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SECTION 1

OVERVIEW 1

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SECRETARY'S REVIEW

In 2008–09, the Department actively managed the Australian Government's priorities for:

- > the National Broadband Network
- > regional telecommunications
- > the switchover to digital television
- > realising the digital dividend
- > the national broadcasters
- > digital innovation
- > a range of consumer issues relevant to empowering consumers of broadband, telecommunication and online services.

These initiatives are helping the digital economy to grow across Australia. In this regard, the Department coordinated the development of *Australia's Digital Economy: Future Directions* launched by the Minister for Broadband, Communications and the Digital Economy on 14 July 2009. This paper articulates the Government's vision for Australia's digital economy and the roles that government, industry and the community as a whole will need to play if we are to fully capture the benefits that the digital economy offers.

NATIONAL BROADBAND NETWORK

Increased access to and use of high speed broadband services is expected to deliver transformational advantages to the Australian economy. The Government's National Broadband Network is central to harnessing these benefits across Australia.

In 2008–09, the Department conducted a Request for Proposals process with the aim of selecting a preferred proponent to build and operate a National Broadband Network.

After a rigorous analysis and evaluation of proposals, none of those received was found to offer a value for money outcome for the Commonwealth. As a consequence, the Government moved to expand its broadband vision in an announcement in April 2009.

The Department is implementing the Government's vision to roll-out and operate the National Broadband Network. The Government's objective is to:

- > connect 90 per cent of Australian homes, schools and workplaces with optical fibre providing speeds of 100 megabits per second
- > connect all other Australian premises with next generation wireless and satellite technology offering speeds of 12 megabits or better.

The Government has established a new company—the NBN Co Limited—to build and operate the National Broadband Network. The NBN Co will operate as a wholesale services provider. These operating arrangements will be enshrined in

legislation to provide for fair and effective competition in the telecommunications market.

The National Broadband Network Implementation Study, announced in April 2009, is scheduled to report in early 2010. It will consider matters such as detailed operating arrangements, ownership and structure, ways to attract private sector investment, and the longer term privatisation objective, in order to optimise the development of the National Broadband Network and the policy settings within which it will operate.

The Department, on behalf of the Commonwealth, entered into negotiations with the Tasmanian Government to secure the early roll-out of fast broadband in that state. On 16 July 2009, the Minister signed a Memorandum of Understanding between the Australian Government, Tasmanian Government and Aurora Energy.

As part of the National Broadband Network package, the Government also sought views on a range of options for reforming the existing telecommunications regulatory regime to make it work more effectively, particularly during the transition to the new environment. A discussion paper on regulatory reform was released on 7 April 2009, and submissions closed on 3 June 2009. The views of respondents have been considered by the Government in the development of legislation.

The *Telecommunications Legislation Amendment (National Broadband Network Measures No. 1) Bill 2009* was introduced into Parliament on 25 June 2009 to facilitate access to information about existing facilities being used by telecommunications carriers and other utilities that could assist with the roll-out of fibre optic cable. Further legislation is planned.

BROADBAND AND COMMUNICATIONS IN REGIONAL AUSTRALIA

As part of the Australian Government's National Broadband Network commitment and with a specific focus on regional Australia, the Department also commenced the process of building fibre optic transmission links on backbone routes where there is a lack of effective competition to connect cities, regional centres and rural towns.

During May 2009, the Department consulted with carriers, service providers, construction companies, equipment vendors and other jurisdictions to identify priority backbone routes. On 1 July 2009 the Department issued a tender to begin construction of priority routes in September 2009. This work aims to provide an immediate improvement to competition and services, as well as supporting the roll-out of the National Broadband Network.

While the National Broadband Network is being rolled out, the Australian Broadband Guarantee program continues to provide immediate support to Australian consumers and businesses by connecting them to metro-comparable services in areas where broadband would not otherwise be available. This could be within a broadband 'blackspot' in a city or in remote parts of Australia where broadband infrastructure is limited or non-existent.

On 5 March 2009 the Australian Government tabled its response to the Report of the Regional Telecommunications Independent Review Committee chaired by Dr Bill Glasson, *Framework for the Future*. The Department is implementing the Government's response through three programs: the \$60 million Digital Regions Initiative; an \$11.4 million extension and enhancement of the Satellite Phone Subsidy Scheme; and a \$3.7 million addition to a \$30 million refocused Indigenous Communications Program.

These programs aim to improve communications services for people living and working in regional, rural and remote Australia and support their ability to participate fully in the digital economy. Implementation of each program involves collaboration between Commonwealth, state and territory, and local levels of government as well as industry and consumer bodies.

SWITCHOVER TO DIGITAL TELEVISION

The switchover from analog to digital television will enable Australians to have access to superior television services in terms of choice, services, accessibility, usability and improved picture quality. A successful digital switchover is also important to realisation of the 'digital dividend' resulting from spectrum being freed-up and consequently made available for new services—such as wireless services—after the end of analog television transmission.

The Department has a major dedicated resource invested in this area. In the last year, it advised the Minister in support of a phased, region-by-region switchover timetable with the first area to switch being Mildura/Sunraysia in regional Victoria by mid-2010. In January 2009, the Government also announced funding of \$13.6 million for measures to support the switchover in Mildura/Sunraysia. These include a package of in-home assistance to help eligible households and a new direct-to-home satellite service to extend viewer access to digital television, together with a range of other measures aimed at informing consumers and improving awareness of switchover.

The cost of digital switchover is likely to be significant, initially of the order of \$138.7 million over three years. Of this, \$119.7 million will be provided to the Department for core digital switchover activities within regional television licence areas of South Australia, Victoria and Queensland. Funding for the remaining licence areas will be determined following the review of lessons learnt in switching over these initial regions.

On 5 April 2009, a national information campaign to help Australians to get ready for switchover began, with a series of television and radio advertisements.

The Department has also worked extensively with an Industry Advisory Group to bring together broadcasters, retailers, manufacturers, strata managers and the Australian Communications and Media Authority (ACMA).



THE NATIONAL BROADCASTERS

The Department managed a significant review of funding and policy for the national broadcasters during 2008–09. The review was initiated with the release in October 2008 of a consultation paper on key strategic and operational issues facing the Australian Broadcasting Corporation (ABC) and Special Broadcasting Service (SBS) over the coming decade. The review was conducted in the context of the Government's consideration of funding for the 2009–10 to 2011–12 triennium for the national broadcasters.

The public consultation process informed Government decisions in the 2009–10 Budget to provide the national broadcasters with an additional \$185.3 million in new funding over three years to develop a Digital Children's Channel and significantly enhance the screening of Australian-produced programs, including drama.

The Department has provided advice in support of the Government's reform agenda for the national broadcasters including the implementation of an open and transparent merit-based process for the appointment of non-executive directors to the ABC and SBS Boards. Four new board members were appointed to the ABC and SBS Boards in March 2009 using the new system.

DIGITAL INNOVATION

The Department was also active in advising on initiatives related to opportunities that are being created by innovative broadband applications and digital content. In the 2009–10 Budget, the Government announced further funding of \$185.5 million over four years to 2014–15 to ensure the long-term viability of National ICT Australia (NICTA). NICTA represents a major Government investment in ICT research, research training and associated industry development activities including commercialisation. Its research addresses a range of national issues including security, transport, the environment, water management and health.

The Department also continued to implement the \$118.6 million Clever Networks program which ends on 30 June 2010. The program is funding innovative broadband applications that are improving the delivery of health, education, government, community and emergency sector services to regional, rural and remote communities across Australia. Two of the program's 52 projects were completed during 2008–09.

This focus on improving the delivery of digital enabled services is continuing through the Digital Regions Initiative which will co-fund projects with state, territory and local governments to support improved education, health and emergency services in regional, rural and remote areas. The Department released draft program guidelines in June 2009 and expects to fund an initial round of projects in late 2009.

CONSUMER ISSUES

Over the past year the Department worked with consumer groups and stakeholders to establish the national peak communications consumer body, the Australian Communications Consumer Action Network (ACCAN). This network represents consumer interests, supported by robust, evidence-based research. It will also assist consumers to make informed product and service choices and to pursue their rights when service providers do not provide appropriate standards of service.

The Department's e-security initiatives provide home users, students and small businesses with easy to understand information and simple steps to help them to protect their personal and financial information by adopting smart online behaviours. In May 2009, the Department enhanced the Australian Government's e-security website www.staysmartonline.gov.au and from 5–12 June 2009 held the annual National E-security Awareness Week. The initiatives aim to support Australia's full participation in the digital economy and help to reduce e-security threats to critical infrastructure and government networks.

The Department plays a leading role in implementing the Government's Cyber-Safety Plan. On 4 May 2009, the Department established a Youth Advisory Group to consider and convey to Government how best to address cyber-safety risks faced by Australian children and communicate cyber-safety messages to other young Australians. The Department also conducted a live pilot of Internet Service Provider (ISP) level filtering to gather evidence on its effectiveness, ease of circumvention and costs.

FINANCIAL RESULTS

The Department's income for 2008–09 was \$119 million. Departmental expenses totalled \$115.0 million, resulting in an operating surplus of \$4.0 million, an outcome broadly in line with expectations. The moderate surplus was related to lower than anticipated legal services and consultant expenses. A more detailed analysis of financial performance is contained in the performance review section of this report.

NEW REPORTING ARRANGEMENTS AND BUSINESS IMPROVEMENT

The Government's Operation Sunlight reforms provided the Department with the opportunity to implement an output and program reporting framework and to review its organisation and program structure and resource allocation. From 1 July 2009 the Department reports to Parliament against three programs: broadband and communications infrastructure; telecommunications, online and postal services; and broadcasting and digital television.

The Department continued to implement its business reform program. The reforms aim to improve the Department's ability to: provide quality advice on the Government's policy agenda; deliver on its goals and produce required outcomes; more clearly communicate its outcome and strategic directions; ensure

its administrative processes support the efficient delivery of outcomes; better engage with the Minister and Minister's Office, industry, clients, central agencies and other key stakeholders; and improve internal communication and staff engagement with risk management.

CORPORATE GOVERNANCE

The Department reviewed elements of its corporate governance arrangements and processes during 2008–09, including: revised responsibilities and membership for the Audit Committee to improve its capability to provide independent assurance and assistance to the Secretary on control and compliance frameworks; a stronger focus on quantifiable performance achievement, including financial and risk management of the Department's administered expense items and major Departmental programs through the Performance Reporting Committee; revised fraud control and risk management plans; and improved integration between strategic directions, business planning and internal budgeting processes.

LOOKING FORWARD

The big challenge for 2009–10 will be to align the Government's powerful reform visions for all aspects of the communications, broadcasting and digital economy sectors, both in terms of their cross-over impacts, and also their impact on consumers and businesses.

Previous distinctions between communication and broadcasting systems are being eroded. Consumers can make voice calls via the internet instead of using a telephone, or watch video content online or on their mobile phone. Spectrum, once allocated as opportunity cost-free, is now seen as the most valuable real estate in the nation. Innovative service providers and consumers will drive convergence and seek to gain support from the transformation inherent in the National Broadband Network.

Convergence poses challenges for existing regulatory frameworks, developed when there were clearer distinctions between various communication technologies. The Department will need—transparently, and with the public interest as the guiding principle—to deal effectively with these challenges and advise the Government on the choices available. I look forward to a serious but exciting year in public policy.



Peter Harris
Secretary

DEPARTMENTAL OVERVIEW

The purpose of the Department of Broadband, Communications and the Digital Economy is to develop a vibrant, sustainable and internationally competitive broadband and communications sector which promotes the digital economy for the benefit of all Australians.

The Department achieves its purpose through policy development, advice and program delivery activities that:

- > support efficient and strategic management of public resources
- > facilitate the competitive provision of services
- > enable access to reliable and reasonably priced basic and essential services
- > provide effective protection for the interests of consumers.

Through these activities the Department supports and encourages the development of world class communications infrastructure that is competitively priced, widely accessible, highly reliable, facilitates choice and is innovative.

The key objectives of each of the Department's three programs are:

- > Infrastructure—to facilitate the increased availability of fast, affordable and reliable broadband and communications infrastructure across Australia.
- > Digital Economy and Services—to support all Australians to safely and securely realise the full potential of the digital economy and ensure the availability and reliability to consumers and businesses of reasonably priced basic and essential communications services.
- > Broadcasting and Digital Switchover—to ensure the smooth transition to digital television by the end of 2013 and support access to high quality and diverse broadcasting services that deliver content consistent with Australia's diverse community expectations and needs.

The Department's commitment to the APS Values and Code of Conduct, and achieving the standards of service set out in its *Service Charter*, underpins its approach to pursuing its program objectives and outcome in the public interest.

MINISTERIAL ARRANGEMENTS

Senator the Hon Stephen Conroy served as Minister for Broadband, Communications and the Digital Economy throughout 2008–09.

PORTFOLIO STRUCTURE

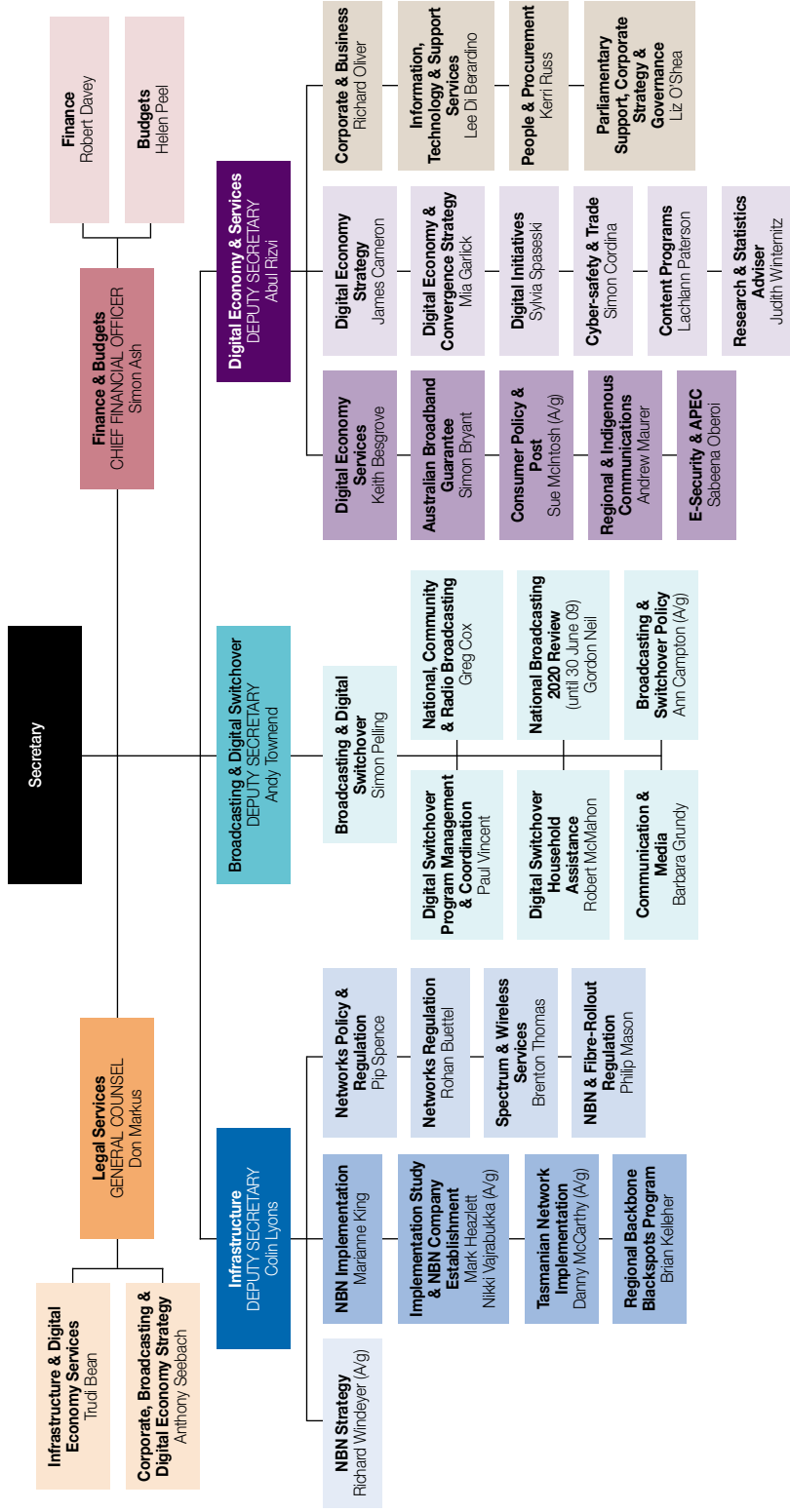
Figure 1.1 Portfolio agencies as at 30 June 2009

Agency		
Australia Post		
Australia Post is a Government Business Enterprise, fully owned by the Commonwealth Government. It provides high quality mail and delivery services to all Australians and a range of parcel and logistics services.		
Website	Tel	Fax
www.auspost.com.au	03 9204 7171	03 9663 1160
Australian Broadcasting Corporation (ABC)		
The ABC is a national broadcaster. It contributes to and reflects Australia's national identity, fosters creativity and the arts and encourages cultural diversity. The ABC is an integral part of the radio, television and online production industries and the news and information media.		
Website	Tel	Fax
www.abc.net.au	02 8333 1500	02 8333 5344
Australian Communications and Media Authority (ACMA)		
The ACMA is responsible for regulating in accordance with legislation relating to broadcasting, radio communications, telecommunications and online content. The ACMA works with all stakeholders to maximise the public benefit, including the extent to which the regulatory framework addresses the broad concerns of the community, meets the needs of industry, and maintains community and national interest safeguards.		
Website	Tel	Fax
www.acma.gov.au	Canberra 02 6219 5555 Melbourne 03 9963 6800 Sydney 02 9334 7700	02 6219 5200 03 9963 6899 02 9334 7799
NBN Co Limited (ACN: 136 533 741)		
A fully Commonwealth owned company established to roll-out and operate the National Broadband Network. The Government will encourage private sector investment in the company and the company will be able to borrow up to 50 per cent of its capital requirements on its own behalf. Until full privatisation, the Government will be the majority shareholder in the company.		
Special Broadcasting Service Corporation (SBS)		
The SBS is a national broadcaster. It provides multicultural and multilingual services that inform, educate and entertain all Australians. Its mission is to contribute to a more cohesive, equitable and harmonious Australia through its television, radio and online services.		
Website	Tel	Fax
www.sbs.com.au	02 9430 2828	02 9430 3700

ORGANISATION CHART

The Department is organised into groups and divisions which support the outcome and program structure introduced in response to the Australian Government's Operation Sunlight reforms in the 2009–10 Budget. The organisational chart overleaf reflects the organisational structure as at 30 June 2009.

Figure 1.2 Broadband, Communications and the Digital Economy Organisation Chart at 30 June 2009



DEPARTMENT STRUCTURE, FUNCTIONS AND SERVICES



Patricia Scott



Peter Harris

Throughout 2008–09, the Department was led by Patricia Scott, Secretary of the Department. On 29 August 2009, the Prime Minister the Hon Kevin Rudd MP appointed Peter Harris to the position of Secretary of the Department of Broadband, Communications and the Digital Economy.

The Department is organised into three program groups, a legal services group and a finance and budgets group. The three program groups are the Infrastructure Group, the Digital Economy and Services Group and the Broadcasting and Digital Switchover Group. The role of each group and its key personnel are outlined below.

INFRASTRUCTURE

The Infrastructure Group is responsible for implementing the National Broadband Network and associated regulatory reform. It also provides advice on telecommunications infrastructure, spectrum management and related matters.



Colin Lyons

Colin Lyons is the Deputy Secretary, Infrastructure Group. First Assistant Secretaries within the group are:

- > Marianne King—National Broadband Network Implementation
- > Pip Spence—Networks Policy and Regulation
- > Richard Windeyer—National Broadband Network Strategy

DIGITAL ECONOMY AND SERVICES

The Digital Economy and Services Group is responsible for advice on telecommunications and online services, consumer issues and postal services. It has responsibility for issues associated with the development of the digital economy, convergence, digital innovation as well as cyber-safety and e-security. It delivers a range of programs including the Australian Broadband Guarantee, the Satellite Phone Subsidy Scheme, Indigenous Communications, Clever Networks and the Digital Regions Initiative. This Group includes the Corporate and Business Division.



Abul Rizvi

Abul Rizvi is the Deputy Secretary, Digital Economy and Services Group. First Assistant Secretaries within the group are:

- > James Cameron—Digital Economy Strategy
- > Keith Besgrove—Digital Economy Services
- > Richard Oliver—Corporate and Business

BROADCASTING AND DIGITAL SWITCHOVER

The Broadcasting and Digital Switchover Group is responsible for broadcasting and digital television matters and provides advice relating to the national broadcasters as well as community and commercial broadcasting. The Digital Switchover Taskforce, which forms part of this group, manages the switchover to digital television.



Andy Townend

Andy Townend is the Deputy Secretary, Broadcasting and Digital Switchover Group and Executive Director of the Digital Switchover Taskforce. The group has one First Assistant Secretary:

- > Simon Pelling—Broadcasting and Digital Switchover



LEGAL SERVICES

The Legal Services Group is responsible for assisting the Minister and the Secretary to protect the legal interests of the Commonwealth relevant to the portfolio, providing and procuring legal services, coordinating the portfolio's legislative program, freedom of information, facilitating external scrutiny and coordinating the portfolio's contribution to the Government's deregulation agenda.

Don Markus is the General Counsel, Legal Services Group.

FINANCE AND BUDGETS

The Finance and Budgets Group is responsible for: coordination of the Department's Portfolio Budget Submission and Statements and Additional Estimates Statements; internal budget allocations; accounting and financial policy, procedures and guidelines; financial transaction processing and reporting; credit card management; revenue collection and banking; asset management and accounts payable.

Simon Ash is the Chief Financial Officer, Finance and Budgets Group.

OUTCOME AND OUTPUT STRUCTURE

As part of the Government's Operation Sunlight administrative reforms the Department has revised its Outcome statement and transitioned from the previous Outcome and Output reporting structure to the Outcome and Program reporting structure. This report records the Department's performance against the performance indicators outlined in its 2008–09 Portfolio Budget Statements as required, using a presentation that aligns with the Department's new program and organisational structure.

Figure 1.3 Changes to the Outcome and Output Structure

2008–09 Portfolio Budget Statements	2008–09 Portfolio Additional Estimates Statements	2009–10 Portfolio Budget Statements
<p>Outcome 1:</p> <p>Development of a vibrant, sustainable and internationally competitive broadband and communications sector which promotes the digital economy for the benefit of all Australians.</p>	No change	<p>Outcome 1:</p> <p>Develop a vibrant, sustainable and internationally competitive broadband, broadcasting and communications sector, through policy development, advice and program delivery, which promotes the digital economy for all Australians.</p>
<p>Output 1.1:</p> <p>Policy advice and program management that delivers competitively priced, accessible and high quality broadband and other communication services and that supports the digital economy.</p>	No change	<p>Program 1.1 Broadband and Communications Infrastructure:</p> <p>To facilitate the increased availability of fast, affordable and reliable broadband and communications infrastructure across Australia.</p> <p>Referred to as Infrastructure in this report.</p>
		<p>Program 1.2 Telecommunications, Online and Postal Services:</p> <p>To support all Australians to safely and securely realise the full potential of the digital economy. Ensure the availability and reliability to consumers and businesses of reasonably priced basic and essential communications services.</p> <p>Referred to as Digital Economy and Services in this report.</p>
		<p>Program 1.3 Broadcasting and Digital Television:</p> <p>Ensure the smooth transition to digital television by the end of 2013. Support access to high quality and diverse broadcasting services that deliver content consistent with Australia's diverse community expectations.</p> <p>Referred to as Broadcasting and Digital Switchover in this report.</p>

