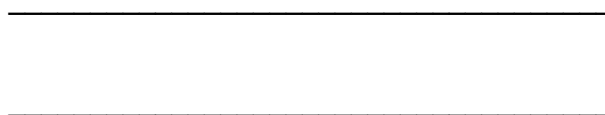


PARLIAMENT
OF
SOUTH AUSTRALIA

**GOVERNMENT RADIO NETWORK
CONTRACT**

STATUS REPORT

*THE 169th REPORT OF THE PUBLIC WORKS COMMITTEE
February 2002*



Fourth Session, Forty-Ninth Parliament

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THE PUBLIC WORKS COMMITTEE

The Public Works Committee is established pursuant to sections 12A, B and C of the Parliamentary Committees Act, 1991, proclaimed February 1992.

The following members constitute the Fifteenth Public Works Committee as appointed on 2 December 1997:

Mr Peter Lewis MP (Presiding Member)

Mr Joe Scalzi MP (As from 28 October 1998)

Ms Lea Stevens MP

Ms Gay Thompson MP

Mr Michael Williams MP

Secretary to the Committee: **Mr Keith Barrie**
Researcher: **Dr Paul Lobban**

THE FUNCTIONS OF THE COMMITTEE

Section 12C of the Parliamentary Committees Act defines the functions of the Public Works Committee as:

- (a) to inquire into and report on any public work referred to it by or under this Act, including-
 - (i) the stated purpose of the work;
 - (ii) the necessity or advisability of constructing it;
 - (iii) where the work purports to be of a revenue-producing character, the revenue that it might reasonably be expected to produce;
 - (iv) the present and prospective public value of the work;
 - (v) the recurrent or whole-of-life costs associated with the work, including costs arising out of financial arrangements;
 - (vi) the estimated net effect on the Consolidated Account or the funds of a statutory authority of the construction and proposed use of the work;
 - (vii) the efficiency and progress of construction of the work and the reasons for any expenditure beyond the estimated costs of its construction;
- (b) to perform such other functions as are imposed on the Committee under this or any other Act or by resolution of both Houses.

PART ONE : BACKGROUND

In April 1999, the Public Works Committee reported to Parliament on the Government Radio Network Contract (GRNC) (Parliamentary Paper Number 206, April 1999). This report detailed the proposal to establish an integrated State owned Government Radio Network (GRN) at an estimated cost of \$247.7 million.

The Committee was told that the existing South Australian Government radio network arrangements consisted of approximately 40,000 – 45,000 users operating on 28 separate networks across 17 Government agencies. In the main these disparate systems used out-dated technology and ageing equipment resulting in significant inter-agency communication and operational difficulties.

The Committee was told that three studies endorsed the use of Astro SmartZone™ (mixed mode solution) as the technology most suitable to provide the mixed analog and digital operation required by the State. In 1996, the State Government entered into an agreement with Motorola to use Motorola Astro SmartZone™. Telstra Corporation was selected as the primary contractor to design, construct, operate and manage the proposed network infrastructure.

The Committee heard that the project was to be budget neutral for the agencies involved.

The Committee accepted that the GRN would provide Emergency Service organisations with the capacity to provide a higher degree of coordinated response and control of emergency situations.

The Committee noted that the majority of electronics for the GRN was proprietary equipment either supplied or manufactured by Motorola. This restricted the operator to Motorola-only purchases for the majority of the system. Therefore, in its current form, the GRN Contract appeared to do little to facilitate competition.

The Committee recommended to the Minister that Motorola be required to provide appropriate software, and/or data and/or technical specifications, to open up the interface between the GRN and peripheral devices such as consoles, subscriber equipment and the like. The Committee also recommended that Telstra be required to endorse other suppliers who could demonstrate suitable experience or compliance with appropriate standards to allow competition. The Committee remains concerned by these issues.

In addition, the Committee was concerned with the financial impact of the GRN on the agencies involved, particularly with regard to site remediation and budget neutrality. The Committee was also interested in the extent to which the lack of harmony between spectrum allocations, both nationally and globally, would impact on the effective operation of the South Australian GRN.

PART TWO: FURTHER EVIDENCE PRESENTED TO THE COMMITTEE

2.1 Status of the Proposal

Financial Impact on Agencies

With regards to the proposed “budget neutrality” of the GRN on agencies involved, the Committee is told that entities that have chosen to purchase “base case” terminal equipment within their “like for like” quantities are expected to experience no financial impact. The Committee is told that there have been examples of entities significantly understating their “base case” requirements and that they have had to consult Treasury to try to obtain funds to purchase additional terminal equipment.

The Committee is told that a number of entities have chosen to purchase a significant number of voice and paging terminal equipment above their “base case”. These entities have had to work with Treasury to manage their situations. The Committee is told that the issue of “budget neutrality” is an issue between each entity and Treasury. The Committee has no specific information from individual entities as to the impact of the GRN on their operating budgets.

As to the cost of site remediation, the Committee heard from DAIS that the number of transmission sites needed to support the GRN would be in the order of 160, as opposed to the more than 1200 in the pre-existing networks. DAIS maintained that the GRN budget covered the cost of rehabilitating those sites that had to be constructed to support the new system. The Committee is told that a majority of agency legacy radio networks will remain operational until at least the completion of the GRN, expected in July 2002. Any site and/or equipment made redundant by the GRN would be the responsibility of the agency that previously maintained it. The Committee is told that the cost of this remediation process – which may involve either the sale of the site and infrastructure or the demolition of facilities, as well as the re-vegetation of the area – has not been costed as it is the responsibility of individual agencies.

A letter from the Committee to DAIS on 3 November 2000 requested details regarding site remediation in areas where the network had been rolled out. The response from DAIS of 3 December 2000 stated that Telstra must comply with all relevant legislation and procedures regarding the rehabilitation of sites damaged by the construction of GRN facilities. The letter claimed that Telstra had already spent over \$170,000 to that point on remediation of sites. This remedial activity included repairing farmland damaged by construction activity and building roads to minimise damage in wet conditions. The letter is careful to point out, however, that once a state entity has fully migrated to the GRN network “they will be responsible for decommissioning any surplus infrastructure and equipment owned by them, including the making good of sites.”

Involvement of South Australian Firms in the GRN

In evidence to the Committee on 31 May 2000, DAIS argued that Telstra had met all of its obligations in this matter. It was pointed out that several local firms had been involved in the construction and installation stages of the project.

At that hearing, the issue of whether Motorola had enabled its equipment to interface with compatible technology was also raised. The Executive Director, GRN, claimed that: “We have written assurances from Motorola that, in terms of things such as consoles and so forth, it will cooperate with other suppliers. We have no evidence to suggest that it will not do that. We have followed this up on a number of occasions and we have received repeated assurances in that regard”. It was argued that other suppliers were informed of opportunities to quote for jobs and were encouraged to contact Motorola to decide whether a particular proposition was viable. The Executive Director, GRN, claimed, “we have been actively trying to encourage competition in this marketplace”.

2.1 Status of the Proposal (cont.)

Subsequent to that hearing, there have been several exchanges of correspondence regarding this issue. After the September 2000 quarterly report, the Committee sought further details from DAIS regarding South Australian content in the GRN. The response from DAIS on 3 December 2000 outlined areas in which Telstra had engaged in a "Local Spend" on the project. In South Australia to that point Telstra had spent a total of \$5,738,588. This spending had been on job creation in several service centres, including a call centre for Link Communications and a Big Pond Billing centre, and the promotion of the Fast Track Scheme. Funds have also been spent on the development of several technology-based industry initiatives and the purchase of South Australian goods and services. DAIS pointed out that these goods and services were part of Telstra's "non-industry development obligations" and were intended to total approximately \$12.66 million over the course of the contract.

The Committee requested that details regarding the value of the goods and services produced by South Australian companies in the GRN, and the identity of those companies, be provided to the Committee on a six-monthly basis. Details of the Big Pond Billing Centre and the Fast Track Scheme were also requested. DAIS has provided details of the Big Pond and Fast Track projects and, in response to further requests from the Committee, Telstra provided 6 categories of expenditure with which it was involved in South Australia and the amounts spent in those areas.

Category	Definition
Fast Track employees	Salaries
GRN Project Office Expenses	Minor office expenses
GRN Monthly Expenditures	Vehicles, consultants, local travel costs, etc
NDC Goods and Services	Money paid to NDC. NDC use services of DA businesses for building work, concrete, fences, roads, leasing, & other building work.
Link Operated Services	Costs associated with Link in SA
Site Electricity	Telstra's power bills

The Committee subsequently requested further information from Telstra regarding the specific names of South Australian firms involved in the GRN and "full details of the project expenditure to date allocated to South Australian firms". A response from Telstra was obtained in November 2001 in the format of the previous correspondence:

Category	Definition
Fast Track Employees	Payments made for Graduates employed on the project.
Goods & Services	Minor office expenses such as stationery. Payments for vehicles, consultants, on-site managers, local travel costs etc. Money paid to NDC. NDC use the services of many South Australia businesses for building work, concrete, fences, roads, leasing, electrical and other work necessary for the build. Costs associated with Link operations in South Australia. Power bills paid by Telstra for all sites.

A table provided by Telstra as an attachment to this correspondence informed the Committee that Telstra had spent \$12,647,534.43 in the 2000/2001 financial year on salaries for Fast Track employees and goods and services related to the GRN, and \$5,004,884.85 in the first three months of the 2001/2002 financial year on the same items.

In addition, the Committee was told that entities utilising the GRN use a number of South Australian firms for the purpose of terminal equipment installations and repairs. The Committee is told the Telecommunications Services Group (TSG) has budgeted for the majority of this work, however in some cases entities are responsible for the above base case costs associated with this

2.1 Status of the Proposal (cont.)

type of work and they are individually responsible for these costs. The Committee is told the TSG estimates the installation of baseline terminal equipment will require \$6.6 million.

Spectrum Issues

The Committee is concerned about the ramifications of spectrum allocation for the effectiveness and future operability of the GRN. The Committee was told that the lack of spectrum harmonisation, both nationally and globally, is directly responsible for the adoption of a proprietary solution for the GRN. DAIS has informed the Committee that the GRN has made the current use of available spectrums more efficient and that there is no threat to the future integrity of the South Australian system. The lack of spectrum harmonisation does, however, limit the kinds of technology that may be implemented in future refinements to the system. DAIS informed the Committee that the two transmission standards currently being adopted worldwide, and to some extent in Australia, are inappropriate for the GRN. The GRN's need for a mixed system, which will support analog and digital terminals, required the acquisition of SmartZone™ technology.

The Committee is told that the Australian Communications Authority (ACA) have expressed a desire to clear the wide band VHF secondary services adjacent to the SA/Victoria border, specifically those used by the State Emergency Services and the Country Fire Service, and move these to narrowband primary channels. A spectrum plan is being developed with the entities to meet these requirements.

The Committee is told that an Inter-Governmental Spectrum Harmonisation Committee (ISHC) has met three times and has formed a working party to recommend terms of reference and operating arrangements. The Committee is told that a working party of the ISHC has been formed to prepare data for spectrum modelling on large mobile radio networks designed for Public safety and Disaster Preparedness. Results from this working party will be introduced to the International Radio Advisory Committee (IRAC) World Radio Congress (WRC) 2003 agenda to assist with determining the quantity of harmonised spectrum required for the introduction of new digital technologies internationally.

The Committee is also told that the Telecommunication Services Group has contacted the Productivity Commission detailing its concerns regarding the auctioning of Spectrum and its possible detrimental effects on government and small business. The Productivity Commission report is due in July 2002.

Pagers

The Committee is told that approximately 10,000 voice and paging terminals have been registered by entities. The Committee is told that there are currently 5,160 active pagers and 6,080 active voice terminals connected to the network.

The Committee has been told that there have been several difficulties with the paging equipment required for the GRN. A ministerial statement released by the Minister for Police, Correctional Services & Emergency Services in July reported that a problem with corrupted messages had been identified with the pagers delivered to the GRN and that the manufacturer was in the process of replacing affected equipment. The Minister's statement stated that 6,000 pagers were being replaced and a further 6,500 were being purchased. The Minister's statement also stated that the topography of the state made it impossible to provide "100% coverage 100% of the time". The Committee was told in correspondence of 20 November 2001 that none of the new or refurbished pagers had been distributed at that date.

The Committee has been told that the Justice Department had reported that on the basis of trials conducted by the Department, the new pagers would provide significantly improved message delivery over the previous model. The Committee was told that after taking delivery of these pagers the Justice Department conducted tests which identified that these replacement pagers

also failed to meet specification. The Committee is told that the Minister announced to Parliament in October 2001 that negotiations were underway with the manufacturer to correct the problem. As a result, pagers may not be distributed prior to the 2001/2002 fire season.

2.2 Committee Concerns

The Committee notes the impact on individual entities of entering the GRN is evaluated on a case by case basis between those entities and Treasury. The Committee notes that the “base case” replacement scheme is designed to provide entities with “like for like” quantities of new technology but that any additional equipment must be purchased with funds raised either within the entities or through individual negotiations with Treasury. The Committee is concerned that the level of coverage provided under this scheme is adequate and finds it cannot form a credible opinion as to the true financial impact on entities from the information it has received to this point. The Committee is of the opinion that further information is required from the entities themselves.

The Committee is also concerned that the cost of site remediation on individual entities cannot be credibly ascertained from the information received to this point. The Committee is concerned that entities not be penalised for having to rehabilitate otherwise operable transmission sites made redundant by their absorption into the GRN. The Committee is of the opinion that specific details regarding the financial impact of site remediation on individual entities needs to be obtained.

With regard to the involvement of South Australian firms in the GRN, the Committee has concerns about the apparent lack of local firm involvement over and above the provision of utility and initial construction services.

The Committee notes that Telstra have invested in the local economy during the rollout of the GRN. The Committee is concerned that no details as to the specific local firms involved in the GRN have been made available. The Committee is of the opinion that whilst there is a contribution to the local economy through Telstra’s activities, the information provided to the Committee suggests that this contribution consists primarily of utility services and employee wages. The Committee is concerned that the involvement of local businesses in the ongoing provision of GRN services has not materialised and that most local involvement will be restricted to basic ancillary services and construction work. The Committee is concerned that despite being told that there are contractual requirements for local business participation, and that these requirements are being met, they have not received detailed information supporting these statements.

The Committee is concerned that the issue of spectrum allocation is not yet resolved. The Committee notes that the Motorola SmartZone™ technology acquired for the GRN was chosen for its capacity to deliver digital and analog services. The Committee notes that the SA-GRN is involved in producing a submission to the IRAC World Radio Congress 2003. The Committee is concerned that the present state of spectrum allocation restricts the capacity of the GRN to take advantage of developing technologies.

With regard to the issue of pagers, the Committee is concerned at the repeated failure of the paging system to operate effectively. The Committee notes that the manufacturer has replaced and is replacing defective pagers identified in a series of trials. The Committee is concerned that the pager system has failed to meet the requirements prescribed and may result in the final distribution of pagers taking place after the coming 2001/2002 fire season. The Committee is concerned that the continued replacement of pager units is undermining confidence in the GRN and, as a result of the delays, may provide less than optimal services for affected emergency services workers.

PART THREE: CONCLUSION AND RECOMMENDATION

In April 1999, the Public Works Committee reported to Parliament on the Government Radio Network Contract (GRNC) (Parliamentary Paper Number 206, April 1999). This report detailed the proposal to establish an integrated State owned Government Radio Network (GRN) at an estimated cost of \$247.7 million.

At the time of the final report, the Committee was told that the implementation of the GRN would not affect the budgetary position of affected agencies, that it would actively involve South Australian businesses in the construction and operation of the GRN, and that the Motorola SmartZone™ technology on which the GRN was based was the only appropriate technology for South Australia's needs.

The Committee has identified particular areas of the GRN project with which it has concerns. Specifically, the Committee has been interested to discover the financial impact of the migration to the GRN on participating agencies both in terms of their acquisition of new technologies and the cost of decommissioning sites involved in previous agency-based radio networks. The Committee has also been concerned to discover the extent to which the GRN has involved the participation of South Australian businesses, how radio spectrum allocation in Australia will influence the development of the GRN, and the how the GRN's new paging system has been implemented.

The Committee is told that entities entering the GRN receive network technology on a "base case" scheme which involves "like for like" replacement of technology and has no financial impact on agencies. The Committee is told that those agencies seeking to acquire quantities of equipment above this "base case" level must either find the funds within their own budgets or enter into individual negotiations with Treasury to obtain funding. The Committee is also told that Telstra has absorbed the cost of rehabilitating sites damaged in the construction of new equipment for the GRN. The Committee is told that the cost of remediating decommissioned sites from old networks is the responsibility of the entities that own these sites.

The Committee is told that there has been a considerable involvement in the GRN by South Australian businesses. The Committee has been told that Telstra has engaged in a large "local spend" with respect to the GRN. Telstra's involvement has focused on job creation in service centres, the development of technology-based industry initiatives, and the purchase of South Australian goods and services. The Committee was not told specifically which South Australian businesses were involved.

The Committee is told that an Inter-Governmental Spectrum Harmonisation Committee (ISHC) has met three times and has formed a working party to recommend terms of reference and operating arrangements. The Committee is told that a working party of the ISHC has been formed to prepare data for spectrum modelling on large mobile radio networks designed for Public safety and Disaster Preparedness. Results from this working party will be introduced to the International Radio Advisory Committee (IRAC) World Radio Congress (WRC) 2003 agenda to assist with determining the quantity of harmonised spectrum required for the introduction of new digital technologies internationally. The Committee is also told that the Telecommunication Services Group has contacted the Productivity Commission detailing its concerns regarding the auctioning of Spectrum and its possible detrimental effects on government and small business. The Productivity Commission report is due in July 2002.

The Committee notes the impact on individual entities of entering the GRN is evaluated on a case by case basis between those entities and Treasury. The Committee notes that the "base case" replacement scheme is designed to provide entities with "like for like" quantities of new technology but that any additional equipment must be purchased with

PART THREE: CONCLUSION AND RECOMMENDATION (CONT.)

funds raised either within the entities or through individual negotiations with Treasury. The Committee is concerned that the level of coverage provided under this scheme is adequate and finds it cannot form a credible opinion as to the true financial impact on entities from the information it has received to this point. The Committee is of the opinion that further information is required from the entities themselves.

The Committee is also concerned that the cost of site remediation on individual entities cannot be credibly ascertained from the information received to this point. The Committee is concerned that entities not be penalised for having to rehabilitate otherwise operable transmission sites made redundant by their absorption into the GRN. The Committee is of the opinion that specific details regarding the financial impact of site remediation on individual entities needs to be obtained.

With regard to the involvement of South Australian firms in the GRN, the Committee has concerns about the apparent lack of local firm involvement over and above the provision of utility and initial construction services. The Committee notes that Telstra have invested in the local economy during the rollout of the GRN. The Committee is concerned that no details as to the specific local firms involved in the GRN have been made available. The Committee is of the opinion that whilst there is a contribution to the local economy through Telstra's activities, the information provided to the Committee suggests that this contribution consists primarily of utility services and employee wages. The Committee is concerned that the involvement of local businesses in the ongoing provision of GRN services has not materialised and that most local involvement will be restricted to basic ancillary services and construction work. The Committee is concerned that despite being told that there are contractual requirements for local business participation, and that these requirements are being met, they have not received detailed information supporting these statements.

The Committee is concerned that the issue of spectrum allocation is not yet resolved. The Committee notes that the Motorola SmartZone™ technology acquired for the GRN was chosen for its capacity to deliver digital and analog services. The Committee is concerned that the present state of spectrum allocation restricts the capacity of the GRN to take advantage of developing technologies. The Committee notes that the SA-GRN is involved in producing a submission to the IRAC World Radio Congress(WRC) 2003. The Committee notes with regret that the agency declined an invitation to represent Australia at the IRAC WRC-2003 meeting on 5 December 2001.

With regard to the issue of pagers, the Committee is concerned at the repeated failure of the paging system to operate effectively. The Committee notes that the manufacturer has replaced and is replacing defective pagers identified in a series of trials. The Committee is concerned that the pager system has failed to meet the requirements prescribed and may result in the final distribution of pagers taking place after the coming 2001/2002 fire season. The Committee is concerned that the continued replacement of pager units is undermining confidence in the GRN and, as a result of the delays, may provide less than optimal services for affected emergency services workers.

Given the above and pursuant to Section 12 of the Parliamentary Committees Act, 1991, the Public Works Committee recommends that the Parliament note this Status Report.

Peter Lewis MP
PRESIDING MEMBER
Public Works Committee

February 2002