate judgement is that 2020, within the range of the peak funding, as presented in the corporate plan, is the most optimal outcome to ensure that Australians get broadband.

Senator URQUHART: If there were a rollout time frame for 2021, what would the peak funding be? Did you do that scenario?

Mr Mrdak: I don't think we've modelled that in any detail. It's very conceptual at this stage. I can take that on notice to see whether the company has any views on that.

Senator URQUHART: If you could. There's a lot of public commentary around in relation to a longer period of funding. I think we need to try and counter that. So, if there were a longer time frame modelled—and the dollars attached to that—that would be helpful.

Mr Mrdak: Yes, I certainly will come back to you on that.

Senator KENEALLY: Thank you for being here. I'd like to ask some questions about the NBN writedown and loan extension and run through some aspects of the NBN loan.

Mr Mrdak: Certainly.

Senator KENEALLY: On 15 August, the department indicated, in a hearing of the NBN joint standing committee, that the government was committed to refinancing the $19.5 billion NBN loan via private debt in 2021, as reflected in the budget papers. Then, on 31 August, the NBN corporate plan disclosed the loan was no longer going to be repaid on July 2021 but would, instead, be refinanced to July 2024. Given the NBN rollout is still forecast to be complete by July 2020, why has the loan repayment been pushed back by three years?

Mr Madsen: The change in the maturity date for the loan relates to the changes in the financial position of the company and the rate at which it generates free cash flow. As NBN has identified in its corporate plan, some of the decisions that it took over the last 12 months in order to improve service quality for consumers have had a financial effect and that has delayed the growth of cash flow and, as a result, the point at which NBN would be in a position to refinance the loan with private debt.

Senator KENEALLY: So in short, they had to spend some more money, that they had not anticipated they would have to spend, in response to some of the changes they've made to improve service and therefore they had to push back the repayment date of the loan?

Mr Mrdak: That's essentially correct. Essentially, as has been discussed with the company, issues such as the pause on HFC rollout, the requirement identified in the corporate plan for additional investment in fixed wireless as well as the other customer experience improvements that have been made have impacted both peak funding and the revenue cash flow of the company, hence the decision that the government has put in place in relation to an extended period for the repayment of the Commonwealth loan and also enabling the company to go to the market for private debt.

Senator KENEALLY: So who recommended the extension? Was it NBN Co?

Mr Mrdak: That was worked through with ourselves, the Department of Finance and the company.

Senator KENEALLY: So that was a decision, are you saying, in consultation between the departments?

Mr Mrdak: It was a decision worked through with the two shareholder departments and the company, and the decision taken by government.

Senator KENEALLY: Was any external due diligence done?

Mr Mrdak: For our work on the corporate plan, ourselves and Finance have been assisted by Ernst& Young providing us with advice on these matters.

Senator KENEALLY: If I could just pick up though on the point about the need to spend money on some of the customer service improvements in response to the government's decision this year. In the 2018 corporate plan, the year of positive cash flow was financial year 2021. In the 2019 corporate plan, the year of positive cash flow is financial year 2022. There is a one-year delay in positive cash flow but a three-year delay on the loan. Why the discrepancy?

Mr Madsen: There's also an increase in the amount of the loan by the $2 billion. There's both the Commonwealth loan and the private debt that NBN would raise. It does then relate to the profile at which cash is generated by the company and the point at which it could service a refinance of that scale.

Senator KENEALLY: Mr Mrdak, based on the assessment undertaken by the department prior to these additional costs that Mr Masden outlined, would NBN Co have been able to raise $20 billion in debt by July 2021 on acceptable terms?

Mr Mrdak: I think, as Mr Masden outlined, the financial position of the company was impacted by the changes to improved customer experience. Essentially it was felt more prudent to extend the loan beyond the current date to ensure the company was on a more sustainable financial footing.

Senator KENEALLY: I understand that. My question is: prior to the additional cost, was the department of the view that NBN Co would have been able to raise $20 billion in private debt by July 2021 on acceptable terms? I'm not asking, you know, will they be able to do it by July 2024.

Mr Mrdak: That was the presumption which underpinned the 2017 corporate plan.

Senator KENEALLY: I think you said earlier that it would be able to secure debt at the same interest rate currently charged which by the Commonwealth?

Mr Mrdak: That's the assumption that underpins the current plan, yes.

Senator KENEALLY: On the weekend, Alan Kohler, media commentator and author, produced a back-of-the-envelope calculation suggesting the market value of the multitechnology mix could be $13 billion. I say before I quote Mr Kohler that I'm not vouching for the figures used, nor am I suggesting that his estimate is credible, but he does say:

Here's another way to calculate it: Telstra's free cash flow last year was $4.9bn and its market cap is $37.3bn, so that's a free cash flowto- price multiple of 7.6 times. On that basis, NBN's $1.7bn free cash flow is worth roughly $13bn, so the equity is worth minus $8bn.

The point I'm making is doesn't this suggest there are scenarios where NBN Co might not even be able to generate the earnings required from the government's multitechnology mix to pay off the expected $20 billion debt?

Mr Mrdak: No, we don't believe so. We think that the company is in a position to. Obviously this is very important for the financial statements of the company, and will be reflected in the department's financial statements, that the company is in a position to service the loan as it falls due and to refinance. That's been an important parameter for us in assessing both the corporate plan and also, importantly, that the ANAO has signed off on the financial statements as meeting all of the requirements and that the loan is both serviceable and repayable as due.

Senator KENEALLY: So, to be clear, it's your advice to this committee that the loan is serviceable and can be paid off, and that the reason it has been extended is because of these additional costs that occurred this year due to changes in the rollout of HFC and customer improvement, not because of concerns that they're not able to pay off the expected $20 billion debt?

Mr Mrdak: That's correct.

Senator KENEALLY: Minister, given that you and the finance minister abandoned your commitment for NBN to raise private debt in 2016-17 and the government has now abandoned its revised commitment for NBN to refinance its government loan in July 2021 with private debt, is this clear evidence that NBN Co is unable to raise debt on acceptable terms for the multitechnology mix?

Senator Fifield: No.

Senator KENEALLY: Thank you, Minister.

Senator CHISHOLM: I wanted to ask some questions around mobile black spots. My understanding is that the database was recently reopened.

Mr Mrdak: That's correct. I'll just get our relevant officer to the table. Yes, the database was recently reopened ahead of round 4 of the Mobile Black Spot Program.

Senator CHISHOLM: That was the sole reason, ahead of round 4?

Mr Mrdak: Yes. It was to enable communities to identify additional locations to be considered in round 4. Mr Paterson may wish to add to that.

Mr Paterson: We have an existing database that was used under the first two rounds of the program. It's got 10,804 locations on it. It wasn't used in the third round of the program, because that was related to election locations that were identified during the election. This round is more like the first two rounds, where the sites are selected by the carriers, if you like. Therefore, we've opened the database to give an opportunity to have locations added to the database, but also we've added a new aspect to round 4 of the program, which relates to public interest premises. By that I mean health facilities, educational facilities, emergency facilities and so forth. It's to give the opportunity to have those locations identified.

Senator CHISHOLM: Is it correct that it was only open for four weeks?

Mr Paterson: That's correct. It's been open for four weeks, but there are two important aspects to that. The first one is that round 4 was announced by the minister for regional services in early June. But I know I've been talking to people since April and May, the states and the carriers, around the fact we were going to run another round and that we were going to put public interest premises into it.

I think the other aspect as well is that it's a fairly robust existing database, but you don't have to be on the database to apply for funding. It helps inform and educate the mobile network operators, but you can still say you will stay and if you have a particular location you can still partner with the carrier, even if it is not on the database.

Senator CHISHOLM: But it had been closed to new nominations for more than two years, and then it only opened for four weeks.

Mr Paterson: It opened for four weeks, yes.

Senator CHISHOLM: It just seems a very short time frame when it had been closed for so long. Why did it have to be so short?

Mr Paterson: It's a balance between rolling out the program as quickly as possible—getting those new facilities out—and giving people an opportunity to nominate their locations, if you like. So it's a balance, and in the end the decision here was taken that a month was an appropriate balance.

Senator CHISHOLM: How many new nominations were received in that four-week period?

Mr Paterson: We're still going through an acquittal process on this, but the latest information I have is that there were 1,886 new unique locations; there were 736 locations that were duplicates against locations that were already on the database; and then there were 397 public interest premises that were identified. I understand there's probably another thousand locations where we're still going through a process of identifying whether they're new, whether they're duplicates or whether they're a pip or not.

Senator CHISHOLM: There is a bit of Google mapping going on?

Mr Paterson: It will go on the NationalMap, yes.

Senator CHISHOLM: And that will go on the national database?

Mr Paterson: Yes. And the database will be made public, as usual.

Senator CHISHOLM: So you will be able to provide the committee with a list of those new nominations?

Mr Paterson: Absolutely.

Senator CHISHOLM: The department's website has information about base station delays.

Mr Paterson: Yes.

Senator CHISHOLM: What are the external factors outside of the control of the mobile network operators that are referred to, and what sorts of things are these factors?

Mr Paterson: There are three major impacts. One is getting the planning approval through the local council. Often, even if you get the planning approval you might have to go through environmental studies and visual impact studies. In some communities there might be opposition as well, so you may have to look at relocating the base station to meet concerns within a community. Then as soon as you relocate a base station, you have to go through the planning process and everything again, so that's a big one—planning approvals.

The other one is land access. The carriers need to reach a lease agreement for the land. Even in circumstances where they might have reached a memorandum of understanding on a particular location, if there is opposition within a community, or a landholder starts to ask for more money or they change their mind, they have to go through that process again. So that's another one. And the third one is power. What we often find with power is that the base station might be built, but we have to wait for the power to be connected before it can be turned on.

Senator CHISHOLM: Okay. And can you provide the committee with a list of those that have had delays?

Mr Paterson: Yes, I can. We've got some information on our website, but I'm happy to take that on notice and give you that information.

Senator CHISHOLM: Thanks. And, somewhat related: how many base stations can't be built at the original scheduled location, as you have referred to, and can you provide a list of those as well?

Mr Paterson: I can do that. What I might clarify is that we are focused on obtaining a coverage solution for a particular community or a particular location. Often, the base station site itself might move, but we will still target that location. What I can give you is the information about where we can't cover a solution to that location. Even though the base station itself might go from the hill at the east of town to the west of town, it's focused on getting the coverage solution. I think what you're after are those ones where the community might not be able to get a solution.

Senator CHISHOLM: Moving on: recently the minister announced that 600 base stations are now live. Are they all of the 499 base stations from rounds 1 and 2?

Mr Paterson: No, Senator, it runs across the three rounds. I'll get some information for you.

Senator CHISHOLM: I'll keep going. So, not all the promised base stations from rounds 1 and 2 are operational?

Mr Paterson: That's correct.

Senator CHISHOLM: I'd also be interested in knowing which base stations from rounds 1 and 2 are not yet operational.

Mr Paterson: Okay. I will take that on notice, but we absolutely can give that information to you. What I can say is that, under the first two rounds of the program, 75 per cent of the base stations are operational now. I expect the vast majority of the round 1 and 2 base stations will be operational by the end of this calendar year, but you might have a very small number which are either ones where it has taken a bit longer to get the approvals, which I spoke about earlier, or, in some locations, where you couldn't actually get a solution for those reasons and another location has been chosen as a replacement—that, then, has another time line attached to it. I would say almost all the round 1 and 2 are scheduled to be completed by the end of this calendar year. We're tracking around 75 per cent at the moment. On the priority round, there are two active at the moment out of the 102.

Senator CHISHOLM: Is this the round 3?

Mr Paterson: Round 3. Exactly. That will accelerate a lot. That's also 30 June 2019. That will accelerate a lot over the next six to eight months, because those contracts were signed earlier in the year, and so now we're starting to see that ramp up a little bit.

Senator CHISHOLM: With round 3—I missed that. Two have commenced?

Mr Paterson: Two have commenced already.

Senator CHISHOLM: Two out of—

Mr Paterson: 102 solutions.

Senator CHISHOLM: Has the department consulted with state governments about contributing to round 4, and what has their response been?

Mr Paterson: Yes, we have. I myself have done some of those consultations. Some of my officers did some of the others. I suppose the general comment is that the states are very supportive of the program. They can see the value of combining our resourcing, if you like. A number of states do have money set aside. We do run a competitive assessment process and we do try to maximise value for money. The way it works is that, say, a stakeholder contributor will work through the mobile carrier and put an application forward to the Commonwealth. There will be a value for money issue there. What I will note is that it's not unusual for us to fund base stations that cost very little money or no money under earlier rounds of the program. One thing that states find is that if they combine with the Commonwealth we do a lot of the heavy lifting on the program. On some of our base stations we will pay $20,000, $30,000 or $40,000.

Senator CHISHOLM: Thank you, Mr Paterson. I want to move to the USO review. I don't know if that's for other people or yourself, Mr Mrdak.

Mr Mrdak: We have the people here.

Senator CHISHOLM: I want to get a brief update on the progress of the USO Task force.

Mr Mrdak: Certainly. I'll ask Mr Mason to give you an update.

Mr P Mason: We've been doing a large amount of work over the past months covering a wide range of issues. I think, earlier in the year, we gave the committee an overview of what we'd be doing. That included talking to Telstra, as the USO provider, particularly about what services it is delivering under the current USO arrangements. We contracted an expert consultant to help us with the costing of alternative delivery scenarios for voice services. We also worked with that consultant in relation to the provision of payphones and alternative approaches to the provision of payphones. We've been looking at material provided by NBN Co in terms of potential cost impacts on that company. We've also been looking at what has been happening overseas in terms of universal service delivery for voice services and payphones. Importantly, we've also been speaking with stakeholders, particularly regional consumers and industry. We've been pulling that advice together for consideration by government. That is basically where we're at at this stage.

Senator CHISHOLM: If I could specifically focus in on two—I think last time you outlined five streams of work, and you touched on a couple of them then. Around the alternative voice services that could be provided in the satellite footprint and the impacts on NBN Co's costs if the USO were reformed: could you provide an update

on what the department has learned about what role low-orbit satellites might play in delivering voice services in hard-to-reach areas?

Mr P Mason: We spoke to a number of proponents of low earth orbit satellite systems. Low earth orbit satellite systems have been around for some time. I think Iridium was really one of the first systems. From memory, it was introduced in the late 1990s. They do exist. More systems are coming on line—for example, SpaceX is proposing a system and OneWeb is proposing a system. I think our assessment at this time is that they are a promising technology, but that needs to be balanced against the very strong message we've had from regional consumers about the need for confidence in terms of the reliability and quality of the service. I think we would like to see those new satellite systems up and running and delivering services before making final judgment on it.

Senator CHISHOLM: How does that performance differ to the performance of the NBN satellite?

Mr P Mason: Well, the NBN satellite at the moment has basically been designed to provide data services as opposed to voice services. Probably the main thing to keep in mind is that it's a geostationary satellite system. From memory, that means it's about 35,000 kilometres up in space—I may be wrong on the exact number. The consequence of that is that there is actually quite a delay in terms of the signal. That creates latency and creates problems for people to use it for voice. That's particularly the case if you have to have a double-hop system, where two satellites are involved. If I can contrast that with the Telstra system: it uses satellite in some instances to provide voice services now, but those calls are typically switched in the satellite, so you avoid the two hops, and so the voice quality is actually much better. How that compares with a low earth orbit system: those satellites, by definition, are low-earth orbit; they're much closer to earth. The transmission distance is much shorter, so the latency is much lower and so the distortion to voice quality could be lower as well.

Senator CHISHOLM: Has the department established data points on what proportion of premises in the satellite footprint are served through a copper line?

Mr P Mason: Yes, we have that data, Senator.

Senator CHISHOLM: Are you able to provide that?

Mr P Mason: No, I'm not able to provide that. I can take it on notice. Why I hesitate is that we had difficulty securing it from Telstra, and they put fairly stringent conditions on getting access to it.

Senator CHISHOLM: It's only a Senate committee; I'm sure that will be fine. Has the department obtained a better idea of what proportion of premises in the satellite footprint have mobile coverage? Is there any data you can offer on that?

Mr P Mason: These are all things that we have been looking at. I think that's clearly what the work of the task force has been about. Those kinds of results are in the material we're providing for government consideration, and government is still considering that.

Senator CHISHOLM: Would you be able to take on notice whether you can provide any of that data to us?

Mr P Mason: I can take the question on notice, but I think the answer will depend on government considerations.

Senator CHISHOLM: There are some questions around the 5G option that I wanted to ask. On 11 July this year, the minister announced the government's decision on competition limits for the auction. I understand that, on 31 August, TPG and Vodaphone subsequently announced that they would form a joint venture for the purpose of bidding as a single entity during the 5G auction. For all practical purposes, this means there will be two mobile entities bidding instead of three—is that correct?

Mr Mrdak: I think, as the ACMA outlined earlier, Senator, we need to be very cautious. As part of a tender process, we're not in a position to confirm registered numbers of bidders or participants. We need to be cautious. I do apologise, but, given we're in the probity requirements of an auction process, we're not in a position to give details of who has registered and for what amounts.

Senator CHISHOLM: Would it be fair to say the fact that TPG and Vodafone put in one bid made it one less likely?

Mr Mrdak: I think you can say that.

Senator CHISHOLM: In light of the acquisition limits and the amount of spectrum available, I understand that a maximum of two 60 megahertz blocks can be accommodated in the metropolitan licence areas. Is that correct?

Mr Windeyer: That's correct.

Senator CHISHOLM: So there's 125 megahertz being auctioned. Is that right?

Mr Windeyer: That's correct.

Senator CHISHOLM: However, the competition limits restrict any one entity from acquiring more than 60 megahertz.

Mr Windeyer: They restrict any one entity from acquiring more than 60 megahertz. That's correct.

Senator CHISHOLM: Following the announcement by TPG and Vodafone, did the government undertake a process to assess the revenue implications of the joint venture and the reduced competitive tension that could result from having fewer bidders in the auction?

Mr Mrdak: Again, I need to be very cautious because of the probity requirements of the auction.

Senator CHISHOLM: We just established that, because there was a merger, there was one less bidder.

Mr Mrdak: That's a scenario. I think I need to be more cautious.

Senator CHISHOLM: I didn't say there was only two. I just said there was one less than what there could have been.

Mr Mrdak: We've agreed with that. In terms of other modelling and work that we've done, we need to be a little bit cautious around the auction process so that we don't in any way unduly cause detriment to the auction.

Senator CHISHOLM: Has the department at any stage been concerned or had a reason to look at the process and reassess the process in recent months, since the decision by TPG and Vodafone to be together?

Mr Mrdak: Yes. We have looked at the process. A number of entities have publicly raised questions as to the timing of the auction. We have looked at a range of scenarios and options in relation to the auction process.

Senator CHISHOLM: Were any options presented to the minister to change the time frames of the auction or the design itself?

Mr Mrdak: Yes, there were. At the request of some parties, we did examine options for that and advice was provided.

Senator CHISHOLM: Which parties requested that?

Mr Mrdak: At least, I think, on the public record, Vodafone and Optus have indicated their view that consideration should be given to timing of the auction.

CHAIR: Minister, did you request any such change?

Senator Fifield: As per the ACMA Chair's comments, I don't think it's appropriate to speculate on auction matters while the auction is underway.

Senator CHISHOLM: Do you see what I'm getting at here? If there's 125 megahertz and you can only acquire 60 each and there's only two bidders, there's a problem, isn't there?

Senator Fifield: We can't speculate as to who's registered or how many people have registered. It's not appropriate to speculate on auction participants or outcomes while there is an auction in process.

Senator CHISHOLM: Minister, have you met with any other companies that were interested in bidding to encourage them, apart from Telstra and TPG/Vodafone?

Senator Fifield: It's not my role to encourage or discourage participants.

Senator CHISHOLM: Have any other companies raised their potential interest with you?

Senator Fifield: Over time, a number of organisations raised interest in the spectrum, but it's for them to talk to their interest, not for me to, particularly during an auction process.

Senator CHISHOLM: A reserve price of 8c per megahertz was set for metropolitan areas. Can you confirm who was the decision-maker on this, and does this reserve price reflect an estimate of the market value?

Mr Mrdak: The reserve price was set by the ACMA and reflects their analysis of similar processes.

Senator CHISHOLM: So estimate of market value?

Senator Fifield: I think that was asked of the chair of ACMA and Mr Giles, and they said that that was a complex matter to answer. I don't think they proposed to take that further during the auction period.

Senator CHISHOLM: Was that reserve price set on the assumption that demand for spectrum lots from three participants would help deliver a market outcome?

Senator Fifield: They're really questions for ACMA.

Senator CHISHOLM: What role did the department have in setting the reserve price?

Mr Windeyer: We had no role at all.

Senator CHISHOLM: Mr Mrdak, are you confident that the current auction design and reserve price will not result in an undervaluing of the spectrum relative to a situation where TPG and Vodafone were not bidding as a joint entity?

Mr Mrdak: I can only come back to the comments by the ACMA chair. I can't give you a view on those matters.

Senator CHISHOLM: Has any assessment been undertaken on what the impact on revenue realised from the auction could be as a result of that joint bid?

Senator Fifield: Again, while an auction process is underway, it wouldn't be appropriate to comment on who may or may not be bidders or matters of revenue.

Senator CHISHOLM: No, I was asking about whether the department has done an assessment on what impact the revenue realised from the auction would be as a result of the joint bid.

Senator Fifield: Again, I think the department needs to be careful in speaking—

Senator CHISHOLM: I'm sure Mr Mrdak will be very careful.

Senator Fifield: on any work that might be undertaken, lest it reflect on the auction environment.

Senator CHISHOLM: I'm not asking for the work. I'm asking if it was undertaken.

Mr Mrdak: I don't think we've done any detailed work on revenue impacts in various scenarios, but work has been undertaken in relation to potential outcomes of the auction, yes.

Senator CHISHOLM: Was one of those revenue forgone? I suppose it would be classified as that.

Mr Mrdak: Again, all I can say is that we have looked at various options and scenarios and how they might play out, but I really couldn't give you a much more definitive answer here today.

Senator URQUHART: I have a couple of questions around the fixed wireless. I want to step through a few developments in relation to the fixed wireless policy. On 15 August 2018, the now NBN CEO revealed that consumers on fixed-line wireless would be charged $65 wholesale for a 50-megabit-per-second plan. In comparison, fixed-line services in the city have a $45 wholesale price for the same speed. The following day, the minister issued a statement claiming NBN Co had not made a decision on this pricing change. The minister stated:

NBN is embarking on a fresh round of product consultations but have made no decisions.

However, a subsequent iTnews report on 17 August citing documents presented by NBN Co to retail providers appears to contradict this. The article states:

But the presentation to industry tells a different story.

There, the $65 charge was unequivocally presented as applying to new 50/20Mbps services and coming into effect on August 20—supporting the version of events presented before parliament.

On 22 August 2018, the Senate passed an order seeking access to the documents in order to establish the facts of the matter. NBN Co exercised a public interest immunity claim on the basis that the documents were commercial-in-confidence. If this presentation were provided by NBN Co to retail providers, how could it be commercial-in-confidence?

Mr Mrdak: It is probably a question best placed to the company, Senator. I don't think anyone at the table today can give you a detailed answer in relation to the timing and the sequence of the documents presented to industry. We weren't involved in that. Perhaps the best way—

Senator URQUHART: You weren't involved in that at all?

Mr Mrdak: Not in that process. Can I take it on notice and suggest that there be a conversation with the company.

Senator URQUHART: When did the department first become aware of NBN Co's plan to set a $65 wholesale price for the 50 megabits per second tier on the fixed-line network? Was it prior to the joint standing committee hearing when it was revealed or after? That joint standing committee was on 15 August 2018.

Mr Windeyer: I think we would have to take that on notice to be sure, Senator. We can take it on notice and find out when we were first informed.

Senator URQUHART: You don't know whether it was after the 15th?

Mr Windeyer: I'm sorry. I don't have that information in front of me.

Mr Mrdak: There was a consultation paper issued by the company to seek industry feedback on various options. My understanding was that that option was included and that was in May. We will get you a more definitive date as to when that went from a concept to a more firm proposal.

Senator URQUHART: I have some questions arising out of that date. Is there no-one who can give that to you now?

Mr Mrdak: No. When we've got the company before the committee later this evening, it might be a conversation where they may be able to give us some more information.

Senator URQUHART: I would like you to take on notice: what did the department know, what was the understanding of the pricing changes, when did the department first find out and was the minister briefed?

Mr Mrdak: Certainly.

Senator URQUHART: I just have a few questions now on the National Relay Service and then I'm done with this section.

CHAIR: That's excellent news.

Senator URQUHART: I have got literally five questions.

CHAIR: Delightful.

Senator URQUHART: Can the department provide an update on the status of the National Relay Service tender? Is the tender process running behind schedule or still on track?

Ms Williams: The tender process is still underway.

Senator URQUHART: Still underway?

Ms Williams: Still underway.

Senator URQUHART: What is the completion time for that?

Ms Williams: We are expecting that it will be completed shortly. As you would appreciate, because it is an ongoing open procurement process, we can't comment on the detail.

Senator URQUHART: Sorry—

Ms Williams: Because it is an open procurement process at this stage, as you would appreciate, we can't comment on the detail.

Senator URQUHART: What time frame does the department anticipate that a tender outcome will be announced?

Ms Williams: Again, Senator, I think given that it is an open procurement process we can't comment on the detail of that, but it is our view that it will be completed shortly.

Senator URQUHART: What is the definition of 'shortly'?

Ms Williams: We do anticipate it will be completed shortly, but it is still an open assessment process and so I'm not able to comment on the exact time frame.

Senator URQUHART: This has been, as I understand, ongoing for a number of months. Is that correct?

Ms Williams: Yes, that's correct.

Senator URQUHART: What is the time frame that it has been—

Ms Williams: The tender closed on 31 May, but, in our view, it's proceeding according to the anticipated time frame for a tender of this size and complexity.

Senator URQUHART: So, it closed on 31 May.

Ms Williams: That's correct.

Senator URQUHART: And you still don't have an outcome?

Ms Williams: As I noted, we do anticipate that it will be finalised shortly, but it is proceeding according to the time frames that we would have anticipated for something of this complexity.

Senator URQUHART: Can you confirm that the current NRS contracts are due to expire on 31 January 2019?

Ms Williams: That's correct.

Senator URQUHART: What extension mechanisms are available under the current contract to ensure that there is continuity of service?

Ms Williams: Continuity of service is obviously a primary concern for us.

Senator URQUHART: It's a primary concern for people out there, too.

Ms Williams: Indeed. That will be a key focus for us going forward.

Senator URQUHART: I'm sorry. I'm just having trouble hearing you, Ms Williams.

Ms Williams: Sorry, Senator. That is obviously a key concern for us going forward. There is scope, obviously, to look at measures such as continuation of the existing contract for a short period, if that is necessary. Again, I wouldn't want to pre-empt or comment on the details of the current tender process and the outcome of that.

Senator URQUHART: I'm through that. I'm asking what extension mechanisms are available under the current contract to ensure that there is continuity of service so that we can allay the fears of the people out there who use the National Relay Service who have hearing issues and speech impaired communities. They rely on these services, so it would be really nice to be able to give them some comfort that these services will continue whether or not the process or a new contract is in place.

Ms Williams: There's always scope within contracts of this nature to extend them in negotiation with the party that we have the contract with. There is always scope to do something of that nature.

Senator URQUHART: Have any negotiations commenced to extend the contracts?

Ms Williams: No.

Senator URQUHART: Are you likely to have any negotiations to extend the contracts?

Ms Williams: Again, that would I think pre-empt the outcome of the tender process, but should it be necessary we'll obviously look at that.

Senator URQUHART: We're currently at 23 October. Pretty much most stuff shuts down about midway through December. This contract expires on 31 January. Not much happens through January. You must be confident that the tender process and a new tender will be in place prior to then.

Ms Williams: We're confident that we will be able to ensure continuity of the service going forward.

Senator URQUHART: Is it possible to transition to a new provider by 31 January?

Ms Williams: Again, I think it wouldn't—

Senator URQUHART: It's quite a simple answer.

Ms Williams: I wouldn't want to comment on the outcome of the tender process. But the existing contract does include the ability to transition and transition requirements, and we would ensure that, if that is in fact the outcome of the tender process, effective transition requirements are in place.

Senator URQUHART: What would be the time frame to transition to a new provider?

Ms Williams: It would depend on the provider and the nature of that transition, so I wouldn't want to speculate on that.

Senator URQUHART: As part of considering any potential service changes, will the department be consulting with the community prior to finalising those outcomes through a tender decision?

Ms Silleri: We had a consultation prior to going to tender. Through that process we determined community needs and wants regarding the suite of services. It would not be appropriate to have a consultation period as part of a procurement exercise. But we are very mindful of the consultation process that we did conduct, and we're getting feedback from the community all the time on the range of services that they deem to be most important.

Senator URQUHART: I'm sure you are. We are too, by the way. What specific actions are being performed by the government to ensure that those who use the NRS are kept up to date about the tender process, changes to the NRS website, outreach programs or other changes to services?

Ms Silleri: I think as I mentioned at the last estimates, we have a process underway to launch a new website, which will have the most up-to-date information about the National Relay Service and more broad communications accessibility information and advice for the community generally. We're in constant contact with the current providers, who are talking to the community. If there was anything that would signal a change to the provision of the service or provision of any of the existing outreach services, we would let the community know directly. Our website, which I spoke about—we hope to be launching that in the second or third week of November.

Senator URQUHART: I have a couple of questions in relation to audio description. Upon the release of the Audio Description Working Group's report in May 2018, the department referred to the need for further

discussion and policy work around audio description. What policy work's been performed in the last five months around that issue?

Ms Silleri: That matter is currently with the minister for his consideration.

Senator URQUHART: Minister, can you give me an update on that?

Senator Fifield: It's before me, and I'm—

Senator URQUHART: What's 'before me'?

Senator Fifield: The work of the department is before me.

Senator URQUHART: Right. The work's with you—the policy work? It's with you?

Senator Fifield: That's correct. We're looking at—

Senator URQUHART: I'm not sure what's 'before me'—you or the department?

Senator Fifield: Sorry?

Senator URQUHART: I asked you: the work is with you, as I understand?

Senator Fifield: That's right. We're looking at—

Senator URQUHART: Has the policy work been done, and it's with you?

Senator Fifield: what steps next.

Senator URQUHART: Sorry?

Senator Fifield: We're looking at what steps next. I'm not in a position to advise you further at this stage.

Senator URQUHART: How long have you had that work?

Senator Fifield: I'd have to check with officers—

Senator URQUHART: The officers are at the end of the table. Maybe they could answer?

Ms Silleri: I'd have to take that on notice for the exact amount of time.

Senator URQUHART: I don't need an exact date. A rough estimate is fine. Has the minister had it for months, weeks?

Ms Silleri: Several months.

Senator URQUHART: So, a time-frame?

Senator Fifield: When I have something to advise, I will.

Senator URQUHART: Since the release of the Audio Description Working Group's report in May 2018, what specific actions has the department taken to progress the implementation of audio description in Australia?

Mr Windeyer: As we've said before, we've done some policy work around it and provided some advice to government and are awaiting a decision as to next steps.

Senator URQUHART: Minister, can I ask you what the status of the spectrum reform legislation is. Where's that at?

Senator Fifield: I'll ask Mr Mrdak—

Mr Mrdak: We're finalising the next draft of the bill. We anticipate, probably next month, going out for consultation on the revised draft bill.

Senator URQUHART: Does the government expect to introduce the legislation to parliament this year?

Mr Mrdak: Not this year.

Senator URQUHART: But that's the commitment that was previously made.

Mr Mrdak: The drafting has proven more complex, based on comments on the first draft, than what we'd imagined, and that's taking much more time and drafting resources than we'd anticipated. We are still of the view that we'll go out to consultation this year, but it's unlikely we'll be in a position to introduce the legislation, given the limited number of sitting days left this year.

CHAIR: I think that concludes—

Mr Windeyer: Excuse me, Chair, can I provide one bit of information in response to a question Senator Urquhart asked earlier. The contribution of non-NBN carriers to the Regional Broadband Scheme in 2021-22 is about $30 million.

Senator URQUHART: How many?

Mr Windeyer: Thirty. I think we'd speculated it was closer to 40, but 30 is the current estimate at the moment.

CHAIR: Excellent. Thank you, Mr Windeyer. That concludes our examination of program 1.1, Digital technologies and communication services. The committee will now invite the ABC to the table, and while they take their seats, we will suspend for just a couple of minutes to allow the media to do their thing.

Proceedings suspended from 16:52 to 16:54

Australian Broadcasting Corporation

CHAIR: Welcome to officers from the ABC, in particular Mr Anderson. Thank you for joining us. Do you have an opening statement you want to make?

Mr Anderson: Yes, I do.

CHAIR: Fire away.

Mr Anderson: Thank you. I'm appearing today as acting managing director of the ABC. It is a privilege to be in this role, overseeing one of Australia's most loved and respected cultural institutions. There is no doubt that senators will have many questions about recent events and strategies. I'll do my best to answer them in my capacity and from my management position.

Accountability is part and parcel of being a national broadcaster. So too is independence. I have already stressed in my early conversations with employees that the great faith and trust that the community invests in the ABC is built on the foundation of independence. The ABC is funded by government, and it is ultimately answerable to the people of Australia. They are the ones who expect us to report without fear or favour and to live up to standards of quality and excellence, to shun commercial and other agendas, to hold the national conversations and to reflect the nation back to itself.

The other absolute I have, as a long-term content manager within the corporation, is the primacy of content. Across the ABC's history we have been adept at using technology to improve the ways we bring our programs and services to our audiences. Even in my time at the national broadcaster, the distribution platforms and channels we use have changed dramatically. They will need to change even more over the next decade as we seek relevance and reach in a challenging digital media landscape. It is the content we carry on those platforms that ultimately matters: vibrant new kids programs that delight and educate our children; agenda-setting journalism that shines a light into dark corners and holds regulators and lawmakers to account; the rich, direct and often lifesaving conversations we have with our regional and rural audiences; the insightful work of Radio National; our commitment to the promotion and support of cultural endeavours, particularly music, the arts and creative communities; cultural dramas like *Mystery Road* that use local actors, local crews, local locations and local stories to entertain us; and our ability to unite a nation whether it be on Australia Day, through the approaching Remembrance Day Armistice celebrations or through our in-depth coverage of the drought—and, this week, of course, through the Invictus Games. It is the distinctive content that makes the ABC unique and a priceless national asset.

While recent weeks have been testing, I'm very proud of the passion and energy shown by our 4,000 employees. They have not been distracted. They remain committed to serving Australians. As the acting MD, my early objectives have been: to work with the board; to bring stability to the organisation; to demonstrate leadership; and to press for the resourcing we need to deliver the charter remit and the services the community expects.

I note there has been a lot of talk recently about ABC budgets and future demands. I'd like to bring these facts to the table. Twenty per cent of the ABC's budget is actually fixed costs for transmission, the infrastructure that delivers our programs to audiences across the nation. The $84 million efficiency cut over three years comes on top of the 2014 decision to cut the ABC budget by $250 million over five years. The cumulative impact of these measures is a significant reduction in our operating budget, at a time when we are facing rising costs of production and the need to increase our investment in digital products. We have been given no certainty about the future of funding for our program that directly employs 81 journalists, including specialist reporters in outer-suburban bureaus such as Geelong, Parramatta and Ipswich.

As a long-serving content manager and leader, I can personally attest to the financial pressures affecting the corporation. I can vouch for the efforts of management to maximise every dollar to be spent on audiences and to play our efficiency savings into content. I'm making it clear to stakeholders that the next triennial funding round, scheduled for resolution in next year's budget, should be used as an opportunity to reposition the ABC for the future. If the ABC is important now in bringing diversity to the media landscape, it will be even more essential over coming years in providing quality, independent, local content to Australians.

The ABC will be the innovators. We will provide the creative jobs necessary for this new era. We will continue to provide the highest quality independent journalism. Thank you. I'm happy to take your questions.

CHAIR: Thank you, Mr Anderson.

Senator HANSON-YOUNG: Welcome, Mr Anderson. Thank you for making time to come and speak to us today. I understand up-front that the circumstances are a bit different to what would have been expected, but I think it's really important that we actually talk about some of the things that have happened over the last few weeks. I want to know, from your perspective, how you feel the ABC staff are managing?

Mr Anderson: I think the ABC staff are concentrating on what they do best. I think they were surprised by the termination of the former managing director, but I think that, ultimately, the staff will continue to do the great job that they do around the country. To be honest, I can't attest to what 4,000 people are feeling but I am getting positive messages back more recently with regard to things that are more future-focused here in the present as well as what we are focusing on between now and the end of the year, and into next year. The focus we're trying to bring to the organisation is the focus that we've had. The strategy we've had is the strategy that we will continue to have into the future. We're in good shape, we're on the right track and we will continue to do it.

Senator HANSON-YOUNG: Were you surprised to hear of the emails sent by the former chair, Mr Milne, to Michelle Guthrie in relation to Emma Alberici?

Mr Anderson: Yes, I was surprised. I was aware of discussions that had happened beforehand. I was not aware of emails that had been sent.

Senator HANSON-YOUNG: But you knew that there had been a complaint made?

Mr Anderson: A complaint?

Senator HANSON-YOUNG: Against Emma Alberici's reporting.

Mr Anderson: I was not aware of a complaint at the time. A complaint by whom?

Senator HANSON-YOUNG: By Mr Milne.

Mr Anderson: I knew that there were discussions. I did not know that there was a complaint by the former chair to the former managing director.

Senator HANSON-YOUNG: You knew that Ms Alberici's reporting had been a topic of discussion?

Mr Anderson: Yes.

Senator HANSON-YOUNG: Was that only with Michelle Guthrie or had it been discussed with other members of staff?

Mr Anderson: I can't answer that, I'm sorry. I don't know.

Senator HANSON-YOUNG: Had it been raised with you by anybody within the ABC board?

Mr Anderson: No.

Senator HANSON-YOUNG: What about the allegations in relation to Andrew Probyn? Were they ever raised with you?

Mr Anderson: No, they were not.

Senator HANSON-YOUNG: Had you heard of discussion in relation to Andrew Probyn's reporting?

Mr Anderson: Certainly at leadership team-level, yes, there was some discussion around the issues—because, of course, it was playing out in the media—with regard to Emma Alberici as well as Andrew Probyn. But I can't attest to the direct relationship between the former managing director and the former chair.

Senator HANSON-YOUNG: In the senior management discussions, what was your understanding of Ms Guthrie's response to those issues that had been raised? Was she concerned about the reporting or that the concerns were being raised?

Mr Anderson: My recollection about that was our discussions were around editorial standards, any editorial issues raised and the testing thereof, and looking into what was raised at the time—not that there was interest from the former chair to the former managing director.

Senator HANSON-YOUNG: Had anyone on the board asked you your opinion of Michelle Guthrie's performance?

Mr Anderson: No.

Senator HANSON-YOUNG: No-one had ever raised that with you at the board level?

Mr Anderson: No.

Senator HANSON-YOUNG: Had you ever raised concerns with any members of the board in relation to Michelle Guthrie's performance as general manager?

Mr Anderson: No.

Senator HANSON-YOUNG: Was there discussion amongst the senior management team about Michelle Guthrie's performance as general manager?

Mr Anderson: No. Of course, as a leadership team, you deal with the matters at hand and you are always looking at what the ABC is doing at the time, working together. Michelle, as former managing director, was the leader of that team. We had an effective working relationship.

Senator HANSON-YOUNG: Were you surprised that she was sacked?

Mr Anderson: To be honest, it was extraordinary, and, yes, I was surprised.

Senator HANSON-YOUNG: Were other members of the senior management team surprised she was sacked?

Mr Anderson: I can't testify as to what the other members of the leadership team felt.

Senator HANSON-YOUNG: During the staff walk-out and the demonstration in the days following Michelle Guthrie's sacking, when it became clear that the email exchange between Justin Milne and Ms Guthrie in relation to Emma Alberici had occurred, where were you?

Mr Anderson: Sorry, the staff walk-out that happened—

Senator HANSON-YOUNG: In response to the revelations about—

Mr Anderson: Where was I? By then I was acting managing director. I was dealing with matters that the corporation needed to deal with at the time. I can't say where I was right at that moment.

Senator HANSON-YOUNG: You weren't with them?

Mr Anderson: No, I was not with them.

Senator HANSON-YOUNG: What plans do you have to restore staff confidence; that, when they report, they will have the backing of management and the board?

Mr Anderson: It's an important question, and something that we've already been reassuring our staff over; that our editorial independence is paramount and uncompromising. I don't believe that our editorial independence, notwithstanding what reports have been there between the former chair and the former managing director—the fact that Emma Alberici and Andrew Probyn are still in the jobs they're in, I think our editorial independence is intact. We continue to operate that way. We've been providing reassurances to staff and, over time, we will continue to provide those reassurances. I think the way we operate and the editorial policies and standards we have in place, and the checks and measures we have that sit around them, demonstrate every day that we still maintain editorial independence.

Senator HANSON-YOUNG: Have you had a discussion with Emma Alberici and Andrew Probyn, since becoming managing director, about how they go about getting on with their jobs?

Mr Anderson: No, I haven't as yet.

Senator HANSON-YOUNG: Are you aware of other complaints of other stories and reports that the government wasn't happy about, outside of Emma Alberici's and Andrew Probyn's reporting?

Mr Anderson: No, I'm not.

Senator HANSON-YOUNG: Has anyone on the board, either former or current members, ever raised concerns with you about the ABC's reporting and how it reflects on government?

Mr Anderson: No, they haven't.

Senator HANSON-YOUNG: Are you aware of any board members, current or former, who have raised concerns with other members of staff about reporting and how it reflects on government?

Mr Anderson: None to hand. I've largely been in positions that have sat outside of news and current affairs, although I've had good working relationships, such as with the director of news investigation and analysis. It hasn't been raised with me.

Senator HANSON-YOUNG: Ms Higgins, did any members of the board, current or former, raise concerns with you about the way the ABC was reporting on government or reflecting on ministers?

Ms Higgins: No.

Senator HANSON-YOUNG: Has anyone on the board, current or former members, ever raised with you the complications both of the government being the body that funds you and the government being a government that needs to be covered in a transparent way?

Ms Higgins: I don't think it's been raised as a complication. Even I've said at this Senate committee before, for public service broadcasters the world over, that there is an inherent tension in independence of reporting when it's publicly funded.

Senator HANSON-YOUNG: Have you been interviewed or questioned in relation to the government's efficiency review?

Ms Higgins: Yes.

Senator HANSON-YOUNG: What is your understanding of where that review is heading?

Ms Higgins: Similar to what, I think, the department secretary told the committee this morning. I believe they're currently drafting their review and they're running to an end-of-October timeline.

Senator HANSON-YOUNG: Are you worried about less funding being given to the ABC?

Ms Higgins: I'm not worried about less funding per se. I am worried about making sure that the ABC has sustainable funding for the future. I think that's very much in line with the acting managing director's opening statement.

Senator HANSON-YOUNG: Do you think the ABC is as efficient as it can be?

Ms Higgins: I don't think you could say any organisation is as efficient—we will always strife for efficiencies. We have a history that has been very well publicly outlined around our drives for efficiency and how we have self-funded a number of new services and how we have kept the broad services that we do provide within funding cuts of recent years. It's inherent to what we do. We will continue to always find efficiencies and be efficient, as any public service entity should be.

Mr Anderson: We do have an obligation to be as efficient as possible. Whether it's a budget cut that has been applied to us or our own initiated efficiency measures, we have to find efficiencies for a number of reasons, one of them being that we always have a sustainability gap between whatever indexation we received and actual rising costs. There's already a gap, year on year, that sits there. We need to find efficiencies to make sure we're spending as much as we possibly can on Australian content and we also need to find efficiencies to be able to modernise the digital products we have as well as maintain the infrastructure we have in place that delivers current broadcast services. For those reasons we are always looking for efficiencies and will continue to look for efficiencies.

Senator HANSON-YOUNG: Since you've been acting managing director, are you aware that any government members or ministers have raised complaints in relation to the ABC?

Mr Anderson: In the last four weeks, no, I don't think we have received a complaint from a minister or any government member. My interactions have been limited to the departmental inquiry.

Senator HANSON-YOUNG: Are you aware of a complaint made in relation to an interview with Emma Alberici and Alex Turnbull on 27 August?

Mr Anderson: No, I'm not.

Senator HANSON-YOUNG: There was an interview on 27 August that aired on ABC Radio with Emma Alberici, where Alex Turnbull questioned the relationship between the coalition government and the coal industry. This report was referenced a couple of days later on 29 August in the *Financial Review*. Does that jog a memory?

Mr Anderson: No, it doesn't, sorry.

Senator HANSON-YOUNG: Mr Sutherland, do you have any recollection of this?

Mr Sunderland: I think I'm aware of the interview you were talking about. I'm not saying that there haven't been, but I'm not aware that any formal complaints have been received about that interview.

Senator HANSON-YOUNG: Are you aware of any informal complaints raised about that interview?

Mr Sunderland: No.

Senator HANSON-YOUNG: Are you aware of any concerns that unaired parts of the interview were leaked?

Mr Sunderland: Yes. I am aware that there was an issue in relation to the *Australian Financial Review* report a couple of days later. It appeared that they had obtained access to an unedited form of the interview. That's all I'm aware of; I'm not aware of any complaints associated with that.

Senator HANSON-YOUNG: Is there some type of review or investigation either in relation to the ABC Radio broadcast or in relation to the potential leaking of the recording to the *AFR*?

Mr Sunderland: The only inquiries I would have any information about would be into editorial complaints, matters around content. As I said, I'm not aware of anything of that nature. As for anything else, I couldn't say.

Senator HANSON-YOUNG: At this point no formal or informal complaint has been made about the interview or how it was presented?

Mr Sunderland: I believe not, but I will take that on notice and, if I'm incorrect, I'll update you.

Senator HANSON-YOUNG: I would also like to know who made the complaint, if there is one. Mr Anderson, the ABC is a beloved public broadcaster. The last few weeks have been incredibly difficult. Staff would have heard your message this afternoon, which I'm sure they appreciate. What plans do you have for ensuring that you keep the public broadcaster in touch with the younger generations? Do you have a plan to keep Australia's youth engaged with the ABC?

Mr Anderson: Yes. I have been in the job for four weeks. When I comes to my role, the substantive position that I had prior to becoming acting managing director is front of mind for me. We constantly think about innovating. We think about what content we have for younger audiences. We have some content that's showing now that is engaging younger audiences across multiple platforms. If I can go to music that we have that sits across Triple J and Triple J Unearthed, we have a commission out at the moment that is called *Superwog*. We have a music program coming called *The Set*, which is in Ausmusic Month. Ausmusic Month itself celebrates Australian music for younger audiences. We are doing that across television, radio and digital. It is something that we do focus on, but we don't focus on that at the expense of our traditional audiences.

Senator HANSON-YOUNG: Can I ask you to explain why *Tonightly* was axed?

Mr Anderson: Certainly. It's one of priority. Any budget fluctuates year on year. Internal allocation that was budget from one year to the next in my previous portfolio in entertainment and specialist was reducing. Tough choices needed to be made. It was one where you assess your whole slate of content offerings. Looking at *Tonightly* for its audience performance and its annual investment, it meant I couldn't afford it within the current budget parameters. We're looking for alternatives to engage a younger audience. We've given some examples that we have and that are coming. After 150 episodes, it came to an end.

Senator HANSON-YOUNG: Who ultimately made that decision?

Mr Anderson: *Tonightly*? That was my decision, with the support of my managing director at the time.

Senator HANSON-YOUNG: Had anyone on the board ever raised concerns with you about the show?

Mr Anderson: I do recall a discussion I had with the former chair with regard to the use of profanity in that show—and another program, I might add. I will say that I did not receive any direction about that program from the former chair. It was with regard to how we put context around that with our editorial policies. He was interested in my assessment of that, my assessment of the ed pols and, in the pursuit of comedy and satirical comedy, what was appropriate and what was not appropriate. We had a general discussion about that.

Senator HANSON-YOUNG: Was it discussed in amongst your senior leadership team that this show was causing a concern or irked the chair of the board?

Mr Anderson: No.

Senator HANSON-YOUNG: It was never discussed with anybody else in senior management?

Mr Anderson: Not that I recall, that it was a concern of the former chair. It was more, again, around what editorial context, under editorial policies—specifically, harm and offence—was the right context put in place before the use of profanity and how often it happens. That's pretty much the extent of it.

Senator HANSON-YOUNG: What was the other show that they had problems with?

Mr Anderson: *Black Comedy*. It wasn't problems; we just had two instances of the use of one particular word, which I don't wish to use at the moment, that came up at about the same time, within seven days of each other, so it became topical.

Senator HANSON-YOUNG: A number of complaints had come into the ABC from the minister and other members of the government particularly in the first half of this year. I know because I asked you all back in the May estimates. Was the influx of issues that were being raised by members of the government discussed amongst the leadership team and with the former director?

Mr Anderson: No, not specifically. I don't specifically recall a discussion around the frequency of complaints being made. We regularly review complaints from anybody who, as a citizen of this country, is entitled to make a

complaint. We did not discuss the frequency of complaints coming from anywhere specifically. As part of our process we look at complaints and we take them seriously. It goes through a process of whether it warrants investigation. Whether we investigate and take it through the process or not is a decision that we take seriously.

Senator ABETZ: Welcome to the ABC officials at the table. I ask for an update on the Jon Stephens case. What are the legal costs to date?

Mr Anderson: My understanding is that the approximation of the legal costs, which I think has been given previously in estimates—up to $14,000—has not changed. That's still the estimation.

Senator ABETZ: Have we made contact with the victim?

Mr Anderson: We have attempted to contact the victim's representation on two occasions and we have not had a response.

Senator ABETZ: Are you aware of any further charges against Mr Stephens?

Mr Anderson: No, I'm not.

Senator ABETZ: Did the ABC in 1975 allow three self-confessed pederasts to be interviewed in the ABC Sydney studios and did the ABC ever report that to the New South Wales police?

Mr Anderson: I am not aware of that. Did you say 1975?

Senator ABETZ: Yes. Could you please take that on notice?

Mr Anderson: I will take that on notice.

Senator ABETZ: These are three individuals who, through the interview, confessed or admitted to engaging in criminal conduct against children, and I'm wondering what attitude the ABC took at the time. I now ask: what would the ABC's attitude be today if such a broadcast or interview were to take place?

Mr Anderson: I don't know the nature of that particular interview, the subject matter or why—

Senator ABETZ: Three pederasts were talking about their activities, which were clearly criminal. Given that which has occurred in the parliament just recently, I would trust that public institutions would be fully alert to this evil—I use the term 'evil' very advisedly—and that what occurred in 1975 on the ABC would not be allowed—

Mr Anderson: Again, not knowing the context I—

Senator ABETZ: The context was the three pederasts were talking about the illegal activity, which was abuse of children for their sexual satisfaction, if you need the detail. Now that you have that detail—I would have thought it was obvious—would the ABC allow that today?

Mr Anderson: The only context can I think of off the top of my head where we consider that would be, for instance, a *Four Corners* investigation, but we certainly wouldn't be promoting people that would take that view.

Senator ABETZ: In relation to the protection of your own staff, when was the ABC first made aware of the allegation that one of your female journalists was harassed in New South Wales?

Mr Anderson: I've only recently become aware of the claims that were made in New South Wales parliament, on the day that they were made. My understanding is that, at the moment, we do not have a claim of sexual harassment that is current within the ABC.

Senator ABETZ: What does that mean—'that is current'?

Mr Anderson: I don't have a current claim of sexual harassment that comes out of news investigations and analysis. There is no claim of sexual harassment that has been made internally by anybody. That's what I've found out to date, and I've asked for a brief on the matter.

Senator ABETZ: What about harassment itself? Delete the term 'sexual'. What about harassment? Has a complaint been made by a female journalist about the activity of the Leader of the Opposition in New South Wales?

Mr Anderson: No.

Senator ABETZ: This was an allegation that had been around for a while. Is that correct?

Mr Anderson: I don't know.

Senator ABETZ: What about Mr Sunderland? Do you know about this allegation?

Mr Sunderland: No.

Senator ABETZ: At all?

Mr Sunderland: Like Mr Anderson, I became aware of it when there was a speech made in the New South Wales parliament. I'm not aware whether the allegation has substance. I'm not aware of the circumstances. I haven't been informed at all about anything to do with it.

Mr Anderson: I have asked for a brief on the matter internally. It happened last Thursday.

Senator ABETZ: We are told—and tell me if this is correct—that a spokesman for the ABC said, 'We don't comment on personal issues regarding our employees.' Did somebody from the ABC say that to *The Daily Telegraph.*

Mr Anderson: Possibly.

Senator ABETZ: You asked for a brief on it. Surely something like this must be in the brief.

Mr Anderson: I haven't received the brief yet. I've asked for a brief. I don't have a brief yet.

Senator ABETZ: This was on Friday, on the front page of *The Daily Telegraph*. Here we are on Tuesday. Who made that statement to *The Daily Telegraph*?

Mr Anderson: I can take that on notice for you. It sounds like a statement that we've made. I didn't see that statement before it went out, but—

Senator ABETZ: I just find it surprising that an allegation of harassment is described as a 'personal issue' and 'We don't comment on personal issues regarding our employees.' I would have thought this potentially is more than just a personal issue, inasmuch as a potential breach of the law may have occurred.

Mr Anderson: It's a very serious allegation. It's been made in New South Wales parliament by other people. Internally we do not have a claim of harassment of any sort at the moment. That's the fact of the matter that I have before me.

Senator ABETZ: Who clears the ABCs media statements on matters such as this?

Mr Anderson: Who clears them?

Senator ABETZ: Yes—authorises them to go out.

Mr Anderson: We have internal communications. There are a lot of communications that go out. It sits under our director of government relations at the moment.

Senator ABETZ: Who is that?

Mr Anderson: That's Michael Millett.

Senator ABETZ: Is he present?

Mr Anderson: He possibly is behind me, yes.

Senator ABETZ: Can he come to the table and advise the basis on which he made the statement?

Mr Millett: I'm in charge of internal and external communications as well as public relations and a few other things. The statement was probably made by one of the external communications people who report to me and through the head of public affairs, Emma McDonald. I don't know the exact circumstances of that, but our traditional position on any issue regarding employees is that standard position: we do not comment on personal matters.

Senator ABETZ: But this is an allegation of harassment of somebody whilst in the employ of the ABC. Surely that should excite a bit more interest than just being dismissed as a personal matter. Don't you have a duty of care to your employees?

Mr Millett: We do, and, as the acting manager director has pointed out, he has asked for a brief on the matter. That was a holding position while we try to work out exactly what has happened in relation to that issue.

Senator ABETZ: As I understand it, these allegations were, in fact, first raised in May in *The Australian*—is that correct?

Mr Millett: I'm not aware of the article in *The Australian* that you refer to.

Senator ABETZ: An article in *The Australian* in May said that an ABC spokesperson refused to comment on the allegation. What inquiries has the ABC made of other ABC employees who may have been there at the time and witnessed what occurred?

Mr Anderson: I can't help you with the answer to that question. Again, I can take that on notice. We've asked for a brief, and we can respond on notice properly for you.

Senator ABETZ: It's a matter of regret that you are unable to answer further at this stage. Do you believe the incident occurred?

Mr Anderson: I don't know enough about the incident. But you're right—it's a serious allegation, and from the moment I heard it I asked for two things. The first thing I asked was: has there been a claim, and is there a claim of harassment, sexual or otherwise, being made? The answer I got pretty quickly was no. The second thing was: could I have a brief on the matter, and could you look into it for me quickly? I don't have the brief yet.

Senator ABETZ: Without naming the individual, was she moved on from reporting at New South Wales Parliament House shortly after the incident?

Mr Anderson: I don't know.

Senator ABETZ: Could you please look into that—

Mr Anderson: I will look into that.

Senator ABETZ: and advise us as to why she was moved on. In this case it appears as though the victim was moved on to potentially protect the perpetrator, so I think we have to look at this exceptionally carefully, and I invite the ABC to do so.

Mr Anderson: I'll give you a response on notice.

Senator ABETZ: Thank you. Mr Anderson, did you seek a redundancy from the ABC in relatively recent times?

Mr Anderson: I had discussions with my former managing director a number of times over the course of the year about my career. Redundancy did come up in the conversation a few months back, yes.

Senator ABETZ: But your position would still be maintained, would it not? So how would you have been entitled to a redundancy?

Mr Anderson: It was a broad-ranging discussion. I agree with you—a true redundancy would mean that a position would need to be substantially changed or abolished.

Senator ABETZ: Yes. And that was never on the cards?

Mr Anderson: It was part of a wide-ranging discussion that I had with my former managing director.

Senator ABETZ: How long ago was that?

Mr Anderson: A few months ago.

Senator ABETZ: Six months?

Mr Anderson: Possibly. It was this year.

Senator ABETZ: So not all that long ago. Did the secretary of the department, Mr Mrdak, ask you for the dossier from Ms Guthrie in his meeting with you?

Mr Anderson: I don't recall the dossier being specifically mentioned. I've had a number of correspondence and discussions with Mr Mrdak with regard to the department inquiry that was initiated by the minister. Correspondence started off fairly broad, seeking all documents with regard to the matters raised within the media at that particular point in time. I could refer to the exact wording. I responded with correspondence that was looking to narrow the scope given what I believe we were looking for was any indication that section 8 of the act had been breached by the former chairman to the former managing director. I confirmed that we were looking for emails on subject matters relating to Emma Alberici and Andrew Probyn. I got correspondence back that expanded that brief to include the *Hottest 100 Weekend* and the *Tonightly with Tom Ballard*. I then sought information with regard to that, and, with the assistance of general counsel, we then provided information back to the department with a cover note to say exactly what we'd done. I did not receive any correspondence back thereafter.

Senator ABETZ: Mr Mrdak, you're sitting at the table. Are you able to advise whether or not you asked Mr Anderson for the dossier?

Mr Mrdak: My view is that the dossier was in the ambit of what I sought both by correspondence and in our discussion.

Senator ABETZ: Thank you for that. You've just heard the evidence of Mr Mrdak. Do you still stand by your evidence, Mr Anderson?

Mr Anderson: Yes. I don't remember it being discussed specifically.

Mr Mrdak: It is a pretty important dossier, isn't it? Eleven pages worth.

Senator HANSON-YOUNG: Have you seen it?

Mr Anderson: I have now seen it, yes. I think that dossier was provided in confidence by the former managing director to the board well before I became acting managing director.

Senator ABETZ: All I'm inquiring about is whether or not Mr Mrdak sought the document. Mr Mrdak is of the view that, in his questioning and requests of you, that dossier fell within his request. But you are telling us that your reading, or your understanding, of these requests was that the dossier did not fall within that request. I'm just wanting to understand how this misunderstanding may have occurred between you two gentlemen given, as I understand it, the explosive but also very important nature of that dossier.

Mr Anderson: Mr Mrdak and I have since discussed the dossier itself. I have indicated to Mr Mrdak that the dossier was a confidential document from the former managing director to the board in response to matters between the managing director and the board. I felt that was confidential. I also felt that it was potentially subject to what would otherwise be legal proceedings, which, in fact, it is now.

Senator ABETZ: Did you advise Mr Mrdak that the document did exist but that you weren't handing it over because you considered it to be confidential?

Mr Anderson: I did. But this discussion happened after I had prepared the material and given it over to the department. Mr Mrdak and I did have a conversation about that—

Senator ABETZ: And it was noted that the dossier was not included?

Mr Anderson: It was noted that it was not included, and I gave my reason as to why it was not included.

Senator ABETZ: Has it since been supplied?

Mr Anderson: No, it has not.

Senator ABETZ: The *Four Corners* executive producer, Sally Neighbour, tweeted in relation to Ms Guthrie's sacking, 'Excellent decision.' Can you articulate the ABC's social media policy in relation to these sorts of tweets?

Mr Anderson: I could—

Senator ABETZ: That's in breach, isn't it?

Mr Anderson: No, I don't believe so.

Senator ABETZ: What!

Mr Anderson: No, I think that was Sally Neighbour's personal view on the matter. I don't think that social media is the best place to ventilate about professional issues, but that's my personal view.

Senator ABETZ: But surely it's a professional view as well. I think the vast majority of us would agree with that.

Senator ABETZ: In my view, I don't believe it's a breach of our social media policy, but I can refer to Mr Sunderland, who's our editorial director.

Senator ABETZ: Mr Anderson, you're the spokesman for the ABC as acting managing director.

CHAIR: You have three more minutes.

Senator ABETZ: In that case, can I quickly backtrack and ask: why did the ABC tell Fairfax on 15 October that the communications department had never sought the dossier from the ABC?

Mr Anderson: In my view, the department—I'm referring to correspondence between the ABC and the department. My recollection of the discussions leading up to the providing of the documents is that we didn't discuss the dossier specifically. The department did ask for all relevant documents. I tried to get quite specific about that. The time line was quite short. Subsequent to the provision of the documents, we had a discussion about it.

Senator ABETZ: Quickly backtracking to the New South Wales position, a situation to which I referred earlier, is your evidence that the ABC has not made inquiries about the wellbeing of its staff after allegations of harassment were first put to the ABC in May of this year?

Mr Anderson: I have sought a brief from news management on the matter. They will provide me with that brief, and I expect that I will see in that brief that we have supported the staff member, if something was raised with them at that particular point in time.

Senator ABETZ: She has been supported?

Mr Anderson: I haven't had the brief yet, but my expectation would be that, if that matter was raised at the time, that staff member would have been provided with support.

Senator ABETZ: So what allegations do you understand?

Mr Anderson: I don't know, Senator. What I'm saying is I don't know.

Senator ABETZ: This was aired in May, so the ABC had plenty of notice about this. What steps does the ABC take to protect its employees, and when did you start making inquiries about the wellbeing of the staff member? Could you take those questions on notice as well.

Mr Anderson: I will take it on notice, and I will—

Senator ABETZ: And could I invite the ABC to expedite the answers in relation to this particular matter.

Mr Anderson: Yes.

Senator ABETZ: Thank you.

Senator URQUHART: I have some points I want to raise with the minister. Minister, Labor's very conscious that this is budget estimates, that the ABC has an acting MD and an interim chair and that we have a separate Senate inquiry that has been established to deal with the allegations of government interference with the ABC. As such, we intend largely to quarantine the examination of those allegations to the Senate inquiry, where our queries are directed predominantly to the ABC board or staff. However, we do want to ask some questions of you, as we want some information about those shocking allegations that were revealed in the final week of September. Minister, last week you tabled a statement and a report of Mr Mrdak's inquiry in parliament. That's correct, isn't it?

Senator Fifield: That's correct.

Senator URQUHART: Is it the case that in your statement you deny that the government has sought to undermine ABC independence, despite the apparent impact of the government's multi-pronged attack on the ABC?

Senator Fifield: I don't accept your characterisation of the government's approach to the ABC.

Senator URQUHART: So you don't deny that you've had a multipronged attack on the ABC?

Senator Fifield: No, I do dispute that. I don't accept that as an appropriate or correct characterisation of the government's approach to the ABC.

Senator URQUHART: Is it the case that you maintain that the ABC is well resourced, despite the fact that the government's latest budget cuts challenge the ABC charter delivery?

Senator Fifield: The government announced in the last budget that there would be an indexation pause in the next triennium. That indexation pause is in the tens of millions of dollars. The ABC has received and will continue to receive in excess of $1 billion each and every year.

Senator URQUHART: But a pause equals a cut, Minister, doesn't it?

Senator Fifield: Well, as I say, just putting the quantums in perspective—the indexation pause is in the tens of millions of dollars. The ABC will continue to receive in excess of $1 billion each and every year, which makes the ABC a well-resourced organisation. It also means that the ABC has greater funding certainty than any other media organisation in Australia.

Senator URQUHART: I guess you would not agree—and I don't expect that you would agree here—that the latest budget cuts challenge the ABC's ability to deliver their charter.

Senator Fifield: I don't believe that is the case. The ABC has its legislation. The charter is contained within its legislation—

Senator URQUHART: You've just cut millions out of it.

Senator Fifield: The ABC is provided with in excess of a billion dollars each year, and it is the obligation of the organisation to meet its charter and other legislative obligations.

Senator URQUHART: Well, they're its obligations, but it becomes incredibly difficult when millions and millions of dollars are chopped out of their budget; you would have to agree with that.

Senator Fifield: I repeat: the ABC has received and continues to receive in excess of $1 billion a year and the ABC has greater funding certainty than any other media organisation in the country.

Senator URQUHART: Is it the case that in your statement you justify your disregard for the independent nomination panel process for board appointments as standard practice, despite the fact that this goes against the spirit and intent of the law?

Senator Fifield: I have, and the government has, at all times been in accord with the relevant legislation when it comes to ABC board appointments.

Senator URQUHART: Minister, do you acknowledge that you placed the secretary of the department in an insidious position by asking him to undertake a narrow inquiry into these allegations?

Senator Fifield: The secretary of my department, Mr Mrdak, is a highly experienced public servant, who demonstrates, and has done in his career, the best values of the Australian public service, which includes providing frank and independent advice.

Senator URQUHART: My question is not in any shape or form a reflection on the ability of Mr Mrdak, it is simply to point out that the very narrow inquiry into these allegations left him in a very insidious position.

Senator Fifield: The secretary was asked to ascertain certain facts and that is what he did.

Senator URQUHART: Do you accept that the secretary was, in fact, unable to ascertain all the facts given the lack of powers to compel parties or documents?

Senator Fifield: There were certain facts which Mr Mrdak was able to establish, on the basis of interviews with the former managing director and the former chair, and amongst those was that neither myself nor the former Prime Minister, nor any other minister, had sought to intervene or influence ABC staffing matters.

Senator URQUHART: Do you acknowledge that the secretary's report leaves key questions unanswered?

Senator Fifield: The secretary set about to establish certain facts, which he did. There are other matters which fall within the purview of the board of the ABC. As the acting chair has indicated, around the time that they were raised the ABC put in place an independent, external party to investigate allegations that had been raised by the former managing director.

Senator URQUHART: Do you concede that the secretary's report points to an insidious level of government pressure?

Senator Fifield: No. In fact, I think the secretary's report confirms that there was no evidence before him that what you characterised occurred.

Senator URQUHART: Minister, you have repeatedly denied interference by you or any government ministers, including former Prime Minister Turnbull, in staffing matters at the ABC, yet Mr Mrdak states at page 8 of his report to you dated 11 October 2018, in relation to the allegations of political interference:

However, both the Chair and the MD expressed the view that they felt that there was no doubt in their handling of the matters about the Government being very concerned at the issues of opinion and accuracy and editorial standards raised in the four matters…They do consider that these concerns would affect the ABC's standing, relationships and support within Government, including for future investment and funding support.

The heading of that section from the Mrdak report is, 'Direct pressure on journalist employment or interference in setting editorial policies by the former Prime Minister and government minister.' Minister, how on earth can you reconcile that both the former chair and MD of the ABC were left with such an impression despite your repeated denials of interference?

Senator Fifield: I have never linked ABC resourcing and how the ABC handles editorial matters.

Senator CHISHOLM: I want to move on to some questions about the competitive neutrality inquiry. For the benefit of the committee, could you outline how the ABC has cooperated with the inquiry, including what research, information and personnel the ABC has made available?

Mr Anderson: My involvement with the competitive neutrality inquiry has been minimal. What I can confirm is that we made a submission and we made a very strong case that the ABC provides services that are distinct from commercial counterparts and that our commercial activities comply with the Commonwealth competitive neutrality policies. Do you want further information?

Senator CHISHOLM: Yes.

Mr Anderson: In that case, I might defer to Ms Higgins.

Senator CHISHOLM: I'm trying to get an understanding of the costs, the time and the administrative burden that's been taken up by the ABC by this.

Mr Anderson: I might defer to Ms Higgins to reply to that.

Ms Higgins: It was treated very seriously and in quite an exhaustive manner by the ABC. It did involve staff from our legal, finance, strategy and government relations teams. We did call upon external resource, as published in our competitive neutrality submission. We used an economics firm to help demonstrate the value that the ABC brought to the commercial market—that it in fact enhanced it via its presence. So it was a very thorough and very exhaustive over a number of months, from memory.

Senator CHISHOLM: This might be something you'll want to take on notice. Would you be able to provide an estimate of the cost that the ABC has borne as a result of its participation in the inquiry?

Ms Higgins: I'll take it on notice.

Senator CHISHOLM: Minister, have you received the final report of the inquiry from the panel?

Senator Fifield: It is with my office.

Senator CHISHOLM: When can we expect that to be published?

Senator Fifield: I'll come back to the committee, Senator.

Senator CHISHOLM: Never in a hurry about publishing these things, are you?

Senator Fifield: I always think it's good practice to study a report once you receive it.

Senator CHISHOLM: So when can we expect it will be published? Weeks? Months? Years?

Senator Fifield: As I said, I'll come back to the committee on that matter. Obviously, it's a piece of work that we think is entirely appropriate to be publicly available. Part of the purpose was to have this mechanism to address competing claims that are made by different media organisations.

Senator CHISHOLM: Are there any adverse findings against the ABC or the SBS in the report? Or have they been found to be operating in a matter consistent with the general principles of competitive neutrality?

Senator Fifield: I'm happy to advise the committee on that when we release the work.

Senator CHISHOLM: Does the report make any recommendations?

Senator Fifield: I'll be happy to advise the committee when we've released the work.

Senator CHISHOLM: What was the total cost to taxpayers for the conduct of the inquiry—contractors, staff, research department, travel?

Senator Fifield: I'll ask Mr Mrdak to assist. If he's not able to, then I'm sure we'll have officers who will be in a position to do so.

Mr Mrdak: I will get that information for you. We've got that here, if you just give us a moment.

Senator CHISHOLM: Did the panel undertake any overseas travel as part of the inquiry?

Mr Mrdak: Not specifically, although we took the opportunity of a couple of the panel members being overseas for other business to also include visits to UK entities. I'll get that information for you. Mr Eccles will have that for you.

Mr Eccles: The cost related to the inquiry is $495,000 approximately.

Senator CHISHOLM: There was some overseas travel, but there was no cost to the government?

Mr Mrdak: There was some cost, but we took the opportunity of two of the panel members being overseas for other business, which you might want to explain, Mr Makin.

Mr Makin: As far as costs go, we didn't pay for any international travel as far as getting there; we paid for some of the small amounts of travel moving between meetings—taxi fares and the like—while they were in the UK, but that's it.

Senator CHISHOLM: It was only the UK that the travel was conducted in?

Mr Makin: Yes.

Senator CHISHOLM: Why was the UK decided as the place they would go? Was it just convenience, or was there a reason that was where the panel would look?

Mr Makin: It was a decision the panel took, I think, mainly for convenience. They were there, they had connections and there were obviously some similarities with the BBC that they could learn from.

Senator CHISHOLM: Moving on to the efficiency review, Minister, what is the status of the efficiency review?

Senator Fifield: It's still being undertaken.

Senator CHISHOLM: When did Mr Tonagh and Mr Bean commence work on the review, and when did they conclude?

Mr Eccles: The review is still ongoing.

Senator CHISHOLM: When are they due to conclude? Is there a term of their appointment?

Mr Eccles: In the next few weeks—probably towards the end of November.

Senator CHISHOLM: When were those appointments announced?

Mr Makin: In July. I don't know the exact date.

Mr Eccles: We'll have to come back to you with the exact date, but the terms of reference were announced in July this year.

Senator CHISHOLM: Was there a delay between the commencements of their appointments and the formal announcements of their appointments?

Mr Eccles: Not that I'm aware of.

Senator CHISHOLM: In terms of when they were announced, they started work straightaway?

Mr Eccles: I think so. There might have been a matter of days while they cleared their calendars, so to speak. But there was nothing material that we're aware of.

Senator CHISHOLM: Minister, when Foxtel sent you a pair of golden cufflinks following the passage of the government's—

Senator Fifield: A pair of?

Senator CHISHOLM: Golden cufflinks?

Senator Fifield: No, I don't believe they were golden cufflinks.

Senator KENEALLY: Did they send you anything? Any cufflinks?

Senator Fifield: Well, we've previously canvassed this. I think it was via questions from Senator Hanson-Young, from memory. But they weren't gold cufflinks. I think, from memory, they were to the value of about $35.

Senator HANSON-YOUNG: They've gone up! You told me they were $30. Now they're $35, are they?

Senator Fifield: I think, from memory—

Senator HANSON-YOUNG: It was $30 cufflinks in exchange $30 million, I recall.

Senator Fifield: They might have been elephants, I think.

Senator HANSON-YOUNG: Elephants!

Senator CHISHOLM: Did Peter Tonagh enclose a letter to you with those cufflinks, or was it signed off by someone else?

Senator Fifield: I think there may have been a note.

Senator CHISHOLM: Sorry?

Senator Fifield: I think there was an accompanying note.

Senator CHISHOLM: Minister, did you appoint Mr Tonagh to work on the efficiency review soon after you appointed Mr Tonagh to the board of the Australian Film, Television and Radio School?

Senator Fifield: Yes, I think those things were around the same time. You are right; Mr Tonagh was appointed by the government to the board of the Australian Film, Television Radio School. Part of the reason is that Mr Tonagh is chair of an organisation that works with and encourages people with disabilities to take part in filmmaking, and that was an area of interest of the Australian Film, Television and Radio School.

Senator CHISHOLM: On 28 September, Fairfax media reported that former Foxtel CEO Peter Tonagh, who was one of the two people conducting the efficiency review, stated:

It's an interesting time doing a review when there are vacancies for two CEOs and a chair position. It allows us to be a little more creative; we don't have to be as constrained as we might've been.

Will the minister explain what Mr Tonagh means by being 'more creative' with the efficiency review?

Senator Fifield: They're not my words, and I don't know what the context of that report was.

Senator CHISHOLM: Minister, do you regard the vacancies as providing scope to do things differently in the efficiency review?

Senator Fifield: The efficiency review have their brief. The brief hasn't changed, and that work will continue and be concluded.

Senator CHISHOLM: On the same day—28 September 2018—the Prime Minister went on ABC Radio with Jon Faine and was asked whether he was tempted to merge the ABC and SBS. Instead of reassuring listeners that this is not the government's plan, the Prime Minister said he would await the findings of the government's own 2018 National Broadcasters' Efficiency Review, despite the fact the terms of reference for that review exclude consideration of such a merger. Will the minister please confirm whether the merger of the ABC and SBS is truly

out of the scope of the efficiency review and whether the government has discussed the current vacancies at the ABC and SBS as an opportunity to make further cuts into public broadcasting?

Senator Fifield: I saw the shadow minister's release in relation to the interview that the Prime Minister had with Mr Faine, and, having read his transcript, I don't think that the Prime Minister was alluding to the possibility of a merger between those organisations. What he said was: let's let this particular piece of work be undertaken. And I can confirm that the piece of work specifically says: out-of-scope editorial policies of the national broadcasters allowing advertising on the ABC, quality of programs, content delivered by the broadcasters, charging for digital service, privatisation of the ABC or SBS. It also rules out the merger of ABC and SBS, and that is the position of the government.

Senator CHISHOLM: Do you think the Prime Minister misunderstood the terms of reference for the efficiency review in relation to the ABC-SBS merger, or do you think he has been discussing such a prospect?

Senator Fifield: I have already answered that question.

Senator CHISHOLM: Why do you think he got the comment so wrong in the radio interview?

Senator Fifield: I've read the Prime Minister's transcript and I don't think your characterisation of it is correct.

Senator CHISHOLM: Just for clarity around the cufflinks, I want to confirm that there was an accompanying letter from Mr Tonner enclosed with those.

Senator Fifield: I think there was, yes.

Senator STORER: Mr Anderson, I want to follow up on some questions I asked the department this morning and which we touched upon. Why were you not able to give Mr Mrdak the 11-page dossier of Ms Guthrie referred to in his report to the minister tabled in the Senate on 15 October?

Mr Anderson: Why was I not able to give it?

Senator STORER: Yes.

Mr Anderson: It was something that I took advice on. Again, as per my earlier statement, I thought it was a confidential document between the former managing director and the board, and I wanted to respect that confidentiality. There was the possibility of legal action being taken against the ABC, and a complaint has now been filed with Fair Work to that regard; that document will be, I think, part of those legal proceedings. At the time, the department didn't have the legal powers to compel me to write any documents for that matter. I did wish to cooperate, because it pertained to the independence of the ABC under section 8 of the act, to that end. As such, the information that was not being provided was not being provided under privilege, and I was exercising our independence by not providing that document, respecting the confidentiality of the former MD to the board and treating it as a board document.

Mr Mrdak: Can I just add to that. As I referenced in my report, I believed I did receive a high degree of cooperation from the ABC, and I fully understood the reasons the managing director did not provide that document to me.

Senator STORER: But you did note this morning, Mr Mrdak, that the document was very relevant to your inquiry.

Mr Mrdak: Parts of it—although, as I referenced in evidence this morning, the bulk of the document, as I understood from my further conversations with the parties, related to the matters around the termination of the managing director.

Senator STORER: That's right. But, Mr Anderson, in the document, were the matters canvassed in the media regarding Ms Alberici, to 'get rid of her', or Mr Probyn—we 'have to shoot him'—the only references to a disagreement between Ms Guthrie and Mr Milne about whether he had directed her to dismiss them? Is there other information in this document?

Mr Anderson: I am constrained by what I can talk about in relation to that document, to the point that I cannot talk about the contents of that document. That document is now subject to legal proceedings that sit before Fair Work.

Senator STORER: But when Mr Mrdak spoke with you—that was when you had your initial meetings—you had the document at that time, when you initially had your discussions?

Mr Anderson: That was a good point; the document was not in my possession at that particular point in time.

Senator HANSON-YOUNG: Had you seen it then?

Mr Anderson: No, I had not.

Senator HANSON-YOUNG: When did you see it?

Mr Anderson: I have read it recently.

Senator HANSON-YOUNG: As in days?

Mr Anderson: As in days.

Senator STORER: Days from today.

Mr Anderson: Yes.

Senator STORER: The report was tabled in the Senate on the 15th. Mr Mrdak provided it to Senator Fifield on the 11th, which was 13 days ago. And—I'm pretty sure—he noted that he had sought it. I don't understand the timeline of how you've only seen it in the last several days.

Mr Anderson: To answer your question directly, I had not read the dossier in question that has been referred to at the time of my decision not to provide the document. As I said, the document was not in my possession. The document was provided directly from the former managing director to the board on a confidential basis. I obtained legal advice that it was not to be handed over.

Senator HANSON-YOUNG: You're now telling us you didn't have it at the hand over, so where did you get it from?

Mr Anderson: It was provided to the board. I'm now on the board. Now, as a member of the board, I have access to that document. I have since read that document.

Senator STORER: This is not a question, but Mr Mrdak did not ask for any of the board to provide the document and yet you were happy with the assurances given by the acting managing director, Mr Mrdak, that the dossier referred to termination matters and not anything to do with the discussion between Ms Guthrie and Mr Milne.

Mr Mrdak: No. What I was indicating was the bulk of the document, as I understand, relates to matters of the grounds for which the termination was explained to Ms Guthrie by the board. But what I was referencing earlier was I fully accepted and understood the position the acting managing director took in declining to provide that document to me and the rational for it.

Senator STORER: Mr Anderson, the Senate inquiry into the latest leadership episode at the ABC is not currently due to report until March next year. The government has not yet made this public at the competitive neutrality review, likewise with the efficiency review, and the ABC itself has been conducting a review into the Guthrie-Milne episode, as I understand it. How helpful would it be for the ABC management and the board to have the results of all four reviews before further changes are made to the board, and a new managing director is appointed?

Mr Anderson: Senator, a couple of things there. Clearly I am not in control of the timing of some of those reviews and their release dates. The appointment of the managing director is a matter for the board. A subcommittee of the board will meet and run that. The chair of the board, my understanding, would need to be appointed first. That is something that happens by the Governor-General. I'm conflating those things. I'm not sure I can help you with how they're all brought together at the one time in that they were run on different timelines, I'm sure, and I'm not sure that they are interdependent.

Senator STORER: The ABC's independent review into the matter, has that been completed?

Mr Anderson: My understanding is the internal review was initiated by the board and that it is under way at the moment. My understanding is it is not complete at this point. It is still being conducted.

Senator STORER: It is an internal review so it won't be made public?

Mr Anderson: No.

Senator STORER: Minister Fifield, do you think the government should not be appointing more non-executive directors to the board until these four reports are made public?

Senator Fifield: There presently is a vacancy for the position of chair. Whether or not there is another vacancy on the board will be determined by whether the person appointed chair is someone who currently serves on the board or is someone from outside the board. If the person who is appointed chair is not currently on the board, it means there won't be a consequent board vacancy. I have written to the chair of the independent nomination panel, Mr Ted Evans, asking that he initiate the processes for recruiting the substantive chair, or addressing candidates for the position of substantive chair. I think it is important that we move to appoint a substantive chair to the organisation. I think that is in the best interests of the organisation.

Senator STORER: In light of recent events, is it not a mistake to not follow the nominations of the independent nomination panel in choosing appointments to a board, if you have the body?

Senator Fifield: There has been a fair bit of misreporting in the print media in relation to the appointment of the former chair. There have been quite a few newspaper articles that have said that the former chair did not come through the independent nomination panel process and was not on the list of nominees from the independent nomination panel process. That is not correct. The former chair did come through that process and was on the list of recommended names. As is legislated, there was consultation between the former Prime Minister and the Leader of the Opposition before that appointment was made by the Governor-General.

Senator STORER: I believe that to be as you characterised the situation. Will you give an assurance that the chair will be a nomination that is provided by the independent nomination panel—will be a choice of one of those individuals?

Senator Fifield: What I can do is tell you what occurred last time, which is that the person who was appointed by the Governor-General as chair of the ABC is someone who came through the independent nomination panel process and was on the list of recommended names. I have written to the chair of the independent nomination panel process asking him to commence the work of the panel. I should point out that the position of chair, unlike those of other board members, is, according to the legislation, a nomination for the Prime Minister.

Senator STORER: Yes. I asked if you will give an assurance that that will occur. You are not assuring that the chair nominated by the Prime Minister will come from the independent nomination panel process.

Senator Fifield: What I'm indicating is the practice that we followed last time, that I have initiated the process, and, according to the legislation, this is a nomination by the Prime Minister. So, I have taken it as far as I can.

Senator STORER: I would not think of that as an assurance. You are just giving me the historical basis of what happened last time, and not assuring that even that might occur next time.

Senator Fifield: I can speak to those things for which I have direct responsibility. But, as I said, the legislation says that this is a nomination of the Prime Minister. We have initiated the independent nomination panel process for good reason, and, as always, we follow the legislation.

Senator STORER: Mr Anderson, in the minister's statement to the Senate he noted that he had sought from the board their assurance that they have acted at all times to uphold the independence and integrity of the organisation. Has the ABC responded formally to the minister?

Mr Anderson: My understanding is that the acting chair, Dr Kirstin Ferguson, has responded to the minister and provided that reassurance.

Senator STORER: Minister, have you received that assurance from the ABC board?

Senator Fifield: As the acting managing director indicated, the acting chair has written to me, and the ABC board made that reply publicly available, as is appropriate, on the ABC's platform.

Senator STORER: Thank you. Minister, with regard to funding, do you think it would be useful to have an independent public inquiry into the financial circumstances of the ABC ahead of and aligned with negotiations over the upcoming triennium?

Senator Fifield: Senator, you're right: the ABC is funded on a triennial basis, and there are discussions between the government and the ABC in the lead-up to the triennium funding announcements in the budget. The ABC puts its proposition forward, as is appropriate, and the government will be following that usual process.

Senator STORER: So wouldn't an independent public inquiry provide evidence of the impact of the ABC should any government decide to cut funding prospectively, as occurred in the last budget period? So an independent review would be of use, of value?

Senator Fifield: It's always open to the parliament to initiate whatever inquiries it chooses to do, and the Senate has initiated an inquiry into the ABC. But, for its part, the government will be following the usual processes.

Senator STORER: Thank you.

Senator LEYONHJELM: Mr Anderson, I noticed that in your opening statement you referred to the insightful work of Radio National. I wonder if you could tell me how many times federal Greens senators have been interviewed on *Radio National Breakfast* over the past 12 months and how many times other Senate crossbenchers have been interviewed.

Mr Anderson: I can't tell you that offhand right now, but I can certainly take that on notice and respond to you.

Senator LEYONHJELM: That would be fine, thank you. When Labor and the government are opposed and have a different view on things, the other Senate crossbenchers sometimes vote with the government and sometimes with Labor, but senators from the Greens almost uniformly vote with Labor. Does this make other Senate crossbenchers more relevant to outcomes and hence more relevant to your audience?

Mr Anderson: We cover matters on their merits at all times, and I don't think that frequency of voting is something that dictates our editorial content.

Senator LEYONHJELM: No, I didn't refer to frequency of voting; I was referring to materiality of voting.

Mr Anderson: Even materiality of voting, Senator. My apologies.

Senator LEYONHJELM: You don't think that influences your—

Mr Anderson: No.

Senator LEYONHJELM: How many times have senators in general—you may need to take this, again, on notice—been interviewed on *Radio National Breakfast* over the past 12 months?

Mr Anderson: Again I'm going to have to take that on notice and respond to you.

Senator LEYONHJELM: While you're taking things on notice, does the proportion of interviews for Greens senators exceed their share of Senate seats? Could you also take into account interviews with now Senator Waters when she wasn't a senator—you can add the two together or perhaps account for them separately—and how they relate to what the proportion is relative to the number of times senators in general have been interviewed.

Mr Anderson: Again, I will take that on notice and try to break that down.

Senator LEYONHJELM: Thank you. Good. That's all.

Senator HANSON-YOUNG: Mr Sunderland, out of the senior management team, are you the person who would be alerted first in relation to any complaints being made about stories?

Mr Sunderland: Not necessarily. Complaints can come from all directions in all manner of delivery. We can get quite a few of them from time to time. Quite often the program teams are the first to know. Quite often the directors of the content divisions are the first to know. But ultimately any written editorial complaint will wind up with our internal complaints-handing team, who report to me.

Senator HANSON-YOUNG: Have you noticed an increase or decrease in the number of complaints being made to the ABC from members of the government in the last six months?

Mr Sunderland: I think the most accurate way to sum it up is that these things always come in waves. They ebb, they flow. I haven't seen anything that's been particularly outside the natural rhythm that happens across a number of years. We track overall complaints. We don't always break them down by source, but, generally speaking, complaints come and go in waves and lumps.

Senator HANSON-YOUNG: If you had a complaint from a minister, does that flag something in particular? Does that raise another level of conversation internally in the organisation?

Mr Sunderland: Not particularly. What we do, as you would expect for an organisation that gets significant feedback from our audience and from stakeholders and the public, is we necessarily prioritise things according to the more urgent complaints, the more serious complaints, the more significant complaints, the complaints making more substantial allegations of editorial breaches. Certainly when something comes in from a major interest group—a politician, a union, any source where it carries a bit of weight behind it—we make sure we have a close look at it, but the process for dealing with and assessing those complaints is carried out regardless of their source.

Senator HANSON-YOUNG: If you had a complaint from the communications minister, would you think it important to raise that with the managing director?

Mr Sunderland: We have a process where the head of the complaints team will notify the managing director of any significant complaints. That would often be a politician's complaint. It might also be a major complaint about a particularly important story or coverage of a sensitive issue. Those are all routinely flagged with the managing director on a weekly basis.

Senator HANSON-YOUNG: Minister Fifield, you said in an answer to a question from Senator Urquhart that you never sought to influence any reporting matters at the ABC.

Senator Fifield: Yes. I've never sought to influence staffing decisions of the ABC—

Senator HANSON-YOUNG: Reporting matters?

Senator Fifield: and I've never sought to intervene in editorial matters. I have, like members of the community and other colleagues in this place, raised issues of fact with the ABC.

Senator HANSON-YOUNG: Why would you bother to write a complaint to the ABC if you weren't seeking to influence anything?

Senator Fifield: Part of the way a free and independent press works is that the press can go about their work unhindered. But equally citizens, and that includes members of parliament, have the right to take up with media organisations those things with which they may have issue, particularly relating to fact.

Senator HANSON-YOUNG: Do you understand, though, that as the communications minister, when you raise a concern it has a heightened level of influence or ability to be seen or recognised? You don't think there's anything special that you have as minister that perhaps backbenchers may not?

Senator Fifield: I think and expect and believe that the ABC will treat equally questions of fact that are raised, whether it be by a member of the community, a member of parliament or a minister.

Senator HANSON-YOUNG: What was the matter of fact that you were raising when you wrote a letter complaining about the decision over moving Triple J's Hottest 100 to a different date? What was the fact that was being raised?

Senator Fifield: I have raised matters of fact. I have also raised other matters. You're right, that is an example of one.

Senator HANSON-YOUNG: What was the purpose of writing a letter of complaint raising that particular issue? What were you seeking to do?

Senator Fifield: I was concerned that the ABC, as an organisation, could have been seen to be making a commentary and having an organisational view in relation to the day on which Australia Day occurs and the appropriateness of that. That is something that I thought the organisation needed to be careful about, which is why I raised it with the organisation.

Senator HANSON-YOUNG: Were you seeking to influence the decision?

Senator Fifield: I asked the board of the ABC, through the chair, to have a look at that matter.

Senator HANSON-YOUNG: You were seeking to influence the decision?

Senator Fifield: I was very open, public and transparent about this. I thought it could be construed as the ABC making a political statement about the appropriateness of Australia Day being on 26 January. I wrote to the chair and, as is appropriate, the organisation looked at the matter and concluded that what had been decided would continue. I think that's evidence of the ABC's independence. There is nothing inconsistent with the ABC's legislated independence and a member of parliament raising an issue.

Senator HANSON-YOUNG: But you wished that a different decision had been made?

Senator Fifield: I had a view. I expressed that to the board and the organisation had a different view.

Senator HANSON-YOUNG: What was the matter of fact that you were raising when you raised concerns about the use of language in the *Tonightly* comedy series?

Senator Fifield: As I've already indicated, I have raised issues that have to do with matters of fact. That relates to news reports. But you're right: I have raised other issues as well. I think it's important to have this in context. There have been a number of parliamentary colleagues, across the chamber, who raised the issue of the ABC closing their shortwave radio, which had an effect on the Northern Territory. There were numbers of parliamentary colleagues to wrote to the ABC and said that they thought the ABC should change that view. There's absolutely nothing wrong with parliamentary colleagues expressing views like that to the ABC, which they did.

Senator HANSON-YOUNG: So do you accept that perhaps that statement that you never sought to influence matters at ABC is not particularly correct? Would you like to rephrase that?

Senator Fifield: I've always been open. The reason we're talking about these matters is that I've always been open about them. There have been things that the ABC have reported that I thought were factual errors, and there have been the odd decision where I had a view and, as with members of parliament, I've expressed that view. To give a couple of other examples, Senator O'Neill, who is usually with us at this hearing, wrote to me about the ABC's decision to scrap *Daily Planet*, *The Inside Sleeve*, *The Live Set*, *The Rhythm Divine* and *Jazztrack* from Radio National. She wrote and said, 'I respectfully request that you intervene'. She did the same in relation to the ABC's religion coverage. That was to do with a programming decision. The Triple J matter was to do with a programming decision. I had a view, which I expressed, as members of parliament across the chamber express on different issues.

Senator HANSON-YOUNG: Did the Prime Minister ask you to influence the decision of the ABC in relation to changing the day of the Hottest 100?

Senator Fifield: I don't believe so.

Senator HANSON-YOUNG: Did the Prime Minister ever ask you to raise any concerns with the ABC management or board members or chairperson in relation to reporting of Emma Alberici or Andrew Probyn?

Senator Fifield: No, I don't believe so.

Senator HANSON-YOUNG: You didn't have any discussion with the Prime Minister?

CHAIR: The committee will now suspend for one hour for dinner.

Proceedings suspended from 18:30 to 19:32

CHAIR: Welcome back. We'll continue our examination of the ABC. Senator Keneally?

Senator KENEALLY: I thank the ABC for being here tonight. Minister, before I go to some other questions I want to recap on the competitive neutrality inquiry. It was stated that the inquiry cost $495,000, almost half a million dollars. Could you or Mr Mrdak provide a breakdown of the cost for the competitive neutrality inquiry, including what was the biggest line item, how much was spent on travel and the time frame for which the costs were incurred?

Senator Fifield: I'm sure we can do that.

Mr Mrdak: Certainly. If I can provide that on notice to you, we'll do that. The largest component was the remuneration of the panel. But I will get you the details of that.

Senator KENEALLY: Thank you very much. For the record, how long did the competitive neutrality inquiry operate? It was for only a few months I believe.

Mr Mrdak: It was of the order of four or five months.

Senator KENEALLY: Perhaps on notice you can give me a more specific answer.

Mr Mrdak: Certainly.

Senator KENEALLY: Minister, when the inquiry was called did the government have a view as to what the cost of the inquiry might have been?

Senator Fifield: The view of the government would have been that the inquiry would be undertaken within the department's existing resources.

Senator KENEALLY: So no new funding was allocated to the department to carry out the inquiry?

Mr Mrdak: No, it was absorbed in the department's resources.

Senator KENEALLY: Minister, on another matter: will you table the letter that you received from Peter Tonagh that accompanied your cufflinks?

Senator Fifield: I'll endeavour to locate that.

Senator KENEALLY: Thank you, Minister. Can I go now to the issue of funding cuts? Mr Anderson, may I add to other Senators' welcome to Senate inquiries.

Mr Anderson: Thank you.

Senator KENEALLY: I'm sure you're delighted to be here. Any time spent within the Senate Environment and Communications Committee I'm sure is a delight!

Mr Anderson: It is quality time.

CHAIR: That is one word for it!

Senator KENEALLY: Since 2014, the ABC has cut ABC funding a few times over, and a further cut of $83.7 million will also need to be absorbed starting from next year under the government's plans. Would you please describe the impact of cuts on the ABC since 2014 and inform the committee on how well progressed the ABC is in identifying the impact of the impending cut of $83.7 million?

Mr Anderson: I'll do my best. I don't want to understate the impact that the reduction in funding has had across the board, across the ABC. I was involved; I was sent to participate as part of the efficiency study, as the head of the efficiency review, and then I was appointed in a strategy position under Mark Scott, who was managing director at the time. I oversaw the program of works that saw the efficiencies that we needed to find.

I can advise that it was quite difficult to find those efficiencies throughout. Traditionally, the ABC has looked to find efficiencies in order to fund new content initiatives or other investments in our future—to reaching audiences into the future. At the time, those efficiency cuts really meant that anything we could find went to

meeting those cuts and, therefore, we needed to cut further if we were going to invest in the future. So those cuts came at a particularly bad time. I also remember that throughout that period we closed the ABC retail shops and over 300 people left due to those 2014 efficiency cuts. Of course, we looked to use reductions in budget that were not staff related as much as possible by way of relooking at our contracts. We partnered with SBS on a couple of those big contracts as well to look for them.

Subsequent to that, we have run our own efficiency initiatives in recent years and, again, we've reinvested our savings into content. So to have now what are effectively more budget reductions—and in my opening statement I qualified that the indexation funding we get only goes part way to meeting our rising costs over time—exacerbate what otherwise would be a funding gap going forward, certainly from 1 July. But we're making initial plans as to how we might do that. They're only initial plans and it's proving difficult to be able to find what those budget reductions would be without impacting our staffing base as well as the services that we provide.

Senator KENEALLY: Do you agree with the assessment of the former ABC managing director Michelle Guthrie that the cut of $83.7 million would make it very difficult for the ABC to meet its charter requirements and audience expectations?

Mr Anderson: Yes.

Senator KENEALLY: In 2019-20, the ABC will be $14.6 million worse off. That's the full operating budget of News Radio and Radio Australia combined. How will that cut affect ABC viewers?

Mr Anderson: We're still working through what the impact of that will be. Obviously, our approach will be to disrupt our services as little as possible. But those sorts of budget reductions aren't achieved without major disruption.

Senator KENEALLY: I might ask these next two questions combined then. In 2020-21 the ABC will be another $27.8 million worse off. That's the full operating budget of ABC Classic FM, Heywire, iView and the pre-school and school versions of the ABC KIDS app. In 2021-22, the ABC will be another $41.2 million worse off. That's the full operating budget of ABC KIDS, ABC Comedy, Triple J, Double J and Unearthed. Gaven Morris, ABC News Director, said on 10 May 2018 that the 2018-19 budget cuts would mean 'The ABC would need to cut into muscle to absorb them.' Is that statement accurate?

Mr Anderson: Having been through the efficiency initiatives that we've been through over the last several years, looking to maximise whatever we can, I can say that the size of the funding reduction that we're talking about here isn't achieved through any opportunity that is considered to be low hanging fruit. I think that across the board, when you look at our services—'back office' isn't a good word—the teams that enable our other content teams have been reduced significantly over time. When it comes down to it, you end up looking at what is effectively front line. You would of course look at other areas to reduce this disruption as much as possible to be able to meet our charter requirements as much as we possibly could. We won't be reckless as we go about this. We will look to minimise what is going to be a negative effect to the Australian public, with regard to ABC services. I worry about the categorisation there of a comparison of budgets of whole services, because I would look to retain as many of those services as possible.

Senator KENEALLY: I understand that. I only use those as an illustration for those who might be listening in or reading the transcript as to what the cost of some of the well-known ABC brands and programs are in terms of the budget. Mr Anderson, you have been at the ABC for a substantial period of time. You have no doubt witnessed—and, as you have given evidence today—to a range of efficiency measures being implemented. Could you provide the committee with the sense of how efficient the ABC is these days and how budget cuts are affecting ABC staff for better or for worse.

Mr Anderson: I will start broadly by saying that we look to operate as efficiently as possible in all areas, as we are required to do. We continue to look for efficiencies in many different ways. There is a cost of being the ABC, there is a cost of being in 48 regional locations in addition to eight state and territory capitals and to running news services that are based in all eight state and territory capitals, as well as what we do across TV, radio and digital. They are all important services that we run. So we do look to maximise what we can, wherever we can. When it comes to what we commission in conjunction with other agencies, when it comes to content and the independent production sector, we are always looking to invest as little as possible such that money is coming from other places so we can stretch the dollars that we have to go as far as we can for the benefit of the Australian public. Those are things that we continue to look at and try to do. We monitor, we look at performance, we look at the relative return on investment that we make across the board where it fluctuates and where it's consistent. We look to make that as efficient as possible. I can tell many efficiency stories, but that's not to say that we wouldn't

always seek to find more efficiency measures into the future and collaborate where we can across industry to look at other institutions that we can work with. There are things that we will always look to do.

Senator KENEALLY: A question for you or perhaps for Ms Higgins: how are triennial funding negotiations progressing? What stage are they up to with the government?

Mr Anderson: When it comes to triennial funding negotiations, we had a meeting with the department last week so we're in discussion about that. We're in discussion about the correct process by which the ABC will work with the department on putting forward a submission for triennial funding.

Senator KENEALLY: Minister, if I may, is something akin to Project Jetstream under active consideration by the government at this stage?

Senator Fifield: The ABC have not put forward a proposition along those lines to government as part of budget considerations.

Senator KENEALLY: You said the ABC have put forward—

Senator Fifield: Have not, sorry.

Senator KENEALLY: So that means there's not something under active consideration by government?

Senator Fifield: No, there's not.

Senator KENEALLY: I might turn to another set of questions now regarding programming. How does the ABC decide on which programs it airs? And how much of an impact does the ABC charter have on the programming decisions of the corporation?

Mr Anderson: We consider very carefully all of our content across all of our services. There is content which we have that sits across news investigations, analysis, local radio. We are considering content on a daily basis. For the programming that comes and goes, do you mean? The programs that we see are otherwise predominantly television programs that also exist on iView.

We do content plans well in advance. More recently our planning has included an annual content plan, which is something we have been working on this year that we intend to release internally first, pretty soon. We are discussing it with our leadership teams next week. It is something where we do look at those decisions against our charter. We look at the audiences that we're serving. We look at our point of difference when it comes to the quality and distinctiveness of our content, the value that it provides, how relevant it is to the Australian public, and that exists across a range of genres. Within those genres, there are considerations about what we would do and how we would serve our audience.

Senator KENEALLY: So, the charter directs you—and correct me if I'm wrong—to produce shows of an educational nature and shows that both inform and entertain?

Mr Anderson: Yes.

Senator KENEALLY: And the according to the ABC Act, your function is to broadcast, as you have just outlined, to the maximum benefit of the people of Australia?

Mr Anderson: Yes.

Senator KENEALLY: So you spoke briefly about this but I want to flesh it out a bit more. How do you measure whether a show informs and entertains? Do you consider, for example, its ratings both on television and on iView?

Mr Anderson: In addition to the criteria you have mentioned, there is also broad appeal and specialist nature that we consider when we are looking at our content. When we look at the performance of content, we do look at quantitative measures which include reach—that includes quality and distinctiveness—the contribution to the value that it's provided the Australian public. They're important measures which we can look at over time. We look at performance not just for broadcast but we look at what exists for on-demand as well, across radio and audio on-demand services as well as video. But we also measure the qualitative impact of it as well. We will look at how many conversations it started in how many areas—has it driven a national conversation, such as *War on Waste*, around what are issues to do with the community, like *Employable Me* around employment of people with autism? We will look to see what are the benefits that exist beyond the performance.

Senator KENEALLY: So the real-world applicability or the general usefulness perhaps of the information that's shared by a program?

Mr Anderson: Yes.

Senator KENEALLY: Do you consider whether it is used as an educational tool in schools?

Mr Anderson: We do. In ABC education, there are things that we do that are bespoke. We will look across our slate of content and we'll look at what it is that we can align to schools' curriculum as a resource specifically for teachers and we'll look at that quite specifically from an educational perspective. Of course, there are other programs that are educative in their nature that we have.

Senator KENEALLY: Do you consider whether the program offers a unique perspective which would be otherwise unavailable to viewers?

Mr Anderson: Yes.

Senator KENEALLY: So can I ask: why did the ABC decide to cancel *The Checkout*?

Mr Anderson: I can talk to *The Checkout*. *The Checkout* is a consumer affairs based program, and I think that having something around consumer advocacy and consumer affairs is important. It's certainly important that, as a public broadcaster, we do it. We do it in other ways other than *The Checkout*. When it came to *The Checkout*, I mentioned before that we had internal budget fluctuations. In my remit as director of entertainment and specialist, we had a budget reduction from last financial year to this financial year. In the prioritisation of what we had, *The Checkout* was one of the more expensive programs that we had. That is not to say that it was bloated; it was just an expensive program to make. It was an expensive half-hour. It was well made, I will add, by the producers. It had a lot of research that sat behind it that drove a lot of the cost. When we looked on balance for what we had within what we could offer the Australian public, we simply weighed it up and could not do *The Checkout* this financial year. When we signalled to the producer that the timing wasn't right for us, that led to a discussion: 'Then we can't do *The Checkout*.' We've continued a conversation with regard to a consumer affairs program that might air in the back half of next year—that is, in the next financial year.

Senator KENEALLY: Are you saying you did approach the show's producers about an alternative arrangement or perhaps making budget cuts and they said it wasn't possible?

Mr Anderson: We did. It wasn't me specifically at the time, but we did talk to the producer about the timing of the program in that, given the budget pressures that we had, we could not do the program from the beginning of next year.

Senator KENEALLY: That's not my question. My question was: was an approach made to the producers of *The Checkout* to say: 'Hey, this show is too expensive. Is there any way we can cut the cost?'

Mr Anderson: I believe so. But, from the producer's perspective, cutting the cost would mean it wouldn't be the same show. So the producer made it quite clear that simply taking cost out of it would mean it would not be the show that you know as *The Checkout*, simply because the elements that go into it had already been reduced. We'd already approached the producer in previous years about the cost of the show and trying to reduce the cost over time. We sort of reached a position where the producer thought that it was as low as it could go for the show that it was.

Senator KENEALLY: How much funding was cut from the non-scripted production department?

Mr Anderson: I'll have to take that on notice and get back to you. There was a budget reduction overall in entertainment and specialist from one year to the next, but I will say there was an increase in budget that happened for that particular year. In the last financial year, there was an increase in budget for Australian content in entertainment and specialist by about $30 million. That budget was considered one-off. It was for last financial year. It is not there this financial year. So that reduction in budget meant that priority decisions needed to be made.

Senator KENEALLY: I have one more question. Does the ABC have another show that focuses on consumer rights in its current programming line-up, or are you making plans to produce such a show? Are you in conversations with *The Checkout* producers on bringing the program back to ABC?

Mr Anderson: Generally, we wouldn't talk about the plans, but I can say that, yes, we are making plans to have a consumer affairs type show in the back half of next year, as I said before, and we have talked to the producers of *The Checkout* about that.

Senator KENEALLY: Thank you.

Senator ABETZ: I want to return to the issue of the allegation against the leader of the opposition in New South Wales and just confirm that I was told before the dinner break that the ABC has no file or recorded complaint about this allegation of harassment?

Mr Anderson: To my knowledge there has been no allegation put forward of harassment by an individual that pertains to the incident that was alleged to have happened, that was raised last week in the New South Wales parliament.

Senator ABETZ: It was in fact raised a lot earlier, was it not? Surely somebody in the ABC is aware that this was first raised on 26 May 2018 on page 6 of *The Australian*? Is anybody in the ABC aware of that?

Mr Anderson: If they are, it will come through on the brief that I have requested.

Senator ABETZ: Is Mr Millett aware of it, for example?

Mr Millett: At that particular time I was recovering from a serious illness. I wasn't at the ABC.

Senator ABETZ: Anybody else? It's a matter of regret that Mr Morris isn't here, I understand—that's correct?

Mr Anderson: Mr Morris is not here, no.

Senator ABETZ: In that article we were told that the journalist had complained to colleagues about the way they were treated. When contacted, the journalist declined to comment and referred the *Weekend Australian* to the ABC. An ABC spokesman also declined to comment, as did Mr Foley. It seems passing strange to me that for an incident that allegedly didn't occur the complainant says 'no comment', the ABC says 'no comment', and the person against whom the allegation is made is also saying 'no comment'. One would assume that in those circumstances there was in fact something to the allegation, because otherwise one assumes that the journalist would have said, 'I've got no idea what you're talking about.' Mr Foley would have said, 'I've got no idea what you're talking about.' The ABC would have said, 'I've got no idea what you're talking about.' But it was all quickly shut down by the ABC, the journalist and Mr Foley. But you have no record in the ABC of this story of 26 May?

Mr Anderson: No. I will say that a duty of care for our staff is incredibly important. If any of our staff and colleagues have raised a matter we would act swiftly on it, particularly if they put forward an allegation of harassment. We would follow that up immediately. At the moment, as I sit here, I do not have knowledge of a claim of harassment being made in relation to the incident. I have asked.

Senator ABETZ: Now that you are seized of the matter, can you promise us that this matter will be investigated, and thoroughly so?

Mr Anderson: I give you an undertaking that we'll investigate the matter and we'll provide you a response on notice very quickly.

Senator ABETZ: And you might like to check the emails that went to the media unit at the ABC on 2 May, where this specific allegation was in fact raised by a journalist with the ABC media unit. So, the ABC was given official notification of this allegation, yet nobody has bothered to investigate or take it further or one assumes even ask the victim of this whether or not there was a situation that needed to be responded to or whether she needed care.

Mr Anderson: That goes to not knowing about the facts of the matter, and we'll get to the bottom of that. We've asked for a brief, and we'll investigate that.

Senator ABETZ: It was from a fellow professional journalist, albeit from another network—or another media outlet, I should say, *The Australian*, that made this inquiry, as I understand it, on 2 May, to somebody who I understand may no longer be in the employ of the ABC. But I assume Mr Sunderland or Mr Millett would know the name of a Mr Nick Leys.

Mr Anderson: Yes, we know who Nick Leys is, but—

Senator ABETZ: Is he still employed by the ABC?

Mr Anderson: No, he's not.

Senator ABETZ: No, but check emails of 2 May 2018 and you might find some more information about that. Will that investigation include speaking to other colleagues with whom she may have raised a concern?

Mr Anderson: Yes, Senator, we'll definitely be looking into this.

Senator ABETZ: This other journalist, believed to have been a witness to the night's events, has also declined to comment, which begs the question why all these people are declining to comment rather than denying what is—I'm sure you would agree, Mr Anderson—a very serious allegation.

Mr Anderson: It is a serious allegation and we'll take that seriously and we will respond.

Senator ABETZ: Allegedly—and this is being reported in *The Australian* as we speak—the journalist concerned has told colleagues she is upset at her treatment, and we'll just invite you to have a full investigation as to why this matter never went further. Given the ABC's predilection to report on the Me Too movement, it seems passing strange that this allegation of harassment against a female journalist, which was notified by email, was never followed up and you, as acting manager, have no knowledge of the allegations from May and you don't have a brief ready for us from the allegations in *The Daily Telegraph*. So, anyway, you'd agree—

Mr Anderson: No, Senator, I don't, but I will get one.

Senator ABETZ: Good, and you are going to treat this allegation very seriously and investigate it to the full.

Mr Anderson: Yes, absolutely. We do treat it seriously and we will investigate it.

Senator ABETZ: I will return quickly to that which you agreed to before the dinner break. You agreed that a redundancy had been discussed. To get it clear: were you the one who raised the possibility of a redundancy?

Mr Anderson: I don't recall. We were going through a major content restructure. We were looking at which teams were going where. It's in the context of me discussing with my boss my career—

Senator ABETZ: Come on! Your whole future was at stake. Surely you would remember if you were the one saying, 'Well, is a redundancy a possibility?' or whether it was Ms Guthrie, or whoever else you were discussing it with, saying to you—

Mr Anderson: I was only discussing it with my boss, my manager—the then managing director, and it was a conversation that had continued over several months about my career at the ABC. My executives that had been reporting in to me would often talk about their career and they would talk about what is in the best interests of the ABC, what is in the best interest of an executive and their career path and what it is that they would do.

Senator ABETZ: But you can't recall whether you raised the possibility of the redundancy?

Mr Anderson: No, I don't recall, but I do recall having the conversation about the possibility of a redundancy.

Senator ABETZ: It would have been a fairly significant payout, wouldn't it, after, what, 30 years or more?

Mr Anderson: I haven't calculated it, but at the time it was with regard to organisational change that we were going through.

Senator ABETZ: When was the restructure in the ABC of which you speak actually undertaken?

Mr Anderson: We put in place a content restructure in February of this year.

Senator ABETZ: We are in October. That would be eight months ago.

Mr Anderson: Yes.

Senator ABETZ: And I think you agreed with me that it was as recent as possibly not even six months ago that you talked about your redundancy—

Mr Anderson: Frankly—

Senator ABETZ: that was unrelated to the restructure, was it not?

Mr Anderson: No, Senator. You're splitting hairs on months and it has been quite a long year. We have been implementing a content reorganisation within the ABC over that period of time, and, not only do you implement a different structure, you examine how well it's running and, particularly, if there are other changes that are happening in the leadership team, for me, with my managing director at the time, it's a live discussion.

Senator ABETZ: But you had just taken on a new director's position, had you not?

Mr Anderson: I had.

Senator ABETZ: So you had taken on a new director's position and then miraculously, just out of the blue, there was a discussion about your redundancy. That wouldn't have occurred, I suggest to you, unless you yourself had raised it.

Senator ABETZ: My recollection of those discussions was around the content restructure: where we had landed it, what was being implemented, how it was running, did we have the right structure in place and what were the options that sat beyond that. As I said, earlier, it's a wideranging conversation that I was having with my manager over a series of months.

Senator ABETZ: But you get paid a pretty good wicket, including incentive payments or bonuses; is that correct?

Mr Anderson: Yes, in my substantive role, there is an at-risk bonus that is attached to my salary—my rem.

Senator ABETZ: So getting out of that position would be a fairly substantial decision, and you have no idea whether you raised the issue of the redundancy or whether Ms Guthrie did?

Mr Anderson: I remember having a discussion that lasted for some time with my former boss in which a redundancy came up. So when you asked me earlier, Senator, had this been raised, yes. I had raised that in confidential discussions with my boss at the time. Only my boss and I know about that conversation, and we then talked about, in meaningful terms, what my career might be beyond that, and we moved on from the redundancy

conversation pretty quickly. My boss made it quite clear that a redundancy was not something that we thought was the right way to go, so the conversations moved to other things to do with my career.

Senator ABETZ: Let's move to other things. Did the dossier of which we spoke earlier have any markings on it suggesting it was confidential and for the board's eyes only?

Mr Anderson: I don't recall, Senator.

Senator ABETZ: You don't recall?

Mr Anderson: No. When I read the document, I can't remember seeing whether it was marked as confidential. My—

Senator ABETZ: So why would you then have determined in your own mind not to pass it on to Mr Mrdak because you believed it was confidential?

Mr Anderson: I think I covered off earlier that, at the time that I decided not to provide it to Mr Mrdak when that information was requested, my knowledge of that document was that it was a confidential document from Michelle to the board, and I was advised of that. I was advised of that by general counsel, and—

Senator ABETZ: By general counsel?

Mr Anderson: Yes, within the ABC. And I was advised that—

Senator ABETZ: Isn't the author of the document the person who decides whether something is confidential or not?

Mr Anderson: Yes, but my information was that it was sent by Michelle via email to the board and it was requested to be confidential.

Senator ABETZ: And who told you that?

Mr Anderson: I don't recall who told me that, but that's what I was advised at the time.

Senator ABETZ: Who by?

Mr Anderson: Internally within the ABC.

Senator ABETZ: Who by?

Mr Anderson: I can't recall.

Senator ABETZ: I want to put it to you that the document was not marked 'confidential'—and please take that on notice and let us know whether it was or wasn't—and then I want to know who was the person who advised you that this document should be treated as confidential, when, if my assertion is correct—and I accept that that's a big 'if'—it was not marked 'confidential'. Somebody must have told you to treat it—

Mr Anderson: Yes, I was advised, because at that point I hadn't read the document.

Senator ABETZ: By whom, then?

Mr Anderson: I will take that on notice and I will get back to you.

Senator ABETZ: Why would you have to take that on notice? You can either recall—

Mr Anderson: I don't recall.

Senator ABETZ: In taking it on notice, what searches are you able to make?

Mr Anderson: I will be talking to general counsel about that to confirm that that's where I was advised. If general counsel advises that it wasn't them who told me, then I don't know.

Senator ABETZ: Coming back to the *Four Corners* executive producer, Sally Neighbour, who tweeted 'excellent decision' about Ms Guthrie's sacking, I understand *Four Corners* is now conducting an investigation as to what happened at board level. Is Ms Neighbour, having already publicly broadcast the fact that it was an 'excellent decision', still going to be the executive producer of this *Four Corners* program?

Mr Anderson: Yes, she is still the executive producer of *Four Corners*.

Senator ABETZ: Having already predetermined it's an 'excellent decision', we'll fasten our seatbelts and be surprised at what the *Four Corners* program might will tell us, having already prejudged it.

Mr Anderson: I'm confident that they'll do an independent investigation.

Senator ABETZ: That's despite already having prejudged it by saying it was an 'excellent decision'. I have a few questions requiring very short answers. Who presents the 7 pm news in Tasmania? Are you aware of that?

Mr Anderson: Until recently it was Peter Gee.

Senator ABETZ: Now?

Mr Anderson: I don't know.

Senator ABETZ: All right. Who presents *Breakfast* radio in Perth?

Mr Anderson: I don't know.

Senator ABETZ: And who's the executive producer of *7.30*?

Ms Higgins: [inaudible]

Senator ABETZ: No. I'm asking Mr Anderson.

Mr Anderson: I think it's Justin Stevens.

Senator ABETZ: Well whispered, Ms Higgins, for the record. And the smile on Mr Anderson confirms it. I trust that he did not know that himself. Can you tell us the regions outside the capital cities that you have visited in the past two years?

Mr Anderson: I can check my diary and get back to you on notice, but I know I've been to Toowoomba, Newcastle, Alice Springs and the Gold Coast, to name a few off the top of my head.

Senator ABETZ: Are there any entertainment and specialist executives based outside Sydney?

Mr Anderson: No, there are not.

Senator ABETZ: No. I understand you've only ever worked at the ABC, is that correct?

Mr Anderson: There were a few other places before the ABC, but not of much note. Yes, I've worked at the ABC since—

Senator ABETZ: For about 30 years. Is that right?

Mr Anderson: Twenty-nine.

Senator ABETZ: Thank you for the correction.

Senator KENEALLY: How long have you been a senator?

Senator ABETZ: Less than that. You were an acting director of television and then you were handed the role of director of strategy without a recruitment process. Is that correct?

Mr Anderson: That's correct.

Senator ABETZ: And then you applied for the managing director role and missed out. Then you were acting director of television again, appointed to that role without a recruitment process. Is that also—

Mr Anderson: I think I was directly appointed to the role rather than acting first.

Senator ABETZ: Without a recruitment process.

Mr Anderson: That's correct.

Senator ABETZ: And now you're acting managing director, waiting to take that position. Are you simply going to be the ABC's Steven Bradbury in relation to the managing director's role, or are we going to have a proper selection process?

Mr Anderson: Firstly, I make no apology for my career. I have been the acting managing director for four weeks. I certainly know my remit very well from entertainment specialists, and I'm learning the rest. I expect that there will be a recruitment process that will be conducted swiftly for the role of managing director.

Senator ABETZ: Do the ABC's codes of conduct and standards apply equally to employees and contractors?

Mr Anderson: Yes.

Senator ABETZ: Why did the ABC then falsely claim the opposite? I refer to the executive producer of *Radio National* responding to Mr Mundine who complained about the racial slur against him by one of your contractors, Mr Paul Bongiorno. He was told:

He is not an ABC employee but a contractor.

How did that make a difference? It didn't, did it?

Mr Anderson: Senator, I can't help you with that. I don't know the details that surrounded that itself. I could perhaps defer to Mr Sunderland.

Mr Sunderland: The only relevance that would have is in the nature of the work he does for the ABC. The point I make here is the difference between someone whose role it is to report independently and someone who is contracted as a contractor to give their own opinion. So the standards still apply, but the application of them is very different if you are giving your opinion as opposed to being an impartial ABC employee. That may be what

was in the mind of the executive producer in drawing that distinction, because in that sense, of course, it was entirely relevant.

Senator ABETZ: Sorry?

Mr Sunderland: Relevant because of the nature of the work that that particular contractor was doing for us.

Senator ABETZ: I will put some more questions on notice. Mr Bongiorno's racial slur against Mr Mundine was completely unacceptable.

Mr Sunderland: I will happily provide you with whatever information I can, Senator.

Senator ABETZ: Can I quickly turn to the reporting on Sunday, 15 July, by the ABC television news bulletin lead item which began, 'The Israeli military has launched a wave of air strikes against dozens of militant targets in the Gaza Strip.' That story omitted completely the critical context that in the previous 24 hours Israeli citizens in the south of the country had seen over 170 rockets and mortars attack them, which in turn followed weeks of firebombs delivered by kites, balloons and—very imaginative—inflated condoms. So the 170 rockets and mortars into Israel were fired in the preceding 24 hours during the Jewish Sabbath, and were aimed at residential areas. They hit a home, a children's playground and a synagogue. Why wasn't it worthy to contextualise that in this story by the ABC? It breathlessly tells us that the Israeli military launched a wave of air strikes, not saying that it is in retaliation to 170 rocket attacks which included a children's playground, a synagogue and residential areas. Isn't that the sort of balance that we actually expect from the national broadcaster? Why is it, when it comes to Israel, the ABC is never able to provide that sort of balance? Do we have an explanation, Mr Anderson?

Mr Anderson: Senator, I don't have an explanation for you on that. All I can give you is an undertaking of the details you've given to look into the reporting of the details of the story.

Senator ABETZ: As I understand it, section 8 of the ABC Act requires reporting to be 'accurate and impartial according to the recognized standards of objective journalism'. One would have thought that not talking about the fact that Israel had been subjected to these 170 rocket and mortar attacks on the Jewish Sabbath, with synagogues, playgrounds and residential areas being targeted, might just be of interest to the ABC audience. Why is this sort of material missed out? You've got to say it must be deliberately missed out, because I could not expect a journalist to be so negligent.

Mr Anderson: Impartiality and accuracy is something that we simply have to do. I'm not familiar with the report, nor do I know if we've had a complaint about it until now.

Senator ABETZ: Finally, one question. Jonathan Green tweets about criticism about there not being sufficient conservative voices:

… what it comes down to is a demand by conservatives for presenters in their own image. they are arguing for bias when the house style of the ABC mirrors the culture …

In other words, the Australian culture dismisses all conservatives, but I editorialise there. He says:

… the house style of the ABC mirrors the culture: a moderately liberal, socially progressive, curious—

whatever that means—

presence. That's what the country is.

Does the ABC have a house style?

Mr Anderson: I don't believe so, Senator. Mr Sunderland, do you know about these tweets?

Mr Sunderland: We have a set of editorial policies which you're probably familiar with, Senator. That's our house style.

Senator ABETZ: Is the house style a 'moderately liberal, socially progressive, curious presence'?

Mr Sunderland: No. Mr Green is entitled to his opinion. Our house style is contained within our—

Senator ABETZ: You have a social media policy—

Mr Sunderland: Yes. If you'd like to talk about that, I can talk about that as well.

Senator ABETZ: This reflects on the ABC's house style, which you say is different to that which Mr Green is asserting. What has been done in relation to Mr Green's tweet, which was, according to your evidence, demonstrably false?

Mr Sunderland: I will follow up in relation to the tweet. If that was followed up in terms of our social media policy I will, if you are actually genuinely asking for it, give you more information about our house style as well.

Senator ABETZ: Why wouldn't I be genuinely asking for it?

Mr Sunderland: You so quickly moved onto the other issue as I was trying to give some more information.

Senator ABETZ: That's because of the time limit; that is the only reason.

Mr Sunderland: Understood.

Senator ABETZ: As you can see, I still have a folder full of questions, which will be put on notice.

Mr Sunderland: Can you remind me of the date of that Australian military story that we are getting back to you on?

Senator ABETZ: Sunday, 15 July.

Mr Sunderland: We will follow up on that one, too.

Senator ABETZ: Thank you.

CHAIR: Senator Kennelly.

Senator KENEALLY: Has the department been able to obtain any answers to questions taken on notice earlier today—that is, has the department previously run open tenders for ABC and SBS board appointments?

Mr Mrdak: I apologise, Senator, but we are still working on those answers. We will come back to you as quickly as we can.

Senator KENEALLY: I think you said earlier that it was your understanding that they have but you couldn't say in every circumstance.

Mr Mrdak: That's right, and we're still waiting for the answer. The team are working on it and we will get that as quickly as we can.

Senator KENEALLY: I would also like to know whether they have been awarded to Australian firms.

Mr Mrdak: Certainly. My understanding is that the previous firm that undertook this work for the panel is an Australian based firm.

Senator KENEALLY: The department said that you undertook a select tender—it was not an open tender; I might describe it as a closed tender—with four firms to appoint Korn Ferry, which is a US based company. You listed the other three firms?

Mr Eccles: We did.

Senator KENEALLY: Could you remind me of those again.

Mr Eccles: We went to four firms, three of which were on a panel, consistent with our procurement guidelines. The firms were Korn Ferry, NGS Global, Watermark and Chalice.

Senator KENEALLY: Do you know if they are all Australian firms?

Mr Eccles: They've all got headquarters and a track record of doing recruitment in Australia.

Senator KENEALLY: Did any of those three firms disclose that they had people with Liberal Party links involved in their firm or who would be involved in this process?

Mr Eccles: There were four firms involved. We would have to go and check that level of detail.

Senator KENEALLY: Could I please put that on notice.

Mr Eccles: Sure.

Senator KENEALLY: Thank you. I would like to ask the ABC managing director a few more questions. Mr Anderson, on 11 October the ARIA nominations event took place in Sydney. A number of ARIA award nominees were named. The ABC was mentioned a number of times in relation to the ARIA nominations in recognition of the key role that the ABC plays in Australia's music ecosystem. I note that the group Bridie and Wyatt, of *Tonightly with Tom Ballard*, won best comedy album for 'Sex Pest'. Somewhat ironically, Bridie and Wyatt thanked ABC and management for their support—I believe they were referring to the decision to axe *Tonightly*. Does the ABC recognise the importance of comedy programming as a training ground for new talent in Australia and will the ABC be providing further opportunities for the likes of Bridie and Wyatt?

Mr Anderson: We do recognise the importance of comedy. We celebrate comedy. We rebranded a multichannel 'ABC Comedy' and looked to relicense Australian content that we had on it. Our comedy slate is quite big. But I do recognise the role we have had to play, and the role we could play in the future, with regard to unearthing new talent. And it is not just the talent you mentioned; we have discovered quite a few talented people through the *Tonightly* program. Innovation is a role that we take seriously. I am glad that we commissioned the program, and it was unfortunate that we couldn't afford to keep it going.

Senator KENEALLY: Secondly, Jonathan Schwartz won best just album for 'Animarum'. In his speech, which he read off the back of an unpaid phone bill, he mentioned that he had been in the industry for 40 years and

that the line-up on his album read like a who's who of Australia's finest jazz musicians. He did direct some criticism at the ABC for cutting music program on Radio National. He said: 'Things have gone very quiet since the changes to music programming at the ABC.' He asked for the ABC to reinstate new-music programs that can play jazz and world music, among other more niche genres. Does the ABC have any plans to enhance its music programming in relation to jazz and does the ABC have any plans to reinstate music programming on Radio National?

Mr Anderson: I will go to your second point first. At the moment, we do not have plans to reinstate music on Radio National. We do have a commitment to jazz. We have ABC Jazz, a service dedicated to the genre. We have a commitment to music which is very strong across Triple J, Triple J Unearthed, Double J, Classic FM, Jazz, Country et cetera. The level of Australian content on those services well exceeds the equivalent requirements on commercial music networks. We have an ongoing commitment to music.

Senator KENEALLY: Best classical album went to Slava Grigoryan for 'Bach Cello Suites Volume II'. You'll be pleased to know that he thanked ABC Classic FM in passing. Can you update the committee on your plans with respect to Classic FM.

Mr Anderson: Classic FM is performing very well for the ABC, I'm happy to say. Classic FM is something that we are committed to. We have been looking at how we can bring Classic FM to a wider audience.

Senator KENEALLY: I look forward to updates on that at future estimates. Last week the ABC held an event here at Parliament House to showcase its upcoming series *Don't Stop the Music*. For the benefit of the committee, would you please advise us what this excellent program is designed to achieve?

Mr Anderson: It is a program of three one-hour episodes. It is about the role of music in the life of our children through schools and education. It is about bringing music back into the classroom, as well as putting instruments into the hands of children. Part of it is a national drive that is partnered with the Salvation Army. The musical instrument you have in the cupboard that you haven't played for many years—

Senator KENEALLY: I don't know how you know about my flute, but thank you! Carry on.

Mr Anderson: There's a way to donate it and put it in the hands of children so that we can bring music back to the community and into schools. This program follows a primary school outside Perth and the fantastic influence that music has on that. It is hosted by Guy Sebastian and it is a lovely serious. It is one of those things that the ABC is proud to do.

Senator KENEALLY: Fantastic. Thank you very much.

CHAIR: I thank officers from the ABC for their attendance.

Special Broadcasting Service Corporation

[20:31]

CHAIR: Welcome, Mr Taylor. I thank you and SBS for being with us here tonight. Is there an opening statement?

Mr Taylor: Yes, Senator. Thank you.

Senator Fifield: Just before Mr Taylor does that, I congratulate Mr Taylor on his appointment as Managing Director of SBS. He's been with us in previous incarnations at estimates, but this is his first time as managing director. Congratulations and welcome.

CHAIR: And a big fan of Eurovision as well, I hear, so we look forward to hearing about that tonight. I'm sure Senator Keneally has some questions about it! Mr Taylor, do you have an opening statement?

Mr Taylor: Yes. Thank you. It's a pleasure to be here. Firstly, I'd like to say how honoured I am to have been appointed as the new managing director. I'm very pleased to address the committee today. This is especially the case as I follow in the footsteps of Mr Ebeid, who was, by any account, a very successful managing director of SBS. With the continuing changing face of modern Australia, the value of an independent and trusted public broadcaster committed to helping Australians understand each other better has never been more important. I look forward to leading the organisation as we continue to provide a distinctive and unparalleled offering to Australian audiences across TV, radio and digital, with the aim of contributing to Australia's success as a vibrant and cohesive society. I'd like to thank the members of parliament for their ongoing support of SBS.

SBS is pleased that, in the challenging environment for media operators, we're continuing to deliver record engagement right across our portfolio. That's the result of a defined strategy, programs and services that have a genuine point of difference and efficient business operations that are underpinned by a distinct purpose which resonates with both our employees and our audiences. Our flagship Australian commissions continue to explore

topical issues that are at the very heart of our charter, driving awareness and impact. The second series of *Filthy Rich and Homeless*, for example, reached nearly two million Australians, sparking a national debate on one of our country's most important issues. Earlier this month, SBS embarked on a global first and the most ambitious television event to date with *Go Back to Where You Came From Live*, taking the pulse of the evolving global crisis surrounding refugees in real time. NITV, our national Indigenous television service, is seeing particular success with children's programming. Australia's first Aboriginal and Torres Strait Islander children's animation, *Little J and Big Cuz* was awarded a 2018 *TV Week* Logie Award for Most Outstanding Children's Program, and we're are very proud of that.

SBS's 68 language services are unrivalled globally and continue to provide invaluable Australian news and information for both newly arrived and established migrant communities. The addition of Rohingya in one of our new radio services has been praised by the community, which continues to share feedback, acknowledging the value and importance of programs such as these.

As audiences increasingly move to online platforms, our digital language services are delivering extensive growth, with an average of 1.8 million unique browses to SBS's language websites and 1.3 million radio podcast downloads every month. SBS is one of Australia's most trusted broadcasters. The trust we enjoy with audiences, communities and stakeholders is central to who we are and what we remain focused on. In a world of increasingly polarised views, SBS is committed to continuing its delivery of impartial, balanced and trusted journalism.

Our focus for the future is for SBS to continue being an innovative and effective leader in championing the benefits of a more inclusive society, exploring multicultural and Indigenous stories otherwise untold, giving a voice to communities often unheard, and continuing to reinforce our value to all Australians. I look forward to your questions.

Senator KENEALLY: Welcome, and congratulations on your appointment.

Mr Taylor: Thank you.

Senator KENEALLY: If I can start with the competitive neutrality review of the national broadcasters. For the benefit of the committee would you please outline how SBS has cooperated with the inquiry, including what research and information SBS has provided to the inquiry?

Mr Taylor: We have participated fully in the competitive neutrality review. That includes making a comprehensive submission, which is a public submission. We engaged external support in the construct of our submission. I'm very pleased that our submission quite clearly makes the point that we believe we are operating within the bounds of competitive neutrality principles.

Senator KENEALLY: I understand if you do not, but does SBS have an estimate of the cost to SBS of complying with the competitive neutrality inquiry?

Mr Taylor: No, I don't have one at hand. I'm happy to take that question on notice.

Senator KENEALLY: Thank you. I would also like to ask you about government budget cuts. Since 2014, the government has cut SBS funding a few times over and replaced some but not all of these cuts. Would you please describe the impact of cuts on SBS and on SBS audiences, since 2014.

Mr Taylor: I think you are referring to the cuts that arose out of the Lewis efficiency review. The consequence of those cuts was effectively for our funding to be reduced by an amount that was offset by efficiencies, many of which we were already undertaking across the business. Of course, it is always challenging to deal with cuts, but the consequence of those cuts was that that was money we otherwise would have invested in Australian content and digital services.

Senator KENEALLY: Have there been programs that have not gone ahead as a result of these cuts?

Mr Taylor: No, nothing specifically comes to mind. But what I would say is that, clearly, we will continue to litigate for increased funding so that we can invest more in Australian multicultural and Indigenous content, such that we continue to deliver against our chartered obligations as fulsome as we can. To the extent that funding fluctuates from time to time, we obviously have to cut our cloth, and we have done so in relation to these efficiency measures.

Senator KENEALLY: You have been at SBS for a substantial period of time and you have no doubt witnessed a range of efficiency measures being implemented there. Can you provide the committee with a sense of how efficient SBS is these days and how budget cuts have affected SBS staff, for better or for worse?

Mr Taylor: SBS is a very efficient organisation. I think that is fact that has been reaffirmed many times over. I think the Lewis efficiency review of 2014 made clear that SBS is an efficient and well-run organisation. We are

constantly looking for ways to deliver our services at a lower cost and with more effectiveness. We always seek to deliver the best value for taxpayer dollars that we can.

Senator KENEALLY: How are the triennial funding negotiations progressing? What stage are they up to with the government?

Mr Taylor: We are at an early stage in those discussions. We are still formulating our cases and we will be progressing those with government, in keeping with the timeline.

Senator KENEALLY: I have a series of questions regarding your appointment as managing director. They go to the recruitment process itself. I am not entirely sure that you are the most appropriate person to direct them to. Are there other people here or am I best placed putting them on notice to allow SBS to answer them?

Mr Taylor: I would be happy to take them on notice.

Senator KENEALLY: Thank you very much. Mr Taylor, on another subject, can you please talk me through how me through how government budget cuts impacted —if they did—the coverage of the FIFA World Cup this year? How is SBS placed to provide coverage of this event in the future?

Mr Taylor: The budget cuts had an impact across a number of years at SBS. Every year we sit down and look at the coming year, and we work out the best way to deliver our services within the envelope that we have available. In relation to the World Cup, clearly that's a large event for the organisation. We determined, in keeping with our overall budget envelope, that the best way to deliver those services was to share the rights with another organisation—Optus—and that delivered us two outcomes. It allowed us to lower the cost of the World Cup to SBS, but it allowed us to secure other rights that we would not have otherwise had access to—in this case access to the English Premier League, which saw us accessing three years of English Premier League rights—38 matches a year. That allowed us to expand our football proposition for our audiences, whilst also delivering a lower-cost outcome to the organisation.

Senator KENEALLY: Is the SBS placed to provide coverage of this event in the future?

Mr Taylor: We have the rights for the 2022 World Cup. We look forward to bringing that to Australian audiences.

Senator KENEALLY: I note a recent announcement regarding Eurovision and the intention to open that up to a nationwide vote as a way to select the winner. What work was done to determine that this would be a way to engage with audiences or a way to appropriately select the winner—the person to represent Australia at Eurovision?

Mr Taylor: I think you're referring to Eurovision—Australia Decides—

Senator KENEALLY: Yes.

Mr Taylor: an event that we announced a couple of weeks ago. We're really pleased and proud of that event. Eurovision is of growing popularity in Australia. SBS has had a very proud association with the Eurovision Song Contest for 35 years now. We are always looking at ways to allow audiences to participate more fully in our programming, so we thought that running a national song competition—which will allow Australians to not only contribute some ideas and songs themselves but also vote on the selection of the contestant and song to go to Eurovision—is a wonderful way to increase the utility of that event to all Australians and to create a bit more buzz and interest in the actual event which occurs in May next year.

Senator KENEALLY: Will contestants be allowed to campaign—on social media and in other ways—to encourage votes?

Mr Taylor: I imagine so. We welcome a vibrant engagement of audience members.

Senator KENEALLY: I know that Senator Duniam is keen to know if SBS are instituting rules to make sure the winner of the Eurovision vote can't be rolled mid-concert!

Mr Taylor: Interesting suggestion!

Senator KENEALLY: On possibly not a more serious note, I can't let an SBS estimates go by without asking about Mark Humphries and his continual campaign to be part of Eurovision. Will he be allowed to enter the Australia Decides—Eurovision contest?

Mr Taylor: That's a fascinating and terrifying prospect! I'm sure he can enter his best ideas alongside other Australians!

Senator KENEALLY: The laughter suggests that perhaps he doesn't have much chance of winning!

Mr Taylor: You'll be pleased to know I shall not be participating in the selection process!

Senator KENEALLY: I am pleased to welcome you to Senate estimates. I don't know if we have any other questions.

CHAIR: We don't. I think you've covered the field, Senator Keneally.

Senator KENEALLY: We've gone from the serious to the less serious.

CHAIR: Our entry into Eurovision is not a joke; it's going to be great.

Mr Taylor: I eagerly await the submission.

CHAIR: Thank you very much, Mr Taylor and Ms O'Neil, and to SBS: thank you for joining us tonight, albeit very briefly. We now move to the Office of the eSafety Commissioner.

Office of the eSafety Commissioner

[20:45]

CHAIR: Thank you very much for joining us, and welcome back to estimates. Do you have an opening statement you wish to make?

Ms Inman Grant: I do. Thank you, Chair and committee members, for the opportunity to make an opening statement. It has definitely been a busy five months for us at the Office of the eSafety Commissioner. As you know, we take a holistic, end-to-end approach to online safety, knowing how important it is to create an evidence base and identify gaps through research, by offering early intervention and takedown services to reduce the trauma victims face from harmful content being placed online and by also focusing on prevention through education and awareness.

Our world-first cyberbullying complaints scheme continues to provide an important safety net for young Australians experiencing serious cyberbullying, and we've seen a 34 per cent increase in reports since last year. Since the inception of the scheme we have responded to approximately 1,000 complaints with the nature of these complaints becoming much more complex, urgent and serious. This month also marks a year since our image based abuse portal was established, with the portal now having had 129,000 total visits. Our Image-Based Abuse Team has now received more than 440 reports involving more than 900 URLs from 140 different web platform providers overseas. Despite this jurisdictional hurdle, our determined team has had an 80 per cent success rate in getting this content taken down, without formal powers. That said, we were so pleased to see the government pass important new legislation to create a robust civil penalties regime to give us more powers to target perpetrators and bad-content hosts and to give victims more forms of redress. In the six weeks we've been administering the new scheme we've had 81 complaints, issued seven informal removal notices, issued three informal warnings to perpetrators and issued one formal warning, which are educative in nature but may attract further regulatory action. Our cyber-report investigative division has had its busiest year since its inception in 1999. Since 1 January of this year, we have concluded 8,200 investigations into illegal content, including more than 5,000 of child sexual abuse content. Last year we submitted more than 35,000 images for takedown from our international partners, and we continue to deploy disruptive strategies to interrupt the trade and sharing of child sexual abuse images.

While these early intervention mechanisms and takedown services are core to what we do, we know that prevention and education are key to truly creating behavioural change and enabling more-positive online experiences for all Australians. That is why we actively develop education resources and tools to enhance the safety of Australians online. This includes content for parents, educators and young people and other vulnerable groups, including women and older Australians. We've had more than seven million hits to esafety.gov.au.

Providing prevention and education across the education spectrum is increasingly important. Our recent parents survey has shown that 80 per cent of all Australian preschool children have received an internet enabled device. That is right: 42 per cent of Australian parents have given a two-year-old an internet enabled device, another 24 per cent have provided one to a three-year-old and 12 per cent to a four-year-old. Clearly, the educational interventions have to start in the home, with parents in the front line of defence, but be continued from pre-K through the K-to-12 educational curriculum to be successful.

I won't go much further other than to say that we know we need to engage young people with videos and engaging content, so this July we launched a gamified online safety game called *The Lost Summer*. We know through research that the best way for young people to learn about showing respect, responsibility, empathy, consent and resilience is by having them identify the behaviours, practice them and apply them in life outside the game, and what kid doesn't want video games for homework? We also launched the Young and eSafe project, which is a novel new digital health program that provides 120 hours of teacher training to conduct workshops to stimulate more peer-to-peer support in schools. We know that only 50 per cent of young people will talk to an

adult, whether it's their parents or a teacher, about a negative online incident and only 12 per cent will report to a social media site. So we know we need to engage young people to support other people with the support from teachers and to encourage them to engage in help-seeking behaviour, because there are great resources out there and there are the intervention services that we can provide them with to take down that harmful content.

CHAIR: Where does one, as a parent, find a resource like *The Lost Summer*?

Ms Inman Grant: You can download it from many platforms for free. It comes with teaching and lesson plans as well. It's multiplatform. I've got it on the phone. You can do it—

CHAIR: So I can get it from the App Store or something like that?

Ms Inman Grant: Yes, I'm now a certified Apple developer, apparently.

CHAIR: Is that right?

Ms Inman Grant: Yes.

CHAIR: I'm pleased to hear that.

Ms Inman Grant: Thank you.

Senator URQUHART: It's been three years since the government established the Office of the Children's eSafety Commissioner, now recognised as the eSafety Commissioner. Can you talk me through what you would say the creation of the Office of the eSafety Commissioner has achieved in that time.

Ms Inman Grant: If you look at the submissions that came into the review, you'll see from a range of stakeholders that we've created a world-first agency, the only government agency in the world solely looking after the online safety of its citizens. We've provided them with valuable resources for teachers, for parents and for older people, and we provide these early intervention take-down services that don't exist anywhere in the world. If you look at some of the reports coming into our image based abuse team, we have people from all over the world requesting our assistance to take down content of non-consensually shared images because there are no other services like them that exist.

Senator URQUHART: How many submissions have there been to the review?

Ms Inman Grant: I will have to take that on notice. Was it 32?

Senator URQUHART: There's nobody there; there's an empty chair.

Ms Inman Grant: Oh, okay.

Senator URQUHART: It might be able to talk—oh, look it can! Thank you, Mr Eccles. I'm just wondering how many submissions there have been to the review?

Mr Eccles: Of schedules 5 and 7?

Senator URQUHART: Yes.

Mr Eccles: Let me find that for you.

Senator URQUHART: Okay, I'll keep going. In your opinion, has the establishment of the office been worthwhile?

Ms Inman Grant: In my opinion, it absolutely has. I would say that online safety challenges have proven to be the parenting challenge of our time. You hear that around the barbecue. I hear that everywhere I go. I hear a lot of thanks from schools where we've intervened, and not only in terms of taking down cyberbullying content. You probably know that one in five young Australians have been cyberbullied. The average age is 14. Girls are bullied more than boys. And almost all of these bullying situations are peer to peer, with the nexus of the conflict within the school grounds. Beyond taking down the content, we also refer young people to mental health services like Kids Helpline. But we also work with the victims, parents and educators to help resolve the root of the social conflict that's happening within the school gates, and we find—and we're told by schools—that once that happens, both the bullying and the cyberbullying, which are interrelated, tend to dissipate.

Senator URQUHART: You talk a lot about schools and young children and children. Given that the change has occurred—so you're no longer the children's eSafety Commissioner—is it still that younger age group that you are particularly focused on or that that's where a lot of the work is done?

Ms Inman Grant: We look at the vulnerability lens, and clearly children and younger children are some of the most vulnerable. We have a vulnerability strategy that Tarina can speak about. But we now have a range of programs that meet the needs of a range of communities. We'll be continuing to build and interpret upon that. I'll give you one example: eSafetyWomen is a program that we developed in 2016 with the national action plan funding. Through that program—98 per cent of those women experiencing family and domestic violence also

experience technology facilitated abuse as an extension of that coercion, harassment and control—we've reached 6,200 domestic frontline workers to help women use their technology safely, so they can use their phone and their emails as tools of empowerment and connection rather than as tools of debasement and harassment. We've created a new online content portal for those that can't participate in face-to-face workshops and have had quite a significant interest in that. That's one example where we're trying to help those more vulnerable. In July, we also launched a program called Women Influencing Tech Spaces, or WITS, which is for women in the public eye—those in politics or journalism, those with opinions, feminists—who tend to be much more victimised by targeted sexualised comments online, so there are a lot of self-help guidance and strategies, information and tools in terms of how to help them deal with those.

Senator URQUHART: Those details and the path for those are on your website?

Ms Inman Grant: They sure are. And then there's Be Connected, which is our program in conjunction with the Department of Social Services, for seniors.

Senator URQUHART: What have been the best achievements of the office in that time?

Ms Inman Grant: Again, I think being able to provide people with real relief in terms of taking down damaging content—devastating content—to a child. The challenge with cyberbullying is that it's pervasive, it's invasive and it follows children into their homes. There's an inherent imbalance between the technology behemoths and the young users. We now actually give these children some recourse if their cyberbullying content isn't taken down. The other thing we know about cyberbullying is that sometimes a child's humiliation is amplified because it's online, so all of their peers can take part in that humiliation, yet it's covert to parents and to educators. Providing sunlight is the best disinfectant, and providing that safety net is something, I think, that's vital.

Senator URQUHART: I note that the office's submission to the reviews of the Enhancing Online Safety Act and online safety scheme makes a number of observations. For the benefit of the committee, can you take us through some of the key elements of the office's submission to this review?

Ms Inman Grant: Sure. It was an 80-page submission. I know you'll appreciate brevity.

Senator URQUHART: I don't want you to talk about the whole 80 pages, just the really key elements from your point of view.

Ms Inman Grant: We all know that the technology environment is going to continue to outpace the policy environment. So, when this legislation was developed in 2015, the focus was on social media sites. Through our research and through the reports and complaints that have come in to our office, there is a much broader range of platforms that are being used to not only groom children online for predatory purposes but also for bullying. That would include online gaming platforms, apps and a range of other platforms outside of social media. So I would say that there is a broadening of technology platforms being used to create negative online experiences. We've also seen that adults seem to really be in need. We've had 500 adult complaints of cyberabuse come into our office. We don't have the regulatory powers to help them, but we help them where we can, as much as we can. Another observation was about the governance arrangements and how we felt we could be most effective and efficient. Anything else to add that was significant—

Senator URQUHART: Great. So do you think that the office should be a standalone agency from the ACMA?

Ms Inman Grant: That's a question that's being reviewed by an independent reviewer. That process has been—

Senator URQUHART: But I'm asking you: do you think that it should be a standalone agency? You've worked there for a number of years that the office has been there.

Ms Inman Grant: What I would say is: if I were creating this agency from full cloth, from the beginning, I would create it with as few encumbrances as possible, with as much autonomy as possible, with independence, and have—

Senator URQUHART: Why would you create it to have autonomy and independence?

Ms Inman Grant: We are a technology-driven agency. I don't own the ICT infrastructure. I don't actually have e-safety office staff—they're ACMA staff.

Senator URQUHART: You borrow them from the ACMA?

Ms Inman Grant: We borrow from. ACMA. I certainly hire through outside, but we have very different profiles. We are citizen-facing. I'm looking for people who deliver compassionate citizen service who are technologically savvy. We're working on different issues; we have different areas of focus. And, clearly,

autonomy, when you don't have extra layers of management, is going to be more effective and efficient, from my perspective.

Senator URQUHART: Do you think that the office should be expanded to have a broader remit?

Ms Inman Grant: We have been expanded to have a broader remit, from children in e-safety. It's pretty expansive.

Senator URQUHART: Broader than where it is at the moment?

Ms Inman Grant: I think I'm satisfied with where the remit sits right now. I want to make sure that we can execute. It has been only a little over a year since our remit was expanded, and I want to make sure that everything we do, we do well, and we do deliberately, particularly with our vulnerable people strategy; we need to make sure that we're working with communities, not creating programs for communities without their engagement. It all has to be backed by evidence and research. This all takes time. So my focus is on quality.

Senator URQUHART: That's all I have, thanks, Chair.

Mr Eccles: Senator, 22 submissions—

Senator URQUHART: Twenty-two.

Mr Eccles: and they're on our website.

Senator URQUHART: Great. Thank you very much.

Ms Inman Grant: Is that it?

Senator URQUHART: That's it. Thank you.

CHAIR: You're done! Thank you so much, and we will call you when we're ready to audition for our band! We will break now and then we will return for the NBN.

Proceedings suspended from 21:03 to 21:13

NBN Co

[21:13]

CHAIR: I welcome NBN Co Ltd. I welcome Dr Switkowski, Chair of NBN Co, and also Mr Rue. Congratulations on your appointment as CEO of NBN Co. Would either of you like to make an opening statement tonight?

Mr Rue: Yes, I will, Chair. Thank you for your kind comments. With me are Dr Switkowski, our chair, Peter Ryan, our chief engineering officer, and Brad Whitcomb, our chief customer officer of our residential business. I would like to start by thanking Bill Morrow for his leadership over the past four years. He really is an outstanding CEO, who focused on motivating and engaging the people of NBN. Under his direction we achieved remarkable results that set the company up for continued success. As chief financial officer during that time, I saw the dedication, talent and determination of NBN's people to build the systems and processes to meet every challenge. There is something more than metrics and milestones that drive people working at NBN, and that is true for me as well. We know that that fundamentally we are changing lives for the better. One of your colleagues gave us a great example of this by sharing a letter from a 10-year-old girl. This girl had very poor internet access and couldn't do her homework, so she had to use the school connection in her lunch hour. She said that with the NBN at home she can research online, watch instructional videos and use programs like Mathletics that help her learn. The best thing, though, was that she can play with her friends at lunch rather than being stuck in the library.

We talk about the what and the how of NBN, but stories like this go to the why of NBN. We are building a national asset that contributes to people's lives and the economy. That's what makes it such a privilege to lead this company. We now have close to 7½ million premises ready to connect, 4.4 million premises activated, and 99 per cent of the country is either in design, under construction or complete. But with 2020 just one financial year away, we do see a paradox emerging. We are very close to our goal, but there is still a long way to go. We need to add 2.8 million premises this financial year, which is more than 10,000 premises every working day. Although these are big numbers, remember that in fiscal year 17 we showed what is possible when we added 2.6 million premises.

It's not all about pace, though, as you well know. Customer experience is vital to our business strategy. The best protection against future competition is a fully operational network that is affordable and beating expectations. We are seeing significant improvements in this space. We reduced average network congestion to 38 minutes per week, down from approximately four hours a year ago. Back then, just 16 per cent of connections were on a 50 megabits per second plan or higher. Now that sits at 50 per cent. These plans are many times faster than the old ADSL connection, so people are now seeing the true value of moving to the NBN. With installations

we get 94 per cent right the first time, up from 86 per cent a year ago. Network faults are down to just eight faults per thousand premises per month, but when issues do arise we'll fix 91 per cent first time, up from 70 per cent a year ago. The time it takes to provide that fix has fallen by 65 per cent, from 105 hours last October to 37 hours.

This focus on customer experience comes at a cost, and this is reflected in our corporate plan. I have often had to say to this committee that the answer to your questions will be in the corporate plan, particularly about the HFC pause and the pricing changes. Now that the plan is finished, I'm very happy to go into much more detail. The plan shows an increase in peak funding taking us to the upper end of the forecast range. This is driven by a further $800 million capex for capacity upgrades for fixed wireless; $700 million due to the pricing changes; $700 million from the HFC pause; and $200 million extra capex for HFC network optimisation. The government's investment remains at $49 billion, with additional funding to be sourced from private sector debt.

Because of these decisions we've seen substantial improvements in customer experience and also a reduction in TIO complaints in the final quarter of fiscal 18, which we're seeing continue into fiscal 19. The fixed wireless band is also in the name of customer experience, as it lifts the busy hour of performance to a six megabits per second minimum average. This is an important investment in customer experience in the bush. Although three-quarters of regional areas are cover by fixed-line technologies, around 14 per cent do rely on our fixed wireless network. I don't want to downplay the challenges around fixed wireless. It's a great technology, but it is a victim of this success. Take-up has far exceeded early forecasts, the demand is growing quickly, and the huge increase in video streaming means more simultaneous users are on this shared resource. There is a multi-pronged strategy to address this, involving physical infrastructure upgrades and software enhancements, and we are consulting on changes to our products.

The extra money for fixed wireless, all the pricing changes and the HFC pause all have same aim: to make the NBN experience the best it can possibly be. The little girl's story I mentioned is just one person's experience of the NBN. When you multiply these stories across communities, society and the economy, you see the real value of the NBN.

We know through the AlphaBeta research that NBN-connected areas have higher rates of business growth and more digital jobs, and that the proportion of self-employed women is 20 times higher in these areas. That research estimates that NBN will drive an additional $10.4 billion in economic activity annually by fiscal year 2021, with the estimated business growth creating 31,000 new jobs by the end of the rollout.

The old conversations about the NBN are, I believe, growing less and less relevant. The NBN is here; its users number in the many millions. It is making a difference in people's lives, and the finish line is close. The conversations I look forward to are about how the NBN can best contribute to the economy, foster innovation and ensure all Australians have more opportunity, well beyond 2020. So with that, we are very pleased to take your questions.

CHAIR: Thank you very much, Mr Rue for that opening statement. We'll go to Senator Urquhart.

Senator URQUHART: I've got a few questions around some issues that I raised earlier in the day on the NBN fixed-wireless pricing. Mr Mrdak: earlier today we saw information about when the department first learned about NBN Co's proposal to set a wholesale price of $65 for fixed-wireless users. Do you now have advise on that matter?

Mr Mrdak: I don't as yet, I'm sorry. We'll keep pursuing that. I will check while we progress some of these questions.

Senator URQUHART: Okay. Minister, when did you first become aware of the plan to set a $65 wholesale price for the 50-megabits-per-second plan on fixed wireless? Was it before or after it became public?

Senator Fifield: I was certainly aware that NBN had gone through consultations, but on the day that you referred to, where I issued a statement, I thought that there was a view abroad that what was proposed by NBN was intended to be some sort of a permanent product, whereas it was intended to be an interim product. I think there was genuine confusion in the community on that point. I spoke to the then CEO, Mr Morrow, who had reached that same view independently, that there was confusion about that particular product. He took the decision that that would not be proceeded with.

Senator URQUHART: Okay.

Senator Fifield: I would have been aware, I'm sure, through the office that there had been consultation happening, but that was the point at which it became clear that there was confusion and NBN took the view that it was sensible and prudent to address that.

Senator URQUHART: Minister, on 16 August, Labor called on NBN Co to abandon the $20 per month price increase. One hour later you issue a statement saying the pricing increases would not occur. Did you seek advice from your department on the matter?

Senator Fifield: Certainly, I spoke to my office. I may well have spoken to the department as well, but I certainly spoke to Mr Morrow.

Senator URQUHART: Mr Mrdak, are you aware of whether that advice may have been sought?

Mr Mrdak: I think advice was provided to the office, but I'll confirm that.

Senator URQUHART: That's fine. Mr Rue, prior to the NBN joint standing committee hearing where you revealed plans for the fixed-wireless pricing change, had NBN Co advised the department or the government on those plans prior to that hearing in October?

Mr Rue: My memory was—and I'm sorry, I'm going on memory here—that there were multiple conversations around fixed wireless, there were multiple conversations around product and—

Senator URQUHART: We're talking about price here.

Mr Rue: certainly, we had discussions around consultation with the industry.

Senator URQUHART: But I'm talking specifically about the pricing, and the pricing increases. Were the department and the government, both of them, completely in the dark? Was it only NBN Co that understood about it?

Mr Rue: I'm sorry, Senator, as I said, my memory is that we had discussions around fixed wireless and certainly around industry and consultation. As to your question, specifically: I don't specifically recall whether we talked about a $65 price point or not, but we certainly did talk about fixed-wireless product and fixed-wireless consultation.

Senator URQUHART: With both the department and the minister?

Mr Rue: Yes.

Senator URQUHART: Thank you.

Senator KENEALLY: I have questions on a slightly different area. The Telstra CEO recently called for a $20 reduction in wholesale NBN prices. What are your views on that and what do you think that would achieve?

Mr Rue: I think the Telstra CEO is clearly looking at one of his cost lines and certainly for him he's looking for a reduction in costs in his business. The reality is that we have talked about our wholesale prices for many years. They've been well, well understood. They are based upon a business plan and a corporate plan that we've had released for many years. They are based upon what is undoubtedly a significant lift in internet capability in Australia and delivering the sorts of benefits that I talked about earlier. Certainly retail prices are up for the retailer, but we are confident that the asset that we're building has great value, and we know that the community values that asset. We have always talked around the additional speeds, the additional capacity that will be consumed by end users, and we are satisfied that the wholesale pricing construct is therefore appropriate.

Senator KENEALLY: From a financial standpoint, all other things being equal, what impact would a $20 reduction in wholesale prices have on the NBN business case?

Mr Rue: Well, if that were the case, that would clearly lead to a significant reduction in revenues—a very significant reduction in revenues. But that's not something that we're contemplating.

Senator KENEALLY: So you haven't done any modelling on that?

Mr Rue: I can tell you that, at a $20 reduction in revenues, if you think about us having eight million customers on our network, you can see the sorts of quantums that you're talking about; you can do the maths. But, as I said, we have a corporate plan that we've put out there that has a current pricing that leads through a series of mechanisms to ARPUs of $44, and we see those ARPUs growing.

Senator KENEALLY: I understand that, and I don't ask these questions to be difficult. It's just that the Telstra CEO is not some random person; it's someone who has reason to be somewhat informed and has contributed publicly to the conversation. So I'm just trying to understand what the impact of that suggestion would be on the business case and if you could give us some sense of a scenario or modelling, or that it makes the NBN completely unviable.

Mr Rue: As I said, it would lead to a very, very dramatic reduction of revenues. But, again, the Telstra CEO is clearly concerned around costs, so it would be natural for him to make a call for a reduction in costs. That's the sort of thing you would expect. But our business plan is built upon, as I said, a very significant uplift in internet capability—an uplift that will provide the economy very significant benefits and an uplift whereby we know that

end users appreciate the value of the NBN. And I would hope that the retailers can sell that value to the end users. The business case of NBN is one that is set up such that it gives a very low return on investment to the government but provides cash flows that enable our business to be viable but also enable us to provide those services we talked about. It's always been a user-pay model. The consumers pay for the benefits that they get, rather than the taxpayers, and that's the way the NBN model has been set up.

Senator KENEALLY: What threshold level of average revenue per user does NBN Co require to be cash flow positive after operating expenses, infrastructure payments and interest payments are taken into account?

Mr Rue: It depends what year you're talking about. If you look at our corporate plan that we've released, you can see the various years of all those revenues and expenses that you talked about. Our corporate plan sees our average revenue per user growing from $44 to $51 and provides those cash flows that you can see in the corporate plan. If you like, I can pull out the page for you and talk you through the page.

Senator KENEALLY: Can you remind me: when is NBN Co cash-flow-positive? Was it 20—

Mr Rue: It's 2022.

Senator KENEALLY: I thought it was 2021, but I take your word over mine.

Mr Rue: It's very early in 2022. Let me point you to page 56 of the corporate plan. On page 56 of the corporate plan the cash flow is positive in that year.

Senator KENEALLY: In that year what is the threshold level of average revenue per user?

Mr Rue: In fiscal 2022 we have an average revenue per user of $51, and with the number of users we have on the network and some other, smaller revenue streams, that provides revenue of $5.6 billion.

Senator KENEALLY: Okay. I'll leave it there.

This may be a question you're not able to answer given our previous conversation about a 20 per cent reduction in wholesale prices, but what would the NBN be worth if wholesale prices were reduced by $20 per month?

Mr Rue: Firstly, speculating on the value of NBN—

Senator KENEALLY: We'll get to that!

Mr Rue: is not something I'm going to do, but, as I said earlier, if there are significant reductions in revenues, that shifts the onus of NBN from the consumers onto the taxpayer. The corporate plan is not built that way. It's not the current plans of management and, as you know, we are very comfortable around the growth in data, the growth in speeds and, indeed, the growth of our business revenues that we will see the sort of revenue streams that we have in the corporate plan.

Senator KENEALLY: The recent wholesale pricing discounts have encouraged the take-up of the 50 MBPS speed tier. If NBN had to respond to price competition in terms of entry-level offerings, how would it respond given the majority of its customers will be concentrated in a given speed tier?

Mr Rue: Mr Whitcomb can talk to this, but we've just introduced a new entry-level bundle, actually—an entry-level price for people. It's primarily aimed at voice-only customers and those who require a very small amount of internet browsing, if you will. The 50/20 product is something that we've been absolutely thrilled with the take-up on. We're seeing around half of our base on 50 megabits per second or 100 megabits per second, which is providing those benefits that we've been building and we're very pleased with. But the entry-level bundle we have introduced for, as I said, low-end users that you're talking about.

Senator KENEALLY: Okay. Over the weekend, the author and media commentator Alan Kohler produced a back-of-the-envelope calculation which suggested the multitechnology mix could be worth $13 billion, meaning the equity actually had a negative value once the debt was taken into account. Have you seen that analysis? What are your views on that?

Mr Rue: I did see that analysis from Alan Kohler in the paper. There are many people who like to speculate about the value of NBN. What we need to do is continue to build NBN. We need to finish the build by 2020. We need to see how technology evolves. We need to see how the benefits that we're providing to the economy continue on. The value of NBN will be determined one day if and when the government chooses to monetise the value of NBN. Speculating on it is interesting but doesn't actually provide any help to you.

Senator KENEALLY: Thank you. Mr Switkowski, I will ask you a few questions. The current government policy is that the NBN will be privatised at some point. Is that your understanding?

Dr Switkowski: That is my understanding.

Senator KENEALLY: Who do you think would buy the multitechnology mix? Who are likely purchasers?

Dr Switkowski: I will introduce my answer by first saying that I don't think modelling scenarios for the privatisation of NBN at this point is overly helpful. That really should be delayed until we get much closer to the completion of the network. But in the spirit of your question, here are some options. Firstly, the network in its entirety may not be the only thing that you do when you privatise it; you may segment it differently. I'm not recommending any of these—

Senator KENEALLY: Sure, I understand.

Dr Switkowski: but you may try to separate out the fixed wireless and satellite business. You might geographically divide it. Whatever number you think it's worth at the point of privatisation—and I'm at the high end relative to some of these other numbers—it's going to be a big exercise and a large amount of money. You'll find analysts speculating on different combinations. It's then a question of what combination you go forward with over what time and who might be the obvious buyers. Some, for example, would say that NBN represents the perfect profile for long-term investors that want to have an assured annuity stream, such as superannuation funds. Others will say, 'Well, there are parts of NBN that can be merged sensibly with an existing telecom company,' so you can have a look at all of the telecom companies. There might be some private equity buyers that will have a look at parts of it and find it attractive. There are options. I do think that the discussion should await the completion of the network build. If I were asked, which is probably improbable, I think it will happen later rather than earlier.

Senator KENEALLY: You think that—

Dr Switkowski: The privatisation process.

Senator KENEALLY: will happen later rather than earlier. In that vein, what discussions have you had with the government about ownership in the context of the 2019 corporate plan?

Dr Switkowski: None, really.

Senator KENEALLY: Do you have any views on a merger between NBN Co and InfraCo?

Dr Switkowski: That is a proposal that has come from Telstra executives and chairs. It is one of the scenarios that could play out. It would have to overcome many regulatory and competition hurdles. Again, it is too early to start dissecting it.

Senator KENEALLY: I understand your comment there that it's too early to start dissecting it. But is one of those hurdles that Telstra is the owner of InfraCo and would have to essentially separate that company? In fact, haven't they set it up so that they could divorce from it?

Dr Switkowski: I think the regulator has come out and said they couldn't see it happening with Telstra as an equity holder in the entity that was produced. I think the direction of your thinking is right. But there are many, many issues beyond that before the merger of InfraCo with NBN would make any progress.

Senator KENEALLY: I might follow that up on notice, given the hour. But thank you for that. You mentioned there that there are others who have a less bullish view about the assumptions in the NBN corporate plan. Can you cite analysts or others outside of NBN Co who have confidence in the assumptions which underpin the NBN corporate plan?

Dr Switkowski: I think what I said was that I'm at the bullish end of the spectrum of judgements about the outlook for NBN and its value. But, of course, any modelling of that is based upon a range of assumptions—quite a lot of assumptions. Alan Kohler, who you quoted, has made a number of assumptions that were almost always going to lead to a low value for NBN. They are assumptions around what the wholesale price might be, which is something you've already raised; the impact of competition, such as 5G; what the appetite of the household is going to be in the 2020s for fixed line broadband connectivity; and those sorts of things. You can have a variety of judgements around that. In this field, trying to anticipate the environment five years out is probably reckless.

So, yes, you will find people who will come up with lower numbers, by taking our forward four-year plan numbers and multiplying them by some multiple that they think is appropriate and getting a particular number. However, the valuation is much more complicated than that. In other fields, we've been regularly surprised by how much value is associated with a fixed physical asset that covers the continent that offers enduring relationships with households.

Senator KENEALLY: Can you give us an example of what you're thinking about there?

Dr Switkowski: I think most of the infrastructure assets around roads, tunnels, rail et cetera end up with equity investors and superannuation funds paying a great deal of money. But it depends upon the conditions under which the privatisation occurs and what assurances, for example, the owner—in this case, the Commonwealth—would make about pricing and universal service obligations. It has many dimensions to it.

Senator KENEALLY: You seem to be asserting that there are plausible scenarios where the NBN achieves a market sale price of $51 billion. But you do accept that there are others who reasonably assert that, with a rate of return at three per cent, the multi-technology mix has near zero prospect of achieving that sale price?

Dr Switkowski: Again, it depends on how the privatisation process is configured and, obviously, the way the business is running in the early 2020s, the outlook for pricing and the commitments that the former owners—in this case, the government—might make around regulatory and other matters. So, while there is downside risk, the current valuation is supported by our four-year projected numbers. Unlike in most corporations, they are public. So people can look at them, they can challenge them and they can model around them and get the numbers that they get. I could certainly generate and do generate figures around $50 billion for the value of this enterprise in the early 2020s.

Senator KENEALLY: You cannot rule out a write-down, though, in the future, can you?

Dr Switkowski: I think I can. Firstly, write-downs are not within the gift of management or government; they are driven by accounting rules. We are two-thirds built or, depending on which set of numbers you use, a bit further than that. The network is not complete. We do not have the customer base that we expect to have in the 2020s. The ability to properly value this asset is probably not going to be available to us until the 2020s. So, I think, Senator Keneally, I will continue to answer the question by saying yes, I can rule out a write-down. This is my personal view. I think considerations of the valuation of NBN will await business moving into a relatively normal, conventional mode, which will happen when we finish the build in 2020, when we complete the conversion of all households and businesses in 2021, we turn cash-flow positive, we look forward. Then, whoever is going to make a judgement, will make it then.

Senator KENEALLY: Would that include also making a decision about whether the NBN is, in fact, sold or whether it should remain in public ownership?

Dr Switkowski: I think that will be the start of the debate. Sorry, I think it should be the start of the debate. I wouldn't be doing it any earlier.

Senator KENEALLY: But it's quite possible that that will be the debate at that point.

Dr Switkowski: Quite possibly.

Senator KENEALLY: I have some other questions but I think, given the scope of them and the time, it's better to put them on notice. I thank you, Dr Switkowski.

Senator URQUHART: I want to run through an NBN issue which has come to my attention. I understand that, in seeking to install an NBN service in Balwyn in Victoria, the following events transpired. I'm not sure if Mr Ryan might be aware of this, or Mr Rue.

Senator Fifield: Was that in Balwyn.

Senator URQUHART: Balwyn, yes. Do you know where that is?

Senator Fifield: I do.

Senator URQUHART: There's is a sequence of events that I'll just step you through. In July 2018, NBN contractors sought to lay a new lead-in cable as part of a service installation. Prior to the installation, the gas supply to the home was working fine and without issue. Following installation, it became clear that there was a gas leak. The home owner sought an assessment and was advised there was a leak; the gas was then turned off. The home owner contacted NBN Co to apprise them of the issue and provide NBN Co with an opportunity to send their own people or plumbers to assess the situation. NBN Co declined on two separate occasions and advised the home owner to engage their own plumber. The home owner engaged local plumbers, who identified damage to the gas pipe and undertook works to fix the leak.

Upon receiving the invoice for $4,642, the home owner submitted it to the NBN complaints team. The contractor initially denied responsibility for hitting the gas line and causing the leak. Further, the NBN delivery partner sent officers back to the premises to conduct an investigation and advised the contractor was not liable because their trench and lead-in were not near the pipe. However, it has subsequently been demonstrated this was not the case. Further, the plumber produced photographic evidence which shows brand-new masking tape that was placed around the part of the pipe which had been damaged from a utility strike. Further, the lead-in was demonstrated to be travelling near the gas line. The matter was then escalated at the home owner's request to an NBN case manager, who advised that he could see what had happened and that the contractors needed to be held to account and that he expected a satisfactory resolution for this person by the following Wednesday, and that was 25 July. The story then switched to: they might have hit the pipe but it was already old and damaged, and that is

why they are not liable. So, to this day, NBN Co and its contractors refuse to accept the responsibility for what has happened.

Mr Rue, can you tell me how NBN Co contractors could turn up, hit a gas pipe, try to duct tape it and not tell the home owner, then deny they hit the pipe, only to then concede they hit it after photographic evidence is produced but then argue that they're not liable because the pipe was old? The point is the pipe is broken because the contractors hit it. So there's a $4,600 bill, and NBN Co on two separate occasions declined having their own people assess the problem before plumbers had to be engaged. Someone has to be accountable in the face of the evidence. Where does the buck actually stop?

Mr Rue: I'm not personally aware of this matter but I do thank you for raising it. I think, Mr Ryan, you're aware of this.

Mr Ryan: We'll have to take the specifics and investigate those, but I can talk in generalities. The striking of underground services, whilst regrettable, is not unusual. The key issue is the NBN response in that situation. Honestly, we do take any instance of property damage very seriously, especially ones that involve health and safety issues—obviously, if you're striking gas, it's a health and safety issue. We've recently—I think it was July this year—introduced new processes such that—

Senator URQUHART: In July?

Mr Ryan: Yes, we introduced—

Senator URQUHART: That wasn't coincidentally as a result of this?

Mr Ryan: No.

Senator URQUHART: This was in July?

Mr Ryan: That's right. It was circumstantial that they coincided. But the process we now have in place is: if we receive a complaint directly or indirectly that relates to property damage then NBN will immediately engage an independent assessor and third party to not only visit the site within very tight time frames, within 48 hours, but have the authority to make good the site and repair any damage to the satisfaction of the homeowner, in which case we will then take that issue away and seek to understand how we recover any compensation. But we won't leave that to the homeowner to bear the burden of waiting while we derive liability and recover any costs.

Senator URQUHART: When did that come into place in July? What date in July—early July, late July?

Mr Ryan: Early July, but I'll confirm the exact date.

Senator URQUHART: Interestingly enough, this incident was Monday, 2 July.

Mr Ryan: Even prior to that date, the instance that you're talking about should never have happened.

Senator URQUHART: Okay. I guess the issue here is: can you appreciate how stressful it is for a homeowner to one day be ordering an NBN connection and the next day having a $4,600 bill on their hands through absolutely no fault of their own?

Mr Rue: Can I ask if we can get our people to get in touch with you and get the details?

Senator URQUHART: What I'm saying is that I'd like to hand over the details of this case to NBN Co for consideration. I've got the details here, so I'm happy to give them to you. Mr Rue, can I have your undertaking that the matter will be looked into it?

Mr Rue: Absolutely.

Senator URQUHART: I have the information here, so I'm happy for the secretariat to pass that to you.

Mr Rue: That's why we have a case management team. We do care about these issues. There are unfortunate cases—that is true—but we like to deal with them. So, of course, we will look into it.

Senator URQUHART: A quick remedy, I know, would be appreciated in terms of this. Before I go back to Senator Keneally, I have a few questions in relation to the west coast of Tasmania.

Mr Rue: It wouldn't be a hearing—

Senator URQUHART: It wouldn't be a hearing without the west coast! I understand that Senator Fifield, on 5 October, stated when Zeehan comes online, Tasmania will be the first state that will be construction complete for the NBN. Do you agree with Minister Fifield's statement?

Senator Fifield: I think there are a couple of fixed wireless towers that are still to—

Mr Rue: I'm sure my team can tell me. If it's not completed, it is very, very close to being complete. There may be a couple of homes—let me just check that.

Senator URQUHART: That was a bold statement that Senator Fifield made.

Senator Fifield: I think, if you look at the transcript, I said 99.9 per cent complete—

Senator URQUHART: Right.

Senator Fifield: and, referring to Zeehan, would probably have been referring to that particular west-coast project.

Senator URQUHART: Certainly the information I have is that what you said was 'when Zeehan comes online, it would be the first state'. Anyway, let me press ahead with the questions and see how we end up. First of all, Mr Rue, do you agree with Minister Fifield's statement that once the township of Zeehan comes online in Tasmania, that Tassie will be the first state that will be construction complete for the NBN?

Mr Rue: Yes.

Senator URQUHART: When is Zeehan due to come online?

Mr Ryan: I believe late November is our current targeted—

Mr Rue: 23 November, I believe.

Senator URQUHART: I might hold you to that, Mr Rue.

Mr Rue: Mark it on a calendar!

Senator URQUHART: I'll have it on every calendar! What information did NBN Co provide to the minister so he could make that statement?

Mr Rue: I don't know the answer to that, but I certainly know that Tasmania has long been touted as being the first state to be complete, and the West Coast was the end of the puzzle. I think that's commonly known.

Senator URQUHART: Are you aware that in the township of Latrobe, which has a population of just over 4,000 people, parts of Percival Street, Benny Street, Bradshaw Street, Reibey Street, Gerrand Street, Laura Street, Fenton Street, Alberta Street and Cotton Street are not connected?

Mr Rue: No, I'm not, but I'll take your word for it.

Senator URQUHART: Can you tell me when those streets are going to be connected?

Mr Rue: Let us see if we can get an answer before 11 o'clock, but, if not, we'll take that on notice.

Senator URQUHART: Thank you. Are you aware that in the township of Leith there are also households on Beach Road that are still waiting to be connected?

Mr Rue: Again, let us take that on notice. We'll get back to you.

Senator URQUHART: It is a pretty bold statement to say that it's the last town, isn't it?

Mr Rue: There are always going to be one, two or several premises that are what we call 'complex premises', but there is no doubt that—

Senator URQUHART: I understand that, Mr Rue, but then you don't make a statement about how it's all completed, do you?

Mr Rue: The definition of that is 'all bar a couple of homes' or 'all bar a couple of very small areas'. There's no doubt that we have had construction in all areas, and there may be—

Senator URQUHART: Some of those streets in Latrobe are pretty big.

Mr Rue: Let me take that on notice, and we'll come back to you on the completion.

Senator URQUHART: Can you explain why the NBN map shows that areas in purple are connected, but when you type in specific addresses, like Beach Road at Leith, it says the connection is estimated to take between six and 12 months?

Mr Ryan: Specifically on that street, I couldn't say. But, in the generality, the website is generated at a SAM level, so at an aggregation of several thousand premises, to give an indication of when the area is likely to go and change status from 'construction' or 'planned' et cetera. Specific addresses are always subject to the specifics of that particular area, which always goes back to the same general conversation, which is: if we get 90 per cent of the area ready to connect and sell, then we'll let the whole area go, knowing that the last 10 per cent takes a bit longer. So there'll be those areas.

Senator URQUHART: So you colour in the map and it actually doesn't matter if a whole street's not done?

Mr Ryan: The maps are generated well in advance of the final detailed design and the final part of the construction. It's only when you really get deeper and deeper into that stage that you're able to identify, specifically for one home or a collection of homes, the exact amount of time it takes to connect them. So, by

virtue of trying to give as much forward warning as we can through the website, we therefore communicate it in a more broad sense, knowing that the specifics that may generate through the detailed construction design will always lead to, potentially, a very small handful of sites not landing on that date.

Senator URQUHART: In relation to the statement of the minister saying that Tasmania will be the first state that will be 'construction complete', did NBN Co Limited give the minister the wrong information?

Mr Rue: As I said earlier, the definition of 'construction complete' is what Mr Ryan just explained and what I said was the construction in each area.

Senator Fifield: I've now got the transcript of what I said. Let me read it. It's always best to read a complete transcript. I said:

The great news is that for Tasmania, the project is 99.7 per cent complete. When Zeehan comes online, Tassie will just about be done.

Senator URQUHART: You said, 'Just about be done.'

Senator Fifield: That's what I said, so your quote of mine is not correct. I said, 'Tassie is 99.7 per cent done. When Zeehan comes along, Tassie will just about be done.' That's not saying 'complete'. I then went on to say, 'So Tasmania will be the first state that will be construction complete for the NBN.' That is a statement of fact. Tasmania will be the first state that is construction complete.

Senator URQUHART: But it's not construction complete.

Senator Fifield: And I didn't say that NBN was available to all of Tassie. I said the project is 99.7 complete and when Zeehan goes online, Tassie will be just about be done, so it is always best to—

Senator URQUHART: Thank you for that clarification. How many premises in Tasmania will be fibre to the kerb?

Senator Fifield: You know the answer to that.

Senator URQUHART: I'm asking you.

Senator Fifield: It is a function of the fact that Tasmania is just about done and that Tasmania was front-end loaded in construction compared to the rest of the nation.

Senator URQUHART: Yes, but I'm asking how many will be fibre to the kerb?

Senator Fifield: When fibre to the kerb became available as a product, Tasmania was in design.

Senator URQUHART: But how many will be fibre to the kerb? None.

Senator Fifield: You know the answer to that.

Senator URQUHART: Is that correct? None?

Senator Fifield: For the reasons that I've stated, it is a function of the fact that Tasmania was essentially at the front of the rest of the nation.

Senator URQUHART: Except the West Coast wasn't at the time when fibre to the kerb was there and we actually asked for that to be done. That's all I have, thank you.

Senator KENEALLY: During a hearing on 28 February 2017, Labor senators put the following questions to Mr Morrow to confirm if there was funding set aside in the NBN corporate plan and for wide-scale upgrade of the fibre-to-the-node network. Just for the record, Senator O'Neill asked:

Could you confirm for me whether the ongoing capital expenditure that you have just said is set aside in your forward projections is for a wide-scale upgrade of the 5.4 million premises that are on the fibre-to-the-node network?

Mr Morrow said:

I can assure you it is not. It is for miscellaneous things. If a cabinet gets hit by a car, we have to go out and put a new cabinet in.

He was also asked by Senator O'Neill:

The current corporate plan assumes that the fibre to the node will be used until 2040. That is what the current plan assumptions are. Is that correct?

And then Mr Morrow said:

Yes, that is correct.

Mr Rue, can you confirm there is no capital expenditure built into the 2019 NBN corporate plan for a wide-scale upgrade of the copper footprint to fibre?

Mr Rue: Let me answer the question this way: The way that you produce four-year plans is based on what you know today and what you have today. We have in the corporate plan, as you can see, a completion of the build under the technology mix that we outline also in the plan, which completes the build by June 2020. And as you can see, the following two years effectively completes the activation, or completes the 18-month period of disconnect and people coming onto the network, and that generates a steady revenue stream, a steady cash flow stream and a capital expenditure stream that relates to the assets that you have at June 2020. So the answer to your question is that, as Mr Morrow answered—I think you said February 2017—the capital expenditure that you see in the years of 2021 and 2022 relate to the sort of things he was talking about, or there may be things like capacity, node splits. They are capital expenditure to continue to build greenfield sites, for example.

But what one does in a corporate plan to 2040 is roll forward what is the steady state stream revenue, steady state costs and capital expenditure. That does not mean that that's what's going to actually long-term translate, because obviously a corporate plan and a long-term plan of a business has to adjust to facts that become known that you don't necessarily have at the time of preparing a plan many years ago. That doesn't mean, though, that our business wouldn't sustain any additional capital expenditure on the sorts of upgrades that you were talking about, because plans continue to evolve, new revenue streams come in and lower costs or different cost bases come in as well. So, it is true to say that between 2021 and 2022, which are really the years you're talking about, there isn't capital expenditure specifically in that plan for any upgrade paths. But that does not mean the company wouldn't do that in the future and wouldn't have a business case to do so. That's why having a steady and sizeable revenue stream is very important.

Senator KENEALLY: We were talking about capital out to 2040, as was Mr Morrow.

Mr Rue: Yes, but what I'm trying to explain is that when you do a corporate plan like this and you do assumptions out to 2040 you base it upon information you have today, and the information we have today is the technology mix that is in existence at 2020 according to this plan. Then you roll forward those cash flows to get to what 2040 would look like and what a rate of return, for example, would be. But any business plan for any business is a living and breathing thing. It changes. It changes with consumer demand, it changes with technology, it changes with competition and it changes with new opportunities for revenue streams or for cost reduction that you may have. And there are often business cases that you then build in to change that plan and to improve that plan and to improve the value of the company.

So, when you construct this plan and you construct a financial outcome from the plan, it is true to say that the cash flows are rolled forward from 2022 onwards and the capital expenditure's rolled onwards to come up with a valuation. But that does not stop a future view of upgrade paths or new business cases for different things. That would generate equal or hopefully better rates of return. I hope that answers your question.

Senator KENEALLY: It does, in a way. We might come back to you. Mr Turnbull has previously said that he estimated that 50 per cent of the capital expenditure in deploying fibre to the node could be carried through to a fibre-to-the-premises or fibre-to-the-kerb upgrade and that the other 50 per cent would be written off. Did he make that statement based on advice from NBN Co?

Mr Rue: Not to my knowledge, no.

Senator KENEALLY: Does NBN Co agree with Mr Turnbull's assessment? Or is it too optimistic?

Mr Rue: I'd have to do an analysis on that, which I haven't done. So, I can't answer your question, because I haven't got that analysis. What I can tell you, though, is that you certainly have work that's done in exchanges. You've got fibre that is pulled deep—within, say, a kilometre of a home—in fibre to the node. That is not wasted. We would clearly need to then pull further fibre closer to the home, and you'd need to put, depending on whether it's fibre to the kerb or fibre to the premises, something in a pit—either a multiport or a DPU. So, there is capital expenditure that you would absolutely reuse, but there is capital expenditure like, for example, a DSLAM that you have in the node that wouldn't be used in fibre to the kerb or fibre to the premises. There certainly is a mix between what you would use and what you would not use. What the specific split is I can't tell you. It's certainly not something that, to the best of my knowledge, we provided any information to Mr Turnbull on.

Senator KENEALLY: Do you know, Mr Mrdak? Did Mr Turnbull make that statement based on advice from the department?

Senator Fifield: When was that statement?

Senator KENEALLY: I had it in my pack upstairs, and—I apologise—I left it on my desk. I will endeavour to get it and perhaps, in the interests of time and given the hour, I will put it on notice to Mr Mrdak.

Mr Rue: I must say, I'd never heard that before.

Senator KENEALLY: Okay.

Mr Mrdak: Similarly, it's the first I've heard of that comment.

Senator KENEALLY: Well, that's helpful in and of itself. We will provide you with some questions on notice. And I might put some of the rest of these questions on notice—quite technical detail.

CHAIR: I wholeheartedly endorse your course of action there, Senator Keneally and Senator Urquhart. That's excellent. That brings us to the end of estimates for the Communications portfolio. Thank you very much. We have Friday 2 November as the date by which senators are to lodge written questions on notice. Thank you, Minister and officers.

Committee adjourned at 22:10