

# **Table of Contents**

## **Strategy Papers**

### **SGSM**

<b>Progressing NBN Implementation .....</b>	<b>1</b>
<b>The NBN Rollout in Tasmania .....</b>	<b>2</b>
<b>Telstra Deal .....</b>	<b>3</b>
<b>Progressing NBN-Related Package of Legislation .....</b>	<b>4</b>
<b>Interim Satellite Solution .....</b>	<b>5</b>
<b>Digital Television Switchover .....</b>	<b>6</b>
<b>Spectrum – Availability and Access .....</b>	<b>7</b>
<b>The Digital Economy .....</b>	<b>8</b>
<b>Convergence .....</b>	<b>9</b>
<b>Internet Filtering .....</b>	<b>10</b>
<b>Regional Commercial Radio Local Content Review .....</b>	<b>11</b>
<b>Australia Post – Strategic Directions .....</b>	<b>12</b>
<b>Consumer Policy .....</b>	<b>13</b>
<b>Tele-Health .....</b>	<b>14</b>

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## STRATEGY PAPER SGSM

### 1. PROGRESSING NBN IMPLEMENTATION

#### CONTEXT

Planning and construction of the National Broadband Network (NBN) is well underway. To date, NBN Co has been able to provide the Government with 'quick wins' including delivering live services to the first Tasmania communities, announcing the first and second release sites on the mainland to receive fibre to the premise broadband, and releasing indicative coverage maps outlining where fibre, fixed wireless and satellite services will be provided by the NBN.

However, the project is currently at a critical juncture. NBN Co needs to settle key network design and architecture decisions, including product and pricing specifications, to maintain momentum. Activities including consultation with industry on network design and with the ACCC on NBN Co's special access undertaking, while not necessarily newsworthy events, need to be concluded and are essential in minimising risks to the future rollout of NBN.

NBN Co is currently proceeding with its NBN planning based on the directions provided by the Government in April 2009 and further articulated in a letter from you to the Chair, Mr Harrison Young, on 19 July 2010. However, NBN is aware that the Government is still considering its response to the Implementation Study and that decisions on matters including uniform national pricing, future functional or structural separation of NBN Co's assets and business activities, and protection from competitors cherry picking lucrative fibre rollout areas, could have major implications on the design, operations and timing for the construction of the NBN. Industry is also keenly awaiting the Government's response to the Implementation Study.

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Background information on the Implementation Study is at Attachment A.

Funding for the NBN Co rollout is outlined in the following table. A further \$13.6 billion over three years to 2013-14 has been provided for in the Contingency Reserve. The proposed funding requirement over the full rollout period for which equity is to be provided by the Government is \$26 billion – consistent with the Implementation Study's findings.

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The funding to NBN Co is provided through equity, as capital does not impact the Budget bottom line. The Commonwealth's equity contributions going forward are expected to be funded through Commonwealth issued debt and the interest costs associated with these borrowings will have a negative impact on the Budget bottom line.

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## Forward Estimates

<i>Financial Indicators (\$000)</i>	2009-10 (Actual)	2010-11	2011-12	2012-13	2013-14
<b>Administered Investments</b>					
<b>From BAF Special account</b>	302,000	1,837,798	—	—	—
<b>From Direct Appropriations</b>		300,726	1,999,476	—	—
<b>Total</b>	<b>302,000</b>	<b>2,138,524</b>	<b>1,999,476</b>	<b>—</b>	<b>—</b>

## ISSUES

- The Department has been working with the Departments of the Prime Minister and Cabinet, Finance and Deregulation, Attorney-General's and the Treasury to develop a draft Government response to the Implementation Study's 84 recommendations for Cabinet consideration.

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- despite having been heavily involved in the development of the Implementation Study, has developed its views on a range issues and now does not support a number of the key recommendations. In particular, there are significant differences regarding those recommendations that have an impact on the design of the network and the nature of the products and prices NBN Co will offer its customers.

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NBN Co

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- Regardless of whether the network should be designed with a view to maximising future competitive outcomes in the industry, or for cost effectiveness and efficiency in rolling out and maintaining the network, there are a number of key issues that need to be resolved now.

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s43(1)(c)(i)

- Currently, NBN Co is progressing with its network design plans based on its view that Government wishes to achieve uniform national pricing.

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s43(1)(c)(i)

- Uniform pricing impacts on the:
  - number and location of points of interconnect (POI), where retail services providers connect to the network. A smaller number of POIs enables retail service providers to access a greater number of customers from their investment
  - the nature of products offered by NBN Co
  - magnitude of backhaul NBN Co should lease or construct
  - “topology” (design) of the access network (adoption of “home-run topology” to enable provision of future Layer 1 unbundling would be circumvented if uniform national pricing was implemented), and
  - The extent of protection NBN Co would require from “cherry picking” of its high value markets by potential competitors.

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Implementation Study Approach

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NBN Co Approach

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**PROPOSED APPROACH**

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**ACTION REQUIRED BY MINISTER**

- Agree to adopt one of the options outlined above. We expect that you will need detailed discussions and briefing before settling a view on this issue given the significance of its implications.

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**Clearing Officer**  
Marianne Cullen  
FAS, NBNI  
Ph 02 6271 1122  
Mobile 0411121132

**Contact Officer**  
Danny McCarthy  
AS, NBN Shareholder and Policy  
Ph 02 6271 1455  
Mobile 0412 766 628

~~CABINET-IN-CONFIDENCE~~

**NATIONAL BROADBAND NETWORK IMPLEMENTATION STUDY**

- The Implementation Study was commissioned by the Government to report on the measures necessary to rollout the National Broadband Network, together with the scope for, and conditions of, private sector involvement.
- On 6 August 2009, you announced the appointment of McKinsey-KPMG as Lead Advisor for the Study given their experience in broadband, large-scale complex infrastructure projects and the telecommunications sector.
  - The Study was oversighted by a Steering Committee comprising DBCDE, Finance and Deregulation, PM&C, Treasury and the Chair of NBN Co. The Lead Adviser worked closely with the company in a complementary way throughout the study.
  - McKinsey-KPMG addressed a large range of issues, including operating and governance arrangements for NBN Co Limited, ownership caps, attracting private sector investment, network design and technology mix and providing procurement opportunities for local businesses.
- The Study ran to over 500 pages and contained 84 recommendations. It was provided to the Government on 5 March 2010 and publicly released on 6 May.
  - Its key conclusion was that that the Government's objectives for the NBN could be implemented within the original \$43 billion estimate of capital expenditure through a mix of fibre, wireless and satellite technologies.
- Since the Study was completed, DBCDE has, in consultation with central agencies, been coordinating the process of developing a Government response to its 84 recommendations. Many of the recommendations represent a potentially significant change to the structure and competitive dynamics of the industry.
  - Developing a response has also been informed by a two week public consultation process that was undertaken following the Study's release.
- Over recent months NBN Co has also considered and further refined its thinking in regard to a number of key network design issues.
- In particular, the proposed number of interconnection points through which the NBN will be accessible to retail service providers is an area where NBN Co's current preference has moved away from the model originally envisaged by the Lead Adviser.

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## STRATEGY PAPER SGSM

### 2. THE NATIONAL BROADBAND NETWORK ROLLOUT IN TASMANIA

#### CONTEXT

On 8 April 2009, the Australian and Tasmanian Governments announced that Tasmania would be the launch state for the Commonwealth's new super fast National Broadband Network (NBN) with fibre rolled out to 200,000 premises.

The Government's decision to choose Tasmania as the launch state was based on advice from the Panel of Experts to the Fibre to the Node Request for Proposals process, following Tasmania's participation in that tender process.

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NBN Tasmania Limited was established as a wholly owned subsidiary of NBN Co to build and operate the NBN in Tasmania.

s33A  
s36s33A  
s43(i)(c)(i)

#### ISSUES

- The NBN rollout in Tasmania has achieved the Government's objectives for services to be ready to be switched on for the Tasmania Stage 1 communities of Smithton, Scottsdale and Midway Point by July 2010.
- To achieve this objective NBN Tasmania Ltd was required to design and construct a network using third party providers of key operational and business support systems, without any significant input from NBN Co as NBN Co was in the early stages of establishment.
- With the rollout of Tasmania Stage 1 largely complete, NBN Co is moving to align the future Tasmanian rollouts with construction activities for its mainland release sites to ensure consistency in network architecture and construction procurement processes.

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s43(1)(c)(i)

- Information on the first three stages of the Tasmanian rollout is at Attachment A.

- Given NBN Tasmania has achieved its primary objective of meeting the Government's timeframe for the rollout of Tasmania Stage 1, [redacted] s36  
[redacted] s43(1)(c)(i)
- [redacted] s36
- [redacted] s36 s33A

#### PROPOSED APPROACH

- [redacted] s33A  
[redacted] s36

#### ACTION REQUIRED BY MINISTER

- [redacted] s33A
- [redacted] s36

**Clearing Officer**  
Marianne Cullen  
FAS, NBN Implementation  
Ph 02 6271 1122  
Mobile 0411 121 132

**Contact Officer**  
Danny McCarthy  
AS, NBN Shareholder and Policy  
Ph 02 6271 1455  
Mobile 0412 766 628

**Attachment A**

**Tasmanian NBN rollout announcements**

**Announcement timeline**

- On 8 April 2009, the Australian and Tasmanian Governments announced that Tasmania would be the launch state for the Commonwealth's new super fast National Broadband Network (NBN).
- On 25 July 2009, the then Prime Minister announced that Scottsdale, Smithton and Midway Point would be the first Stage 1 communities to receive fibre-to-the premises (FTTP) services.
  - Services for these three communities went live on 12 August 2010.
- On 21 October 2009, the then Prime Minister and Tasmanian Premier David Bartlett announced Stage 2 of the NBN rollout in Tasmania. Stage 2 includes the rollout of FTTP for seven new centres: Sorell, Deloraine, George Town, St Helens, Triabunna, Kingston Beach, and South Hobart.
- On 1 March 2010, Senator Conroy announced the Stage 3 fibre rollout to premises in Hobart, Launceston, Devonport and Burnie.
- Under Stage 3, 40,000 premises in Hobart, 30,000 in Launceston, 10,000 each in Burnie and Devonport will receive access to super fast broadband over FTTP. With the Stage 3 announcement the rollout will reach 100,000 of the 200,000 Tasmanian premises to be reached by FTTP.
- Services not provided by FTTP will be provided by next generation wireless and satellite.

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### 3. TELSTRA DEAL

#### KEY ISSUES

- Following execution of the non-binding Financial Heads of Agreement (FHOA), Telstra and NBN Co have commenced negotiations on the detailed Definitive Agreements (Agreements). Similar negotiations have commenced between the Commonwealth and Telstra to give effect to the policy commitments the Government made in support of the FHOA.
  - The Definitive Agreements include a range of agreements covering the migration of Telstra subscribers to the NBN network and Telstra decommissioning its copper network, and providing access by NBN Co to Telstra telecommunications infrastructure.
  - The policy commitments include the undertakings to provide Telstra with \$100m to undertake retraining of certain Telstra staff affected by the decommissioning of the network; to establish USO Co; to require NBN Co to become the infrastructure provider of last resort in Greenfield developments from 1 January 2011; and to support an information campaign advising consumers and retail service providers about migration and decommissioning.
- s43(1)(c)(i)
- s43(1)(c)(i)
- s36
- s43(1)(c)(i)
- The Department will continue to monitor the progress of negotiations and will consult with other departments and agencies, as required, where issues arise in

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relation to Commonwealth legislation and policy issues that may be impacting on the negotiations.

- During the election period, the Department has been focussing on governance arrangements. Broadly speaking there are two main streams of work for the Department.

## NEXT STEPS

### USO Co

- The following key issues need to be resolved:
  1. nature of agreement / level of certainty required for valuation and Definitive Agreements
  2. timeframe for obtaining Government agreement to the proposed arrangements.  
The targets are:

- a. release a Discussion Paper for industry comment [redacted] s36  
[redacted] (a separate brief has been prepared on this issue)
  - b. following public consultations on the Discussion Paper [redacted] s36\*
  - c. legislation to be available publicly and introduced [redacted] s36
- The Department is proposing to contract McKinsey & Co to provide commercial and strategy advice on its negotiations with Telstra, in particular in relation to options regarding the scoping, costing and funding of USO Co activities. We are proposing to engage McKinsey & Co on the basis of their deep understanding of the Telstra/NBN Co negotiations and the Government's NBN policy.
  - It is also expected to be necessary to engage specialist technology and legal advisers as the project proceeds. These engagements would be made following competitive tender processes, possibly using the Department's existing panel arrangements.

### Resolving regulatory issues raised by Telstra

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s43(c)(i)  
s43(1)(c)(ii)

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(1)  
s36(c)(ii)  
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**Clearing Officer**  
Marianne Cullen  
FAS, NBN Implementation  
Ph 02 6271 1122  
Mobile 0411 121 132

**Contact Officer**  
Danny McCarthy  
AS, Tasmanian Network Implementation  
Ph 02 6271 1455  
Mobile 0412 766 628

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## STRATEGY PAPER SGSM

### 4. PROGRESSING NBN-RELATED PACKAGE OF LEGISLATION

#### CONTEXT

The Government announced its NBN initiative on 7 April 2009 and released a discussion paper that set out the Government's commitment to reform the telecommunications regulatory regime to address long-standing concerns with the regulatory framework. The Paper also confirmed that the Government would introduce legislation that established the governance, ownership and operating arrangements for the wholesale-only NBN Co and the access regime for the network. Thirdly, the Paper indicated that the Government would introduce legislation to facilitate the fibre rollout, including through requiring the deployment of fibre in greenfield estates.

In order to implement these commitments, three bills were introduced into the Parliament and two bills setting out the governance and access arrangements for the NBN were released as exposure drafts. [redacted] [see Attachment A for details of the bills]. None of these bills has advanced to a vote in the Senate. The legislative agenda is integrally linked to Telstra and NBN Co executing their deal and implementing the Government's response to the NBN Implementation Study.

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#### ISSUES

##### Telstra/NBN Co deal

A separate briefing is provided to address the primary legislation—the Competition and Consumer Safeguards Bill—as an urgent item [see MREA Brief 4]. The passage of this legislation will drive the timing of Telstra and NBN Co being able to finalise a deal.

A summary of the state of play with each Bill is at Attachment A.

The introduction of the bills that will enshrine the governance arrangements and the access regime for NBN Co will follow the Government's decision on its response to the NBN Implementation Study.

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##### Response to the NBN Implementation Study

The Implementation study has been out for public consultation since early May.

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## PROPOSED APPROACH

Early decisions are required on the best way to take this suite of legislation forward. Attachment B sets out the two broad options for managing the various bills: taking forward the suite of bills as a package, [REDACTED] or progressing immediately with the Competition and Consumer Safeguards Bill, and introducing the remaining bills once decisions have been taken on the recommendations from the Implementation Study.

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We support the early introduction of the Competition and Consumer Safeguards Bill to maximise the scope for passage before the end of the year, [REDACTED]

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## ACTION REQUIRED BY MINISTER

We will provide the following briefing:

- immediately following the establishment of the Government, seeking your agreement to consult with Telstra and NBN Co on the full set of proposed amendments prior to the Bill's introduction;
- immediately following the establishment of the Government, requesting that you seek T-status for all the NBN-related bills to maximise access to resources from the Office of Parliamentary Counsel; and
- two weeks before Parliament sits, requesting that you seek policy approval for a final package of amendments to the Competition and Consumer Safeguards Bill.

**Clearing Officer**  
Daryl Quinlivan  
Deputy Secretary, Infrastructure  
Ph 02 6271 1716  
Mobile 0408 866 314

**Contact Officer**  
Rohan Buettel  
Networks Regulation  
Ph 02 6271 1932  
Mobile 0407 074 383

## SUMMARY OF BILLS

### 1. The Telecommunications Legislation Amendment (Competition and Consumer Safeguards) Bill 2009

#### *Description*

The Bill includes measures to fundamentally reform Australia's telecommunications regulatory regime. The package has three primary parts: addressing Telstra's vertical and horizontal integration; streamlining the access and anti-competitive conduct regimes; and strengthening consumer safeguard measures such as the Universal Service Obligation (USO), the Customer Service Guarantee (CSG), provision of payphones and priority assistance (for consumers with a life-threatening medical condition).

#### *History*

The Bill was introduced into the Parliament on 15 September 2009, was passed by the House of Representatives and introduced in the Senate. An exposure draft of a number of Government amendments was published on 23 June 2010.

#### *Relevant issues*

Following the Bill's introduction in September there has been extensive consultation with Telstra on amendments that they would require to provide them with sufficient certainty to progress with structural separation. This includes exemptions for both Telstra and NBN Co from applicable prohibitions in Part IV and Part XIB of the TPA. The Department has reached agreement on mechanisms to address Telstra's concerns without compromising the Bill's policy objectives.

The Department has also reviewed the issues raised by other industry stakeholders, and prepared additional amendments to the Bill largely related to the reforms to streamline the access regime set out in Part XIC of the TPA.

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#### *Next steps*

We have asked OPC to update the Competition and Consumer Safeguards Bill to incorporate the amendments, which we understand will be available within two weeks of the establishment of the Government. Once the bill is available we will be briefing you to seek policy approval from the Prime Minister

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### 2. The National Broadband Network Companies Bill 2010

#### *Description*

The Bill covers:

- key obligations on NBN Co, such as to operate on a wholesale-only basis and not to supply a content service
- power for the Minister to make regulations concerning private ownership or control of NBN Co
- provisions dealing with the sale of the Government's stake in NBN Co when the network is built and fully operational



*Next Steps*

We will progress with OPC the drafting of these amendments to be in a position to introduce the Bill as soon as possible.

**4. The Telecommunications Legislation Amendment (Fibre Deployment) Bill**

*Description*

The Bill requires facilities for fixed lines to be fibre-ready and, where installed, fixed telecommunications line in specified new developments to be optic fibre. Subordinate legislation is required to give the Bill operational effect.

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*History*

The Bill was introduced into the House on 18 March 2010.

*Relevant Issues*

On 20 June 2010, the Government announced that NBN Co would act as wholesale provider of last resort from 1 January 2011 and that the Government would continue to seek the passage of the Fibre Deployment Bill, amended as necessary to deliver the arrangements announced.

*Next Steps*

consideration will be given to amending the Bill in consultation with OPC. Given the 1 January 2011 start date, early introduction and passage of the Bill is desirable.

s36 s43(1)(c)(i)

**5. The Telecommunications Legislation Amendment (National Broadband Network Measures—Network Information) Bill 2009**

*Description*

The Bill amends Part 27A of the *Telecommunications Act 1997* to provide access to limited carrier information collected for the 2008 Request for Proposals process and to require telecommunications carriers and other utilities to provide further network information to the Commonwealth for purposes related to the planning and roll-out of the NBN. The information can be made available to NBN Co. The amendments include strong mechanisms to protect the confidentiality and security of information.

*History*

The Bill has passed the House of Representatives and been introduced into the Senate.

*Relevant issues*

s36 s43(1)(c)(i)

*Next Steps*

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*Relevant issues*

It was envisaged that streamlining the existing regime would have assisted NBN Co in getting access to existing infrastructure and therefore facilitated the rollout of the NBN. Given the agreement reached between Telstra and NBN Co on access to Telstra's infrastructure, discussions are continuing with NBN Co on its views on the need for broader reforms to the regime, and with both Telstra and NBN Co.

The outcome of these discussions will need to be balanced with what is an important reform in its own right.

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*Next Steps*

We will progress with OPC the drafting of these amendments to be in a position to introduce the Bill as soon as possible. If possible, these amendments could be incorporated into the Competition and Consumer Safeguards Bill.

ATTACHMENT B

TIMING FOR INTRODUCTION

**Option 1: Sequenced introduction**

Proposal:

- Updated Competition and Consumer Safeguards Bill (incorporating all amendments) introduced in first sitting week of Parliament
- Updated NBN Co Access and Governance bills introduced



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Variations:

- Incorporate NBN-related amendments to Part XIC into Competition and Consumer Safeguards Bill to establish framework for NBN Co Special Access Undertaking as soon as possible.

Pros:

- Maximise scope for passage of Competition and Consumer Safeguards Bill before the end of 2010, recognising that the TPA-carve out is required before Definitive Agreements could be executed, and ensure framework in place for Structural Separation Undertaking to be considered.

Cons:

- Passage may be easier if the total package was available in the context of negotiations with the minor parties and independents in the House of Representatives and the Senate.

**Option 2: Combined introduction**

Proposal:

- Introduce package of bills at the same time with combined debate in the Senate



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- reporting obligations on NBN Co, and
- miscellaneous provisions including exemption for NBN Co from the *Public Works Committee Act 1969*.

#### *History*

An exposure draft of the Bill was released on 24 February 2010. A number of amendments are proposed to this draft in light of the Implementation Study and submissions on the exposure draft.

#### *Relevant Issues*

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#### *Next Steps*

We will progress with OPC the drafting of these amendments to be in a position to introduce the Bill as soon as possible.

### **3. The Telecommunications Legislation Amendment (National Broadband Network Measures – Access Arrangements) Bill 2010**

#### *Description*

The Bill amends the *Trade Practices Act 1974* to establish specific standard access obligations for NBN Co, transparency measures, and the equivalence regime for NBN Co. The Bill builds upon the reforms to Part XIC included in the Competition and Consumer Safeguards Bill but makes some changes that reflect NBN Co's unique wholesale-only, open access and equivalence obligations.

#### *History*

An exposure draft of the Bill was released on 24 February 2010. A number of amendments are proposed to this draft in light of the Implementation Study and submissions on the exposure draft.

#### *Relevant issues*

Drafting instructions have been prepared on the assumption that relevant Implementation Study recommendations would be accepted and also to address issues raised in the submissions on the exposure draft of the Bill, and by the ACCC and NBN Co.

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## STRATEGY PAPER SGSM

### 5. INTERIM SATELLITE SOLUTION

#### CONTEXT

NBN Co has proposed an interim satellite solution that will provide a wholesale satellite broadband service to retail service providers as a replacement to the current Australian Broadband Guarantee (ABG) program. The proposal will provide a service comparable to current fixed-line (i.e. ADSL) services to households and businesses in rural and remote Australia which are located outside the coverage of ADSL. The proposal presents an interim solution, facilitating an upgrade path towards Government's objective of NBN Co providing peak broadband speeds of 12 Mbps over next generation satellite technology for the final 3% of premises across Australia.

s43(r)(c)(i)

In May 2010, Government decided to extend the ABG program a further 12 months until an interim NBN satellite solution is implemented. The ABG provides eligible Australian residential and small business premises with access to high quality, reasonably priced broadband services by offering financial assistance (in the form of incentive payments) to registered providers to supply program services to eligible premises.

NBN Co is seeking Government's approval to proceed with its interim solution commencing 1 July 2011.

#### ISSUES

- Although the Implementation Study indicated that NBN Co could be used to deliver improved satellite services ahead of 'next generation' satellite services being rolled out, it did not make any recommendations in this regard.

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- The Government's policy to help residential and small business premises access a high quality broadband service regardless of where they are located, will need to be supported and maintained through NBN Co's interim satellite proposal.

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#### PROPOSED APPROACH

- The Department will be seeking further information from NBN Co on its interim satellite solution

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**ACTION REQUIRED BY MINISTER**

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**Clearing Officer**  
Marianne Cullen  
FAS, NBN Implementation  
Ph 02 6271 1122  
Mobile 0411 121 132

**Contact Officer**  
Danny McCarthy  
AS, NBN Shareholder and Policy  
Ph 02 6271 1455  
Mobile 0412 766 628

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6. DIGITAL TELEVISION SWITCHOVER

CONTEXT

The switchover process commenced on 30 June 2010 when analog television services were switched off in the Mildura/Sunraysia area. The next switchover is regional South Australia (which includes Broken Hill) on 15 December 2010, followed by regional Victoria in the first half of 2011. A list of switchover areas and dates is at Attachment A; the switchover is scheduled to be completed at the end of 2013.

During the caretaker period the Department published the Q2 Digital Tracker report. Around 74% of households having already converted their main television set to digital (an increase of 6% more than the previous quarter). Awareness of digital switchover is steady at 95%. We estimate a further up to 10% are not converted but have subscription television on their main television and could be expected to continue to rely on this after switchover.

In order to maintain momentum it will be important to continue with measures established as part of the digital switchover program with minimum interruption.

ISSUES

1) Progress to switchover: Mildura, regional South Australia, regional Victoria

The broadcasters in Mildura are doing further minor improvements to signal reliability in Ouyen, Walpeup and Underbool. Apart from this, the Department is not aware of other significant residual issues from the Mildura switchover.

Regional South Australia (which for switchover purposes includes Broken Hill) is a much more challenging market than Mildura:

- It involves a much larger geographic area and larger population than Mildura, in four licence areas, meaning that communication efforts and assistance programs need to be managed across a number of towns.
- The dominant issue is the fact that viewers generally have only two or three commercial television services, with no high definition or multichannels. The impacts of this are:
  - viewers go to great lengths and cost to get Adelaide or regional Victorian services – which have later switchover dates – but may not be able to continue to do this with digital if signal strength is marginal, and
  - the VAST satellite service will provide nine commercial services but will only be made available in areas of signal deficiency.

Viewers in these areas are reasonably well prepared for switchover – conversion rates vary from around 64% in Broken Hill to around 86% in Riverland but awareness is 95% or above. Around 30,000 households are eligible for assistance under switchover programs.



Preparations are already well underway for the regional Victoria switchover which will occur in the first half of 2011 (current conversion around 76%). This is the first of the large regional switchover areas. A key issue that you need to address urgently is the formal determination for the switchover date in Victoria [see MREA Brief 7]. The broadcasters have proposed 5 May as the switchover and we recommend that you make a determination urgently to confirm this.

Broadcasters are proposing to convert up to five analog self help facilities in regional Victoria, and establish up to 13 new 'gap filler' sites. Broadcasters are seeking to convert these sites in late 2010 – ie in advance of the regional Victorian switchover window – to ensure they are completed well in advance of switchover, and this will generally involve an early direct transfer for viewers from analog to digital.

*Proposed approach*

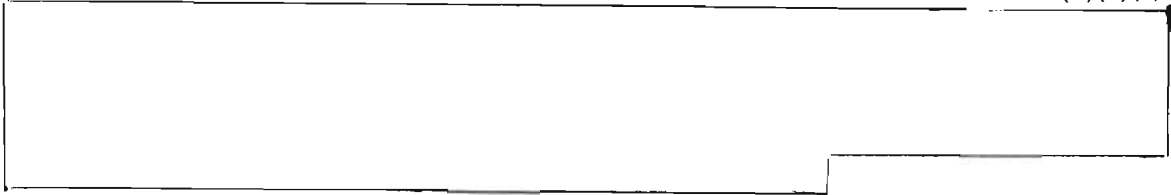
The equalisation of commercial services would assist in smoothing the switchover process in Australia. As we move into the more populous switchover areas, managing the timing of final transmitter conversions, the roll out of assistance programs, and ramping up communications aimed at the final 20-25% of unconverted households will be the key focal points of activity.

2) Availability of Viewer Access Satellite Television (VAST) service

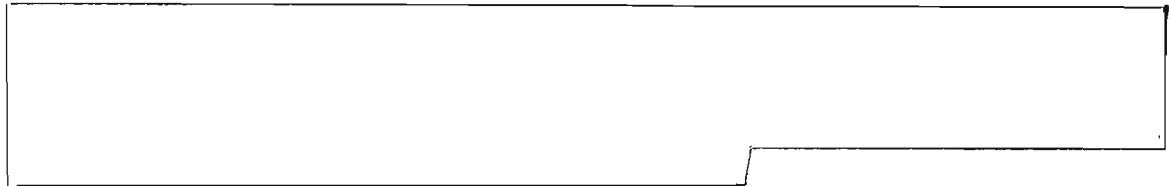
Currently the VAST service is managed through a conditional access system which controls which services are available where and to whom. While anyone anywhere can install a satellite dish and set top box and receive the ABC and SBS services, availability of commercial services is restricted to three categories of people:

- a. those in remote areas, many of whom already rely on direct-to-home satellite services
- b. people currently served by a Council-operated 'self help' terrestrial transmission facility that is not converted to digital, and
- c. people in genuine blackspots who cannot receive local terrestrial signals.

The conditional access scheme is to be determined by the Australian Communications and Media Authority and managed by regional broadcasters.



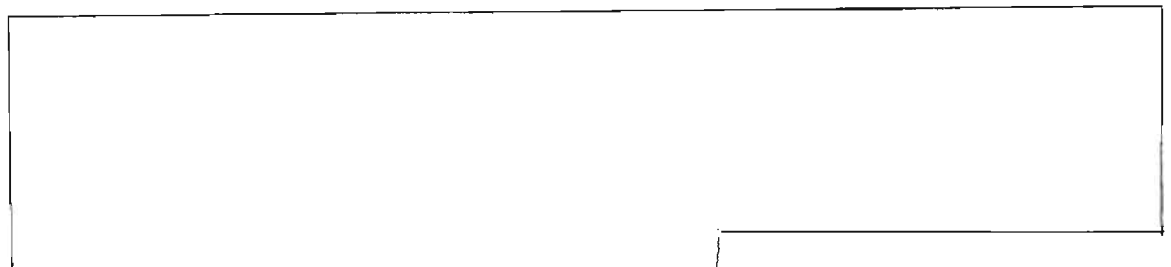
*Proposed approach*



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The service is largely funded by Government, which has committed \$375.4 million over 12 years to the service itself and related activities such as the Satellite Subsidy Scheme. This is a significant taxpayer investment which of itself justifies that all viewers who wish to access it should be able to.

We consider that concerns about loss of audience share to satellite, particularly in areas where terrestrial services provide the same range of channels as the satellite are exaggerated. People generally prefer to get their local services terrestrially if available – they have locally relevant news and advertising. Most people are already set up with aerials to receive local terrestrial services so conversion simply involves plugging in digital televisions or set-top boxes. Broadcasters are now actively rolling out additional transmitters in blackspots where the population justifies it, to minimise movement to the VAST wherever possible. ‘Universal’ access also makes administration of the VAST access process much simpler.



s.36

There are risks in enforcing open access. A fully open access arrangement would be strongly opposed by regional broadcasters, but would provide a significantly improved outcome for the viewing public. Broadcasters might respond to such a move by adjusting their roll out plans in remote markets as a result and seeking to no longer roll out terrestrial digital services at smaller sites, or by withdrawing plans to convert self help services. This would increase the number of people forced to move to satellite.

3) ABC and SBS conversion issues

There are 43 transmission sites nationally where the SBS analog service is provided as community-operated self help service. In addition there are over 60 sites where the ABC is the only service (some of these sites are broadcaster operated, and some are self-help services). Decisions are required for the digital conversion strategy for both categories of sites,

s.36\*

Actual costs will depend on the type of transmitter and capital works required, but even the lowest cost option for converting these sites is expected to be in the order of \$235,000 per site (comprising \$95,000 in capital and \$140,000 in operating costs over 10 years), if the local council covers electricity, building, land and related site costs.

Budget funding was provided in 2010 for conversion of seven SBS self help sites at locations where it is the only self help service, including Burra and Quorn in regional South Australia. This funding covers capital costs and maintenance of transmitters and antennas, but not ongoing costs such as site costs and electricity (which must be covered by the Councils).

*Proposed approach*

The provision of funding for Burra and Quorn has resolved immediate outstanding conversion issues for national broadcasters in regional South Australia.

Two options for conversion of remaining ABC and SBS self help sites are to provide funding for capital costs only (which leaves an ongoing financial cost for the Councils) or for ABC and SBS to take over full operation of the site (at about 5 times the cost of the former option). The Department does not support a do-nothing option as this would mean that viewers would have to install both satellite (for national broadcasters) and terrestrial (for commercial services) equipment.

A one-size-fits-all approach may not be appropriate because the local circumstances, such as the other services available and number of households served, at each transmission site will differ. The Department is currently analysing all remaining unconverted ABC and SBS sites to determine the optimal arrangements going forward for each. Further briefing will be provided early in the term of the new Government.

4) Satellite service contractual issues – Western Australia

Government funding for the satellite service is through contracts with remote broadcasters. Two separate contracts are required, one with remote Central and Eastern licensees for the service outside Western Australia (WA), and the other with the remote WA licensees for the service in WA. The first of these is already completed. Funding was provided on the basis that broadcasters uplift their own current services to the satellite at their own expense, with the Government funding supporting the additional digital channels on the satellite.

[REDACTED]

s.43(1)(c)(i)

[REDACTED]

s.43(1)(c)(i)

*Proposed approach*

[REDACTED] WA

s.36

switchover does not occur until 2013, but roll out of terrestrial services has commenced in larger markets.

The ABC and SBS are on track to deliver their services on the WA VAST platform by the end of the year. We will provide further briefing in the next few weeks on this matter.

s.36\*

5) Ongoing funding for switchover programs

In addition to the ABC and SBS issues above, significant ongoing funding for other switchover activities will need to be considered in the 2011 Budget. In particular the Household Assistance Scheme and the communications program are both unfunded beyond the regional Queensland switchover in 2011.

*Proposed approach*

These programs are central to the success of switchover.

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[REDACTED]

Next tranche of legislation

The *Broadcasting Legislation Amendment (Digital Television) Act 2010* was passed by Parliament in the winter 2010 sittings. However, a number of amendments were not able to be included in the Act. Future legislation will be required early in the first sittings of the new Parliament to assist the Australian Communications and Media Authority with the re-stack of digital channels to realise the digital dividend, refine the requirements of the Conditional Access Scheme and exempt some transmitter sites from their digital conversion requirements.

*Proposed approach*

The Department recommends you seek approval from the Prime Minister to include legislation in the first Parliamentary period of the new Government [see MREA Brief 17]. Policy approval will also be needed to the amendments themselves, and we will be seeking your early endorsement of the proposed amendments.

**ACTION REQUIRED BY MINISTER**

The Department will provide briefing as part of the Matters Requiring Early Attention briefs seeking urgent decisions on:

- funding for provision of additional digital television channels in regional South Australia, and remote areas [ s.36 ], and
- the determination of the switchover date for regional Victoria [see MREA Brief 7].

Other briefing will be prepared to address:

- policy approval for the next tranche of digital television legislation including for the restack of broadcasting services (September)
- the approach to conversion of outstanding ABC and SBS services, and self help services providing ABC and SBS services (October), and
- unresolved issues around the VAST service in Western Australia (September).

**Clearing Officer**

Andy Townend

Deputy Secretary, Broadcasting & Digital Switchover

Ph 02 8023 3701

Mobile 0418 310 495

**Contact Officer**

Simon Pelling

FAS, broadcasting & Digital Switchover

Ph 02 6271 1763

Mobile 0418 670 133

**Digital Television Timetable by Region**

**Attachment A**

Type	Switchover Area	Major centres	Window
VIC	Mildura/Sunraysia	Mildura	30 June 2010
SA	Broken Hill	Broken Hill	15 December 2010
SA	Riverland	Renmark and Loxton	15 December 2010
SA	Mt Gambier/South East South Australia	Mt Gambier, Naracoorte and Bordertown	15 December 2010
SA	Spencer Gulf	Port Lincoln, Whyalla, Port Augusta	15 December 2010
VIC	Gippsland	Traralgon, Bairnsdale and Malacoota	1st Half 2011
VIC	North Central Victoria	Bendigo and Swan Hill	1st Half 2011
VIC	South West Victoria	Ballarat, Warrnambool and Horsham	1st Half 2011
VIC	Goulburn Valley /Upper Murray	Albury/Wodonga, Wangaratta and Shepparton	1st Half 2011
QLD	Wide Bay	Hervey Bay, Bundaberg and Maryborough	2nd Half 2011
QLD	Capricornia	Rockhampton, Emerald and Yeppoon	2nd Half 2011
QLD	QLD Central Coast and Whitsundays	Mackay, Proserpine and Bowen	2nd Half 2011
QLD	Darling Downs	Toowoomba, Warwick and Dalby	2nd Half 2011
QLD	North Queensland	Townsville, Ayr and Charters Towers	2nd Half 2011
QLD	Far North Queensland	Cairns, Port Douglas and Innisfail	2nd Half 2011
NSW	Griffith/Murrumbidgee Irrigation Area	Griffith and Hay	1st Half 2012
NSW	South West Slopes and Eastern Riverina	Wagga Wagga and Gundagai	1st Half 2012
NSW	Illawarra and the South Coast	Wollongong, Ulladulla and Eden	1st Half 2012
NSW	Central Tablelands and Central Western Slopes	Dubbo, Orange and Mudgee	1st Half 2012
NSW	ACT and Southern Tablelands	Canberra, Thredbo and Cooma	1st Half 2012
NSW	North West Slopes and Plains	Tamworth, Armidale and Inverell	2nd Half 2012
NSW	Richmond/Tweed	Byron Bay, Tenterfield and Lismore	2nd Half 2012
NSW	Northern Rivers	Coffs Harbour, Forster and Grafton	2nd Half 2012
NSW	Hunter	Newcastle, Port Stephens	2nd Half 2012
Metro	Tasmania	Hobart, Launceston and King Island	1st Half 2013
Metro	Perth	Perth	30 June 2013
Metro	Brisbane	Brisbane, Gold Coast and Noosa	30 June 2013
Metro	Melbourne	Melbourne	31 December 2013
Metro	Adelaide	Adelaide	31 December 2013
Metro	Sydney	Sydney and Gosford	31 December 2013
Remote	Regional and Remote Western Australia	Kalgoorlie, Broome and Bunbury	2nd Half 2013
Remote	Remote Central & Eastern Australia	Darwin, Alice Springs and Mt Isa	2nd Half 2013



**STRATEGY PAPER  
SGSM**

**7. SPECTRUM – AVAILABILITY AND ACCESS**

**CONTEXT**

There is a short-to-medium-term need, not only to make more spectrum available, but also to find ways to use it more efficiently. Implementation of processes to secure the digital dividend and re-issue of 15-year spectrum licences will be critical to this.

Wireless broadband and mobile telephony are particular areas of high demand, with mobile data traffic forecast to at least double annually for the next five years. This demand is placing pressure on the current spectrum capacity of wireless networks. It is also challenging the Government's spectrum management framework to ensure that spectrum is used more efficiently and for more spectrum to be allocated for wireless services, while still meeting growing spectrum needs of other users.

The continuing calls on Government to make more spectrum available and in larger allocations can be responded to through a combination of re-allocation of existing spectrum use, maximising advantages from technology changes and stronger support for the innovative use of new and more efficient technologies.

Under legislation, the Australian Communications and Media Authority (ACMA) has leadership on spectrum planning and allocation processes.

**ISSUES**

Digital dividend

On 24 June 2010, you announced the Australian Government's decision ( s.34(1)(c) ) to an Australian digital dividend of 126 MHz of contiguous spectrum comprising the frequency range 694-820 MHz inclusive.

There are two processes going forward that, in combination, will realise the digital dividend. Firstly, digital channel planning and restacking—which will result in the progressive clearance of the spectrum—is notionally to be completed by the end of 2014. Secondly and concurrently, planning for and allocating the spectrum is most likely to be through an auction process.

You have publicly indicated an expectation that the ACMA would conduct an auction by end 2012, and that the spectrum would be cleared of digital broadcasting services as soon as possible following the completion of analog switch-off. ACMA has digital channel planning and restacking work underway and currently on-track to allow for auction. Revenue from the auction is important to the Budget early return to surplus.



s.36

There are also a number of policy issues that may require consideration by Government prior to auctioning the spectrum, including: how to structure the lots for sale in the auction; whether to set competition limits on the amount of spectrum a single bidder can obtain through the auction process; whether to respond to claims from security or emergency agencies for allocation of spectrum that will reduce auction proceeds; and [REDACTED]

s.36

[REDACTED] The Department is also required to undertake additional work on the value of the spectrum and of holding the 2.5 GHz auction [REDACTED]

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The ACMA proposes to release a discussion paper on re-allocation next steps in September or October 2010, following consultation with the Department and your office.

We are proposing that you seek to introduce legislative amendments to facilitate the restack process when Parliament recommences [see MREA Brief 17]. Policy approval was previously obtained for these amendments and will not need to be sought again.

[REDACTED]

s.36

[REDACTED]

s.34(1)(d)

#### 15 year spectrum licence expiry/re-issue

A number of key 15 year spectrum licences primarily used to provide 2G and 3G mobile phone and wireless broadband services to millions of Australians will expire during the period 2013-2017. When a spectrum licence expires there is a presumption in the relevant legislation that the licence will be reissued via a price-based method (eg auction) by the ACMA.

As Minister, you have certain powers to determine a 'class of services' for which renewal by the ACMA may be in the public interest. In March 2010 you announced consideration would be given to renewal of some 15 year licences that are being used to provide services to significant numbers of consumers where it is in the public interest to do so. The Government is seeking a renewal fee that reflects the value of this important resource and provides an appropriate rate of return to the community.



~~BUDGET-IN-CONFIDENCE~~

The Department has commenced information-gathering discussions with [redacted] s.43(1)(c)(ii)  
[redacted] to provide  
advice to inform your decision on whether or not to exercise your public interest  
discretion. [redacted] s.43(1)(c)(i)

[redacted] Spectrum not reissued  
through this process would be auctioned by the ACMA.

[redacted] s.43(1)(c)(ii)  
s.36

2.5GHz spectrum band

The 2.5 GHz band is currently used by the broadcasters for electronic news gathering services (eg outside broadcasts, live sport coverage). The band has been internationally harmonised for future wireless services and is a candidate band to address emerging demand for broadband wireless access services in Australia. The ACMA is currently reviewing the future use and allocation of the 2.5 GHz band in order to develop more sustainable long-term arrangements for its use.. On 16 August 2010, Mr Swan announced that a re-elected Labor Government would auction the 2.5 GHz band in 2012-13, with expected revenue of at least \$200 million.

[redacted] s.36

Review of Australia's spectrum management framework

[redacted] s.34(1)(d)

[redacted] As part of this work, the ACMA is conducting an audit and assessment of spectrum usage.

The review will provide advice on issues such as measures to achieve more efficient spectrum allocations; freeing up spectrum use by treating all spectrum users on the same basis; increasing the opportunity for spectrum band sharing; and valuing and charging for spectrum on a consistent basis (including clear valuations on the cost of Government use of spectrum). [redacted]

s.36\*

**PROPOSED APPROACH**

It is recommended that the Department continue to progress these issues in the manner outlined above.

We will provide you with further advice in the coming months regarding specific policy issues.

~~BUDGET-IN-CONFIDENCE~~

**ACTION REQUIRED BY THE MINISTER**

Digital dividend – Issues related to the proposed restacking legislation are dealt within Legislation – Legislative Proposals for the Spring 2010 Parliamentary Sitings and the Public List [see MREA Brief 17].

**Clearing Officer**

Keith Besgrove  
FAS, Digital Economy Services  
Ph 02 6271 1811  
Mobile 0419 603 171

**Contact Officer**

Brenton Thomas  
AS, Spectrum & Wireless Services  
Ph 02 6271 1044  
Mobile 0408 689 440

~~BUDGET-IN-CONFIDENCE~~

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## STRATEGY PAPER SGSM

### 8. THE DIGITAL ECONOMY

#### CONTEXT

The Government has made an election commitment to release a long-term digital economy strategy to maximise the benefits of an NBN-enabled digital economy. A process to develop, fund and implement this strategy needs to be progressed urgently.

The *Australia's Digital Economy: Future Directions* paper, released in July 2009, explains why the digital economy is important for Australia and notes that advancing Australia's digital economy requires action by government, industry and the community. The paper was criticised by industry for lacking any clear roadmap and any funded initiatives.

In December 2009, you and the then Prime Minister hosted the *Realising Our Broadband Future* forum (the 'Forum') in Sydney. In a closing address to the Forum, you undertook to provide a report to Government about the outcomes of the Forum.

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During the election campaign, in a speech you delivered to the Australian Information Industry Association's "Digital to Business" event on 29 July 2010, you said that: "*the Government will release a long-term digital economy strategy to maximise the benefits of an NBN-enabled digital economy by the end of this year.*" You stated that this strategy would address the following areas:

- Getting Australians online safely and securely
- Ensuring Government is a leading digital economy participant
- Driving online and mobile payment innovation
- Increasing Australian ecommerce
- Creating greater use of online educational resources
- Increasing the use of telehealth and telecare at home
- Making smart use of technology
- Measuring the impact of the digitisation of our economy

During the election campaign, the Government committed \$392.3 million for the following e-Health initiatives:

- Medicare rebates for online consultations (\$250.5 million)
- Financial incentives for GPs and specialists to participate in delivering online services (\$56.8 million).
- An expansion of the GP after hours helpline to build capacity to provide online triage and basic medical advice via videoconferencing (\$50 million).
- A fund to support innovative training and supervision for health professionals using online technologies (\$35 million).

~~IN-CONFIDENCE~~

The Government also committed up to \$12.5 million over two years to create e-health sites in Brisbane, the Hunter Valley and Melbourne's eastern suburbs to build electronic health records systems and to use health care identifiers for patients, providers and hospitals. More detail about these e-health election commitments can form part of the long-term digital economy strategy.

In addition to these commitments, we believe that further opportunities exist in the health and aging sector to harness the benefits of the digital economy. We are undertaking further research focused on home-based care of the elderly and veterans.

Also during the election campaign, the Government committed \$482.1 million for new initiatives as part of its National School Reform. One of these initiatives, which can also be included in the digital economy strategy, is the development of a national online assessment and learning bank, for which the Government has committed up to \$39.8 million.

## ISSUES

### Funding

It is necessary for the strategy to contain some funded initiatives. Without these, the strategy is likely to attract similar criticism to the already released *Future Directions* paper.

There are areas where progress will be very slow without early Government intervention to realise the full benefits of the NBN:

- getting more Australians online safely and securely,
- getting more businesses to recognise the NBN's opportunities, and
- progressing the telehealth agenda (noting election commitments in this regard).

Most serious funding activity can only be dealt with by 'user' portfolios: Health, Education, etc.

s36 \*

s36

### Timing

s36

s36\*

## PROPOSED APPROACH

The Department proposes that the national strategy for the digital economy:

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To ensure whole of government support for the development of the strategy, the Department recommends that you seek agreement to:

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We also suggest that there are key whole of government agendas that also need to consider the opportunities provided by the NBN. These include the development of a national population strategy and the COAG cities agenda. We will continue to highlight the relevance of the NBN to these.

## ACTION REQUIRED BY THE MINISTER

If you agree, the Department will prepare a draft strategy

s36

The Government would then release a national digital economy strategy

s36

### Clearing Officer

Richard Windeyer

FAS, Digital Economy Strategy

Ph: 02 6271 1313

Mobile: 0402 143 907

### Contact Officer

Mia Garlick

AS, Digital Economy &

Convergence Strategy Branch

Canberra: 02 6271 7300, Sydney: 02 8023 3722

Mobile: 0439 483 192

**STRATEGY PAPER  
SGSM**

**9. CONVERGENCE**

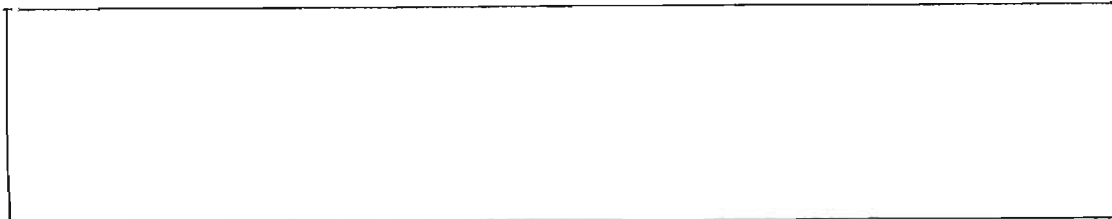
**CONTEXT**

In a speech on 29 July 2010 during the election campaign, you said:

*“if re-elected, the Labor Government will move to commence a comprehensive review of communications regulations. This type of review would consider all media platforms, including free TV, subscription TV, video-on-demand, IPTV and mobile TV.*

*It would seek to identify appropriate licensing regulations, regulatory obligations and consumer protection arrangements across these platforms.*

*...The objective of protecting local content must remain at the centre of our approach to regulatory reform, but as international content competes ever more fiercely for Australian audiences, we must look at how we can continue to deliver that content in the future.”*



s.34(1)(d)

**ISSUES**

The concept of convergence covers a range of issues and affects all aspects of the portfolio:

- broadcasting and media/content policy;
- telecommunications issues including consumer protection and service standards, competition, and interception issues; and
- digital economy issues such as cyber safety, e-security, regional and indigenous communications, and digital economy development.

To ensure the ongoing effectiveness of the Government’s policy objectives each of these broad areas will require regular review, and legislative adjustment if necessary.

Given the diversity of commercial and technological trends, the range of infrastructure and services regulated, and the broad spectrum of stakeholder groups and interests in the communications sphere it is impractical to conduct a single review process that addresses all of these issues. However, the expectation among industry stakeholders makes it important to explain publicly how the range of issues will be addressed.

The Department recommends that laws and regulation governing Australia's media sectors, including traditional broadcasting and online and emerging media, should be addressed as a priority for Government. The Department also recommends that other sets of issues such as telecommunications framework and services be reviewed through separate processes. There are some existing processes such as the ACMA's review of telephone numbering arrangements and the Department's consideration of USO policy in light of the NBN that will help inform other areas of work and, in some cases, may themselves reduce regulatory pressures resulting from convergence.

Giving priority to the announcement of a converged media review would afford the best possible opportunity for the Government to implement its election commitment and undertake any legislative change that may be needed.

Draft terms of reference for the review are attached.

#### Review objective

Comprehensive briefing on the proposed objective and approach to a converged media review was provided to you on 25 June 2010 (M2010/0369). The Department proposes the objective of the review should be to consider and advise on the need for, and scope of, broadcasting and related regulation in light of convergence and the NBN.

[REDACTED]

s.36

#### **PROPOSED APPROACH**

[REDACTED]

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The review should proceed on the basis that regulations relating to content should, to the extent possible, be platform-neutral. The review could be conducted by [REDACTED]

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[REDACTED]

[REDACTED]

s.34(1)(d)

#### **NEXT STEPS**

[REDACTED]

s.36

[REDACTED] prior to a formal announcement of the review to enable initial industry consultation to commence soon thereafter.

Subject to your views on the draft terms of reference [REDACTED]

s.36

Review timeline

The following is an indicative timeline for the review:

- proposed announcement of the review terms of reference [REDACTED] s.36
- panellists and secretariat commence work developing discussion papers [REDACTED] s.36
- discussion papers released for public input [REDACTED] s.36
- final review report to be delivered to the Government [REDACTED], and
- legislative amendments, if any, to be progressed [REDACTED] s.36

**ACTION REQUIRED BY MINISTER**

To enable implementation of your election commitment regarding a review of communications regulation across platforms, attached are draft terms of reference and [REDACTED] s.36 for conducting a review. We seek a meeting with you to discuss these.

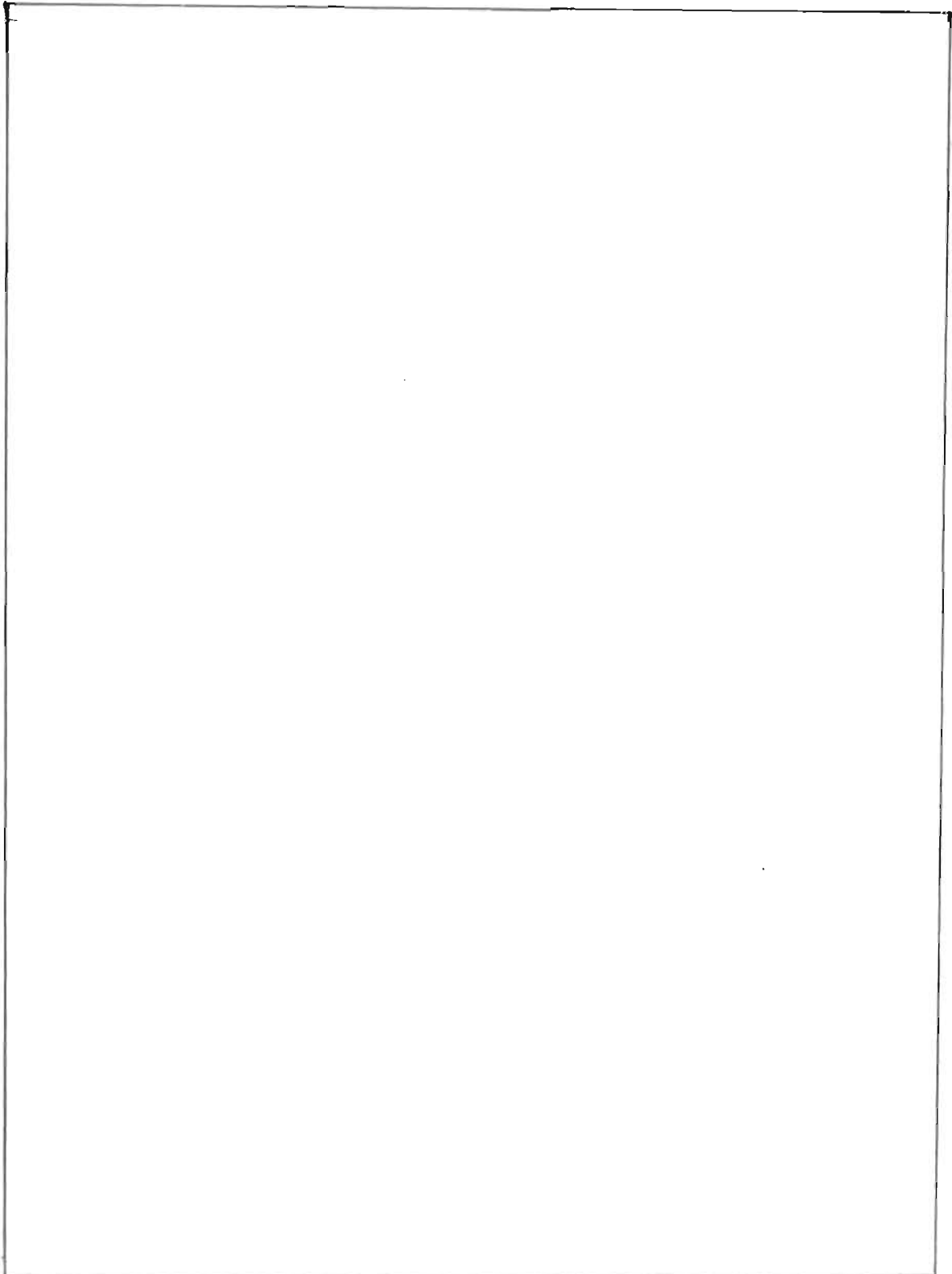
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**Clearing Officer**  
Richard Windeyer  
FAS, Digital Economy Strategy  
Ph: 6271 1313  
Mobile: 0402 143 907

**Contact Officer**  
Mia Garlick  
AS, Digital Economy &  
Convergence Strategy Branch  
Canberra: 6271 7300, Sydney: 8023 3722,  
Mobile: 0439 483 192

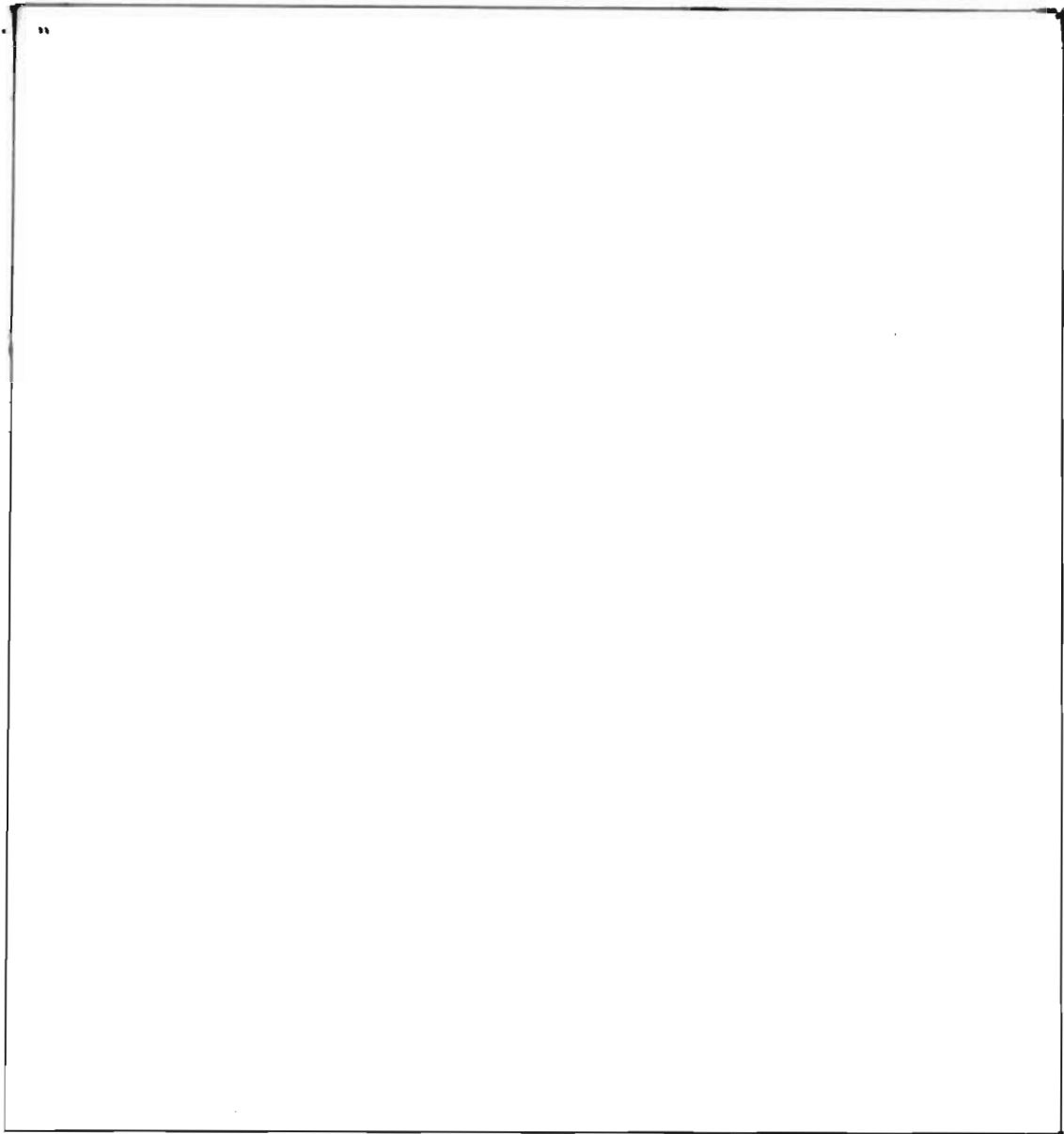


Converged Media Review



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pages 7-14  
following  
redacted in full  
not included

**STRATEGY PAPER  
SGSM**

**10. INTERNET FILTERING**

**CONTEXT**

[Redacted]

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A draft letter will be provided for your consideration.

On 9 July 2010 you announced:

- Telstra, Optus and Primus had agreed to voluntarily filter a list of child abuse material to be provided by the Australian Communications and Media Authority (ACMA) - these ISPs account for around 70 per cent of the broadband internet market.
- The Minister for Home Affairs will, in conjunction with State Attorneys-General, undertake a review of the scope of the Refused Classification (RC) category to determine whether it adequately reflects community standards. RC material currently includes child sexual abuse imagery, bestiality, sexual violence, detailed instruction in crime, violence or drug use and/or material that advocates the doing of a terrorist act.
- A number of transparency and accountability measures to support the introduction of ISP level filtering of RC content.

Legislation requiring ISPs to filter RC content can be introduced after completion of the review of the RC category. The Standing Committee of Attorneys-General (SCAG) will consider whether to proceed with the review at its November 2010 meeting and if they decide to proceed, they will consider the scope and methodology for the review in March 2011. The recommendations from the review would then be provided to SCAG for consideration early 2012. It may then take SCAG a number of meetings before it reaches consensus on any recommendations from the review. This suggests legislation for mandatory filtering may not be able to be introduced into Parliament before the middle of 2013.

**ISSUES**

Following your announcement on 9 July 2010, the key issues that now need to be addressed are:

- measures needed to support introduction of voluntary filtering of overseas-hosted child abuse material, and
- adjustments to the profile of funding for the cyber-safety program, particularly the portion relating to timing of mandatory ISP filtering.

Voluntary filtering of child abuse material

There are three key challenges to the successful introduction of voluntary filtering of child abuse material:

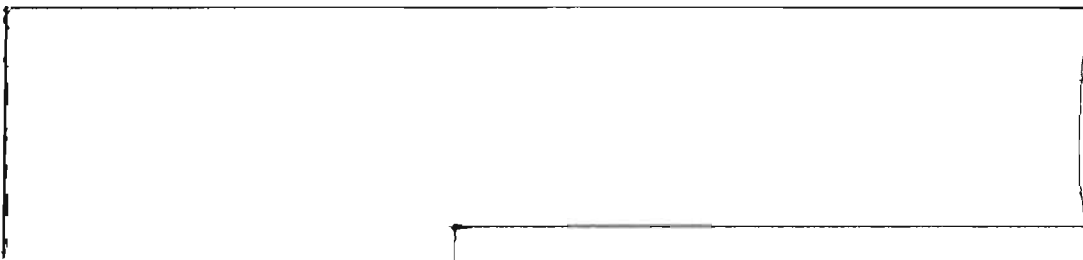
- Providing ISPs with appropriate protection from civil action by content hosts or owners –a “safe harbour” that Telstra has requested. Early advice suggests this issue can be addressed through an industry code registered with the ACMA. The IIA has indicated it will lead the development of a code, encouraging wider adoption by ISPs. If the ten largest ISPs committed to voluntary filtering this would represent 92% of internet subscribers.
- Providing for secure transmission of a list of child abuse URLs to participating ISPs. The ACMA is working with the industry to develop a secure transmission process that minimises the need for human interaction.
- Establishing the appropriate accountability and transparency measures to support voluntary filtering pending introduction of mandatory filtering.



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The Department will work actively with the IIA and the ACMA on development of a new industry code to support voluntary filtering of child abuse material. Such a code can provide ISPs with protection from civil proceedings, and encapsulate most of the transparency and accountability measures you have announced. It will also enable incorporation of overseas lists of child sexual abuse material.

A review by an independent expert on the processes for compilation of the list of URLs to be filtered can be introduced without legislation as long as the independent expert does not view actual child abuse material. Legislative amendment would be required to provide the independent expert with immunity from criminal proceedings in relation to the access of child abuse material, and also to be given standing to seek review of Classification decisions.



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Funding

[REDACTED] There

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are four aspects of this funding that may potentially be affected (in part or in full, especially as some of this money may already have been spent).

- (a) Funding of the \$0.4m per annum allocated to the ACMA for oversight and review of the RC Content list.

[REDACTED]

s.36

- (b) Funding allocated to the Attorney-General's Department of \$1.5m in 2010-11, \$1.8m in 2011-12 and \$1.4m on-going for that Department to undertake a review of the ACMA's decisions to find a URL to be RC.

[REDACTED]

s.36

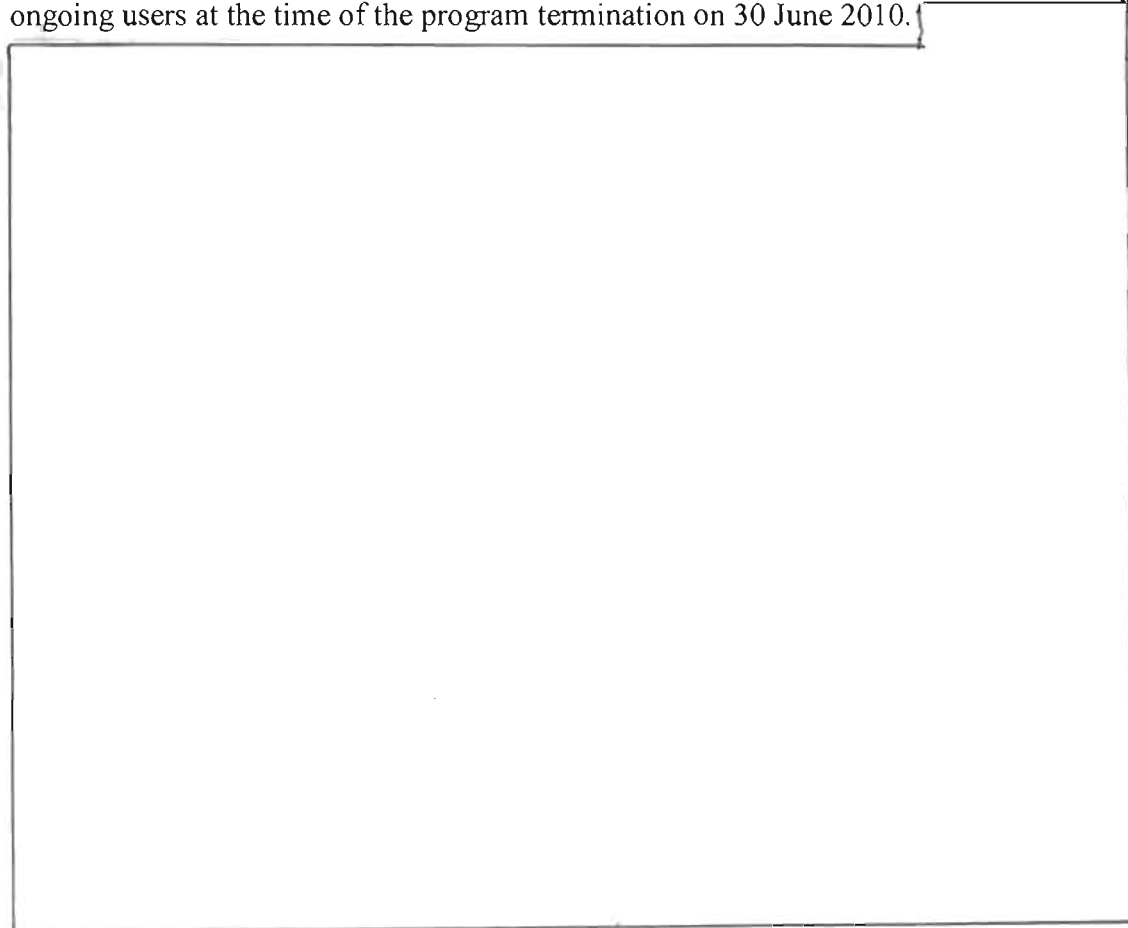
- (c) \$840,000 is allocated to DBCDE over the next three years for the development of a software tool to assist small and medium ISPs to meet their mandatory filtering obligations.

[REDACTED]

s.36

Alternatively, this funding could be used for other priorities.

(d) \$8 million has been allocated to encourage ISPs to offer to their customers filtering of additional material (e.g. general pornography, gambling) if the customer chooses to have such a service. The objective is similar to the former Government's free PC filter program which had a very low rate of take-up, with approximately 8,000 ongoing users at the time of the program termination on 30 June 2010.



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**NEXT STEPS**



s.36

**Clearing Officer**

Abul Rizvi  
Deputy Secretary  
Ph: 02 6271 7022  
Mobile: 0413 990 439

**Contact Officer**

Richard Windeyer  
First Assistant Secretary, Digital Strategy  
Ph: 02 6271 1313  
Mobile: 0402 143 907

STRATEGY PAPER  
SGSM

11. REGIONAL COMMERCIAL RADIO LOCAL CONTENT REVIEW

CONTEXT

In 2006 the then Government implemented a range of changes to the media ownership rules in the *Broadcasting Services Act 1992* (the Act). These included rules to ensure that regional commercial radio broadcasters continued to broadcast local content, and to maintain a local presence in regions in the form of studios, staffing etc.

The legislative provisions included a requirement to conduct a review of the requirements by 4 April 2010. This review has been undertaken.

The Department is drafting a report for your consideration and it will be available with further briefing in October. Once you determine that the report is complete, the Act requires you to table a report of the review in each House of Parliament within 15 sitting days.

ISSUES

The review considered the operation of legislative provisions that require regional commercial radio broadcasters to provide minimum levels of local content and, in certain circumstances, to broadcast minimum levels of local news and information, maintain a local presence and comply with additional reporting and recordkeeping obligations. The review was also required to consider whether the obligations should be amended. The terms of reference for the review included a commitment from Government to ensuring there is no overall reduction in the level of local content.

The majority of submissions to the Government's review were from the radio industry and reiterated their concerns that the current provisions are burdensome and inflexible. The Productivity Commission has also criticised the requirements. It has recommended changes to abolish some provisions, increase flexibility for broadcasters in meeting requirements and reduce reporting obligations.

A process to implement changes was in train before the Election.

s.36

s.34(1)(d)

a High Court case was brought by rights holders challenging the cap. The 1% cap issue is primarily a matter for the Attorney-General.

Copyright owners have long sought to remove the 1% cap which was introduced by the *Copyright Act 1968*. The cap restricts the amount that radio broadcasters pay to some music rights holders and does not apply to any other industry. However, removing the cap may affect the viability of some regional broadcasters as fees for broadcasting Australian music will increase.



[REDACTED]

s.43(1)(c)(ii)

There are likely to be sensitivities around amendments that change the legislative requirements relating to local content or may lead to some broadcasters reducing their local presence (i.e. staffing and local production levels) in regional areas.

#### PROPOSED APPROACH

[REDACTED]

s.36

[REDACTED] A summary of the report's key recommendations is provided at Attachment A.

s.36

#### ACTION REQUIRED BY MINISTER

Once you determine the report of the local content review is complete, you are required to table it in each House of Parliament within 15 sitting days.

The Department recommends that you seek [REDACTED]  
[REDACTED] Further briefing will be provided on these matters.

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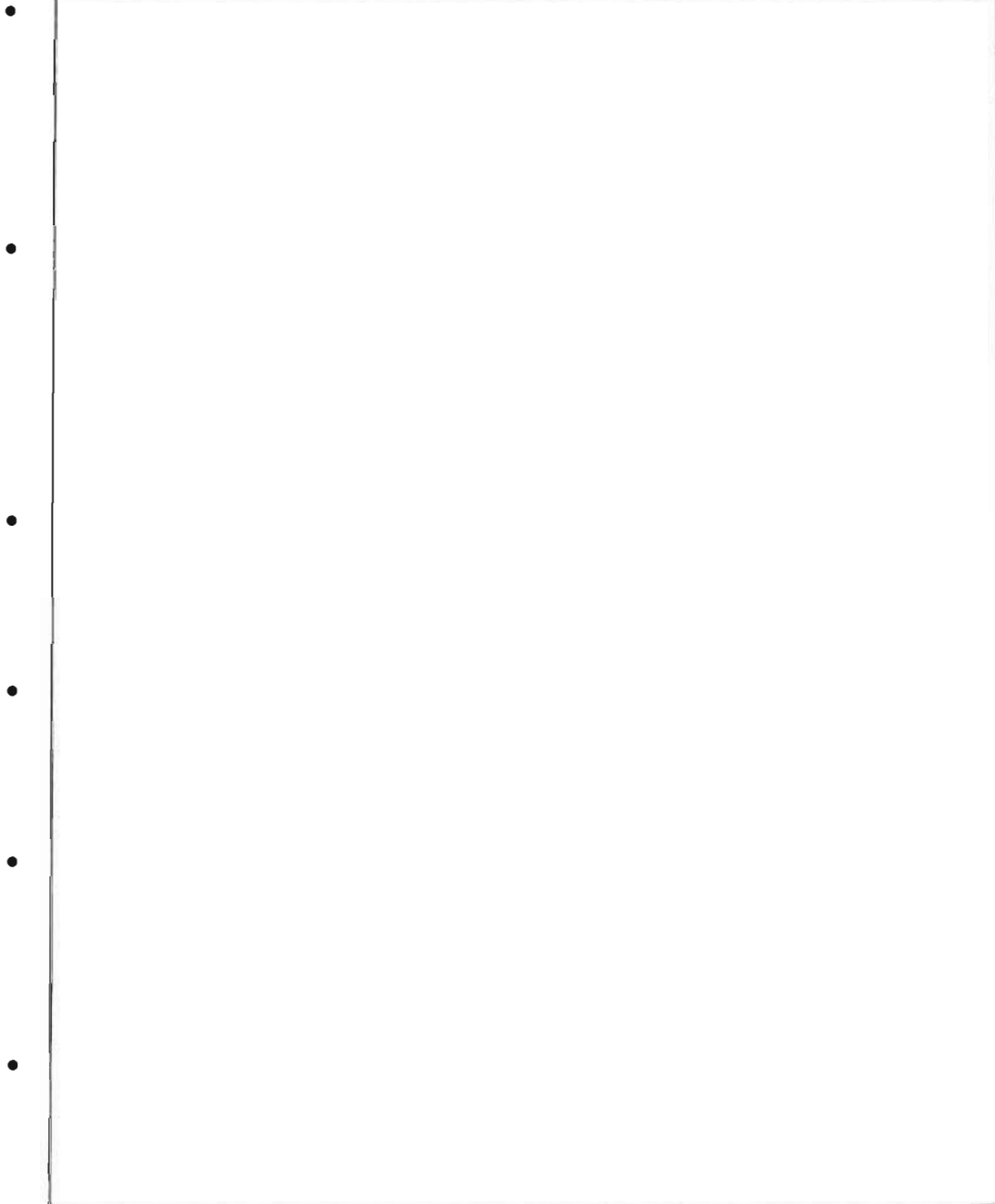
#### Clearing Officer

Simon Pelling  
FAS, Broadcasting & Digital Switchover  
Ph 02 6271 1763  
Mobile 0418 670 133

#### Contact Officer

Greg Cox  
AS, National Community & Radio Broadcasting  
Ph 02 6271 1712  
Mobile 0412 351 051

The review recommends the following changes be considered to increase flexibility for regional commercial radio broadcasters in providing local content and reduce the financial burden on broadcasters to ensure their ongoing viability in the converging communications environment.



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**STRATEGY PAPER  
SGSM**

**12. AUSTRALIA POST – STRATEGIC DIRECTIONS**

**CONTEXT**

The postal sector is undergoing significant restructuring globally, due primarily to changes in technology and consumer behaviour. In your last term, you tasked the Department to

s.36

**ISSUES**

- [REDACTED]

s.36

- Australia Post will remain a critical piece of infrastructure in the digital economy, but its role will change. International trends make it clear that the letter service will decline, but the prompt and efficient delivery of packages will become increasingly important to fulfil online orders from businesses and consumers. Online services are also expected to augment traditional postal services.

- [REDACTED]

s.43(1)(c)(i)

- Australia Post has restructured its business model to position itself for a place in the digital communication network. Australia Post's Future Ready program came into effect on 1 July 2010. The Future Ready program aims to further incorporate e-services into Australia Post's operations. These are intended to complement physical mail services which, while declining, are still an essential service.
- Internationally, the Universal Postal Union is focusing on its place in the changing communication environment. The Department is engaging in this debate.

## PROPOSED APPROACH

[illegible]

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s.43(1)(c)(i)

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### ACTION REQUIRED BY MINISTER

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**Clearing Officer**  
Keith Besgrove  
FAS, Digital Economy Services Division  
Ph 02 6271 1811  
Mobile 0419 603 171

**Contact Officer**  
Duncan McIntyre  
AS, Consumer Policy & Post Branch  
Ph 02 6271 1188

## STRATEGY PAPER SGSM

### 13. CONSUMER POLICY

#### CONTEXT

The quality of telecommunications consumer service and the levels of consumer complaints continue to be unacceptable. The government is pursuing a range of strategies that seek to reverse this trend and there are further reforms you may wish to initiate.

The objective of policy in this area is to seek to ensure:

- affordable access to services
- competitive market structures and behaviours
- fair trading and proper conduct by suppliers
- appropriate redress for consumers when things go wrong

Since the introduction of the current Telecommunications Act in 1997, governments have relied predominantly on self regulation to deliver consumer protections through industry codes and the TIO scheme. However, as the market in Australia matures, and service offerings become increasingly complex, many consumers are becoming more dissatisfied, and the self-regulatory approach is under severe stress.

While the National Broadband Network (NBN) is expected to address a number of the current problems by providing greater access to a wider range of services, more needs to be done to improve the quality of customer service. The changes in the industry which are currently underway, together with the range of initiatives already in train, present an opportunity for you to continue to shape the industry to maximise the consumer benefits of new technology while minimising any associated consumer detriment.

#### ISSUES

The key elements of the government's existing approach, and the opportunities which they present to you are as follows:

##### Ministerial Advocacy

In the last term, you used a wide range of public appearances, and private meetings with industry leaders, to place industry on notice that the Government was not satisfied with the performance of industry in improving customer service and in finding ways to reduce the burgeoning complaints to the TIO. There is evidence that industry leaders are responding positively to this Ministerial advocacy.

In the coming year there will be multiple opportunities for you to continue this campaign of Ministerial advocacy and we would strongly encourage you to do so.

### Consumer Group Advocacy

A key initiative of your previous term was to consolidate a wide range of disparate, sub-scale consumer and disability advocacy groups into a single, well-funded and professional advocacy entity: the Australian Communications Consumer Action Network (ACCAN). ACCAN has quickly become recognised as the peak consumer representative body for consumers of telecommunications services. It has established a public profile, and engaged in a wide range of presentations, media events, industry self-regulatory forums and parliamentary inquiries. In the process, it has helped encourage both industry and regulatory bodies to become more active in addressing long-standing consumer concerns. For example, ACCAN has put pressure on industry to act on a number of consumer issues including bill shock (unexpectedly high bills), customer service practices and misleading advertising.

As ACCAN has replaced the majority of smaller consumer representative bodies and as it is funded by Government, ACCAN offers a useful conduit to consult with consumers on Government policy directions as well as to undertake research or consumer education work that may be judgemental of particular carriers and thus hard for the Department or ACMA to perform effectively. ACCAN is thus a very useful ally in helping to take forward the Government's telecommunications consumer strategy. You may wish to meet with the new CEO, whom ACCAN is currently recruiting.

### Improving Industry Self-Regulation

The peak telecommunications industry body, Communications Alliance, is currently reviewing the Telecommunications Consumer Protections code, which it administers. The Department is a non-voting member on the review's steering committee.

As Minister, you have oversight of the regulatory framework that includes this and other consumer codes. There has been extensive criticism from consumer groups about the efficacy of these codes. As a result, you introduced legislation that would strengthen the ACMA's powers in this area. This legislation will need to be reintroduced in the new parliament and there is an opportunity for you to build on this reform with further consumer protections.

The second element of industry self-regulation is the TIO, which is the industry's alternative dispute resolution scheme for consumer complaints. A new Ombudsman, Simon Cohen, has been appointed recently and there is strong pressure for changes that would allow the TIO to more effectively handle systemic consumer issues.

Government Regulation

The ACMA regulates telecommunications service providers to ensure consumer protections provided under the *Telecommunications Act 1997* are met. The ACCC is also responsible for ensuring the trading practices of telecommunications service providers are fair and honest in accordance with the *Trade Practices Act 1974*.

The ACMA is currently undertaking a high-profile inquiry into customer service and complaint handling in the telecommunications industry. This inquiry forms the first step their 'Reconnecting the Customer' initiative which aims to look at ways to improve customer service within the industry.

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The protection of a person's privacy when using telecommunications services is also of increasing concern to many Australians. The Australian Law Reform Commission has recently conducted a comprehensive review of Australian privacy law. The Government is in the process of responding to this report with telecommunications-related recommendations [ s.36 ]

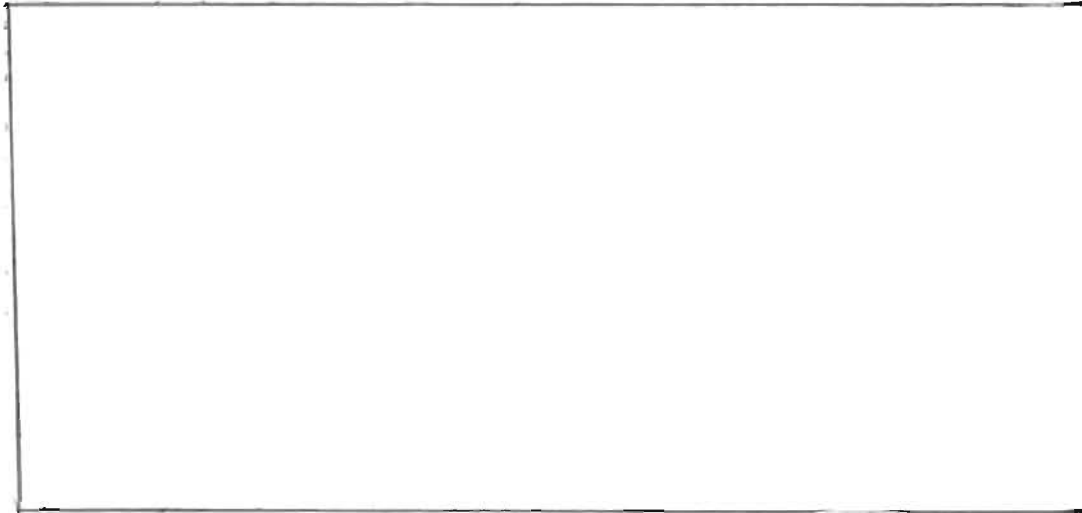
On 30 May 2010, you successfully introduced the *Do Not Call Legislation Amendment Act 2010*. During the parliamentary debate on this legislation, you tasked the Department to undertake further research and consultation with business stakeholders to clarify the impact of extending the Register to business numbers. The Department is also examining options for a mechanism to maintain the accuracy of the Register without the need to reregister. We will brief you on these issues when our work is complete.

In the last term, you announced a review of the National Relay Service that provides people who are Deaf or have a hearing or speech impairment with comparable access to a standard telephone service. The service is funded by an industry levy on telecommunications carriers and is subject to changes to the Universal Service Obligation under the *Telecommunications Act 1997* (see separate briefing). This review may provide you with the opportunity to make significant improvements to the support available to Australians with disability. The Department is currently drawing up the terms of reference for your consideration.

Also in the previous term, the Government agreed to develop an SMS emergency service to assist consumers with a disability to access emergency services. The Department is currently working with carriers and disability groups on this service and there have been many requests for you to make further information available about these developments. The Department will provide an update on this work for your consideration.

## PROPOSED APPROACH

In order to better position the current regulatory framework to respond to the changing technological landscape and expectations of consumers, the following consumer reforms are proposed.



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## ACTION REQUIRED BY MINISTER

It is recommended that you:

- Continue to use public speaking engagements and private meetings with industry leaders to advocate for improved industry performance in key areas of interest to consumers.
- Meet with the new CEO of ACCAN when appointed.
- Re-introduce legislation to improve the consumer code processes.
- Consider advice to be provided to you on options [ s.36 ]
- Consider advice to be provided to you on the impact of extending the Do Not Call Register to include business numbers, and options for ensuring the ongoing accuracy of the Register.
- Consider terms of reference for the review of the National Relay Service when they are provided for your consideration.
- Review advice to be provided by the Department on the development of an SMS emergency service for consumers with hearing or speech impairments.
- [ s.36 ]

### Clearing Officer

Keith Besgrove  
FAS, Digital Economy Services Division  
Ph 02 6271 1811  
Mobile 0419 603 171

### Contact Officer

Duncan McIntyre  
AS, Consumer Policy & Post Branch  
Ph 02 6271 1188  
Mobile 0424 751 477



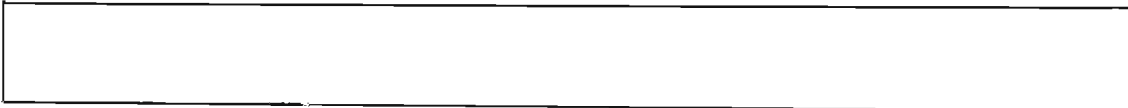
## STRATEGY PAPER SGSM

### 14. TELE-HEALTH

#### CONTEXT

During the election campaign, the Government committed \$392.3 million for the following e-Health initiatives:

- Medicare rebates for online consultations across a range of specialties, providing approximately 495,000 services over four years to rural, remote and outer metropolitan areas, at a cost of \$250.5 million.
- Financial incentives for GPs and specialists to participate in delivering online services, at a cost of \$56.8 million.
- An expansion of the GP after hours helpline to build capacity to provide online triage and basic medical advice via videoconferencing, at a cost of \$50 million.
- A fund to support innovative training and supervision for health professionals using online technologies, at a cost of \$35 million.



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#### ISSUES

The Government also made a commitment to release a long-term digital economy strategy to maximise the benefits of an NBN-enabled digital economy. This included increasing the use of tele-health and telecare at home.

Earlier this year the Department commissioned studies on tele-health which identified the need for tele-health consultations in the Medicare Benefits Schedule. The Department has been working closely with DoHA and the Department of Veterans' Affairs (DVA) to identify how to best undertake scalable trials of tele-health. Three trials had been under consideration:

- The first of these has been superseded by this election commitment as it aimed to add Medicare rebate items for tele-health services.
- The other two relate to the provision of tele-health services for older Australians and veterans. There is potentially a link between the new range of tele-health MBS items and tele-health for aged and chronic health care.

#### PROPOSED APPROACH

The Department will continue to work with DoHA on the implementation of the MBS election commitment (and brief you on progress) and will also continue to work on development of a robust case for Government to fund pilots of tele-health in the aged and veterans' care areas. We will provide further briefing on progress before the end of September.

##### **Clearing Officer**

Keith Besgrove  
FAS, Digital Economy Services  
Ph: 6271 1811  
Mobile: 0419 603 171

##### **Contact Officer**

Sylvia Spaseski  
AS, Digital Initiatives  
Phone: 6271 1754  
Mobile: 0417 448 959

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