

Senate Select Committee on Job Security – Organisations involved in the delivery of Australia's National Broadband Network

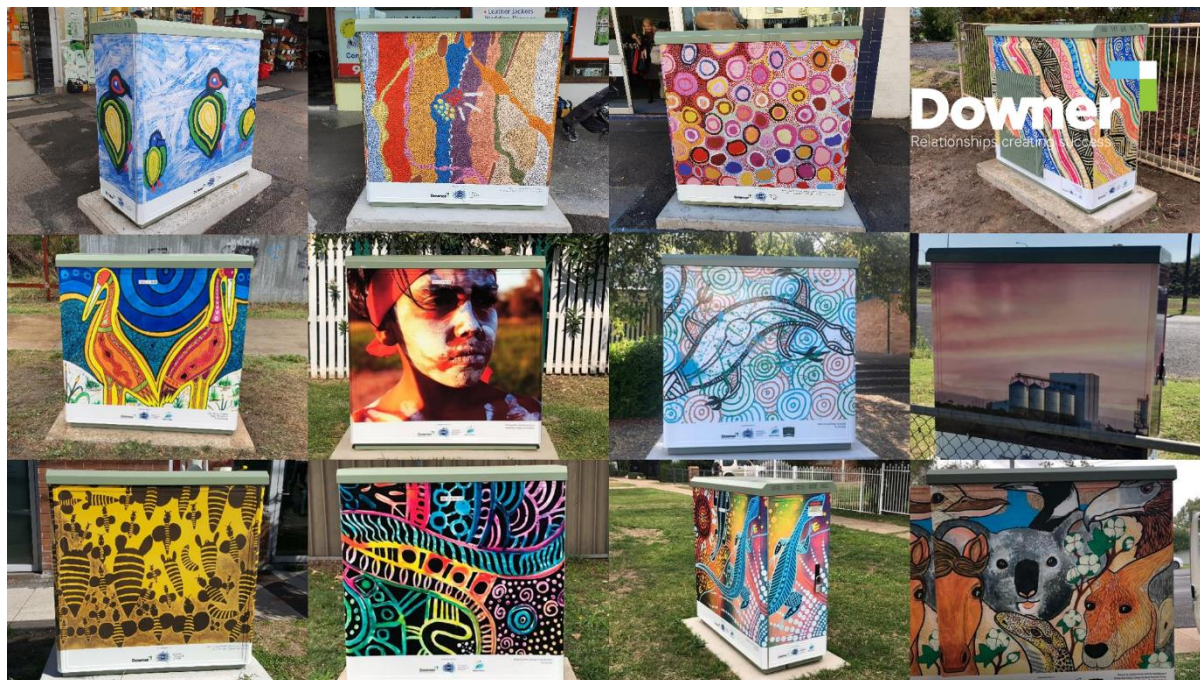


Image: NBN 'Nodes' (A community-based initiative between Downer and NBN Co engaging local primary school students and artists)

10 September 2021

Submission on behalf of Downer Group (Downer)

Downer welcomes the invitation from the Senate Select Committee on Job Security (**Committee**) to make a submission as an organisation involved in the delivery of Australia's National Broadband Network (**NBN**).

Background

Downer has been engaged by NBN Co Ltd (**NBN Co**) for over ten years to manage significant elements of the NBN's design, construction and maintenance on behalf of NBN Co.

Through this period Downer has partnered with hundreds of small businesses and approximately 10,500 workers across Australia to deliver packages of work for NBN Co.

The work for NBN Co is managed by Downer's Technology and Communications Services (**DTCS**) business which provides telecommunication, data and smart services to customers in carrier, transport, government, utilities, resources and defence sectors. This DTCS business is a subset of Downer's Utilities Business which undertakes major projects for water utilities as well as in the power and gas distribution industry.

The types of projects and the way in which those projects are scoped, tendered for and delivered by the DTCS business for NBN Co is consistent with how projects are delivered in the telecommunication industry. The projects, small or large, usually require Downer to coordinate technical, trade, engineering and project management functions to deliver the works.

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Downer has been involved in delivering two types of projects to NBN Co:

- **Planning, design and construction projects**, including the delivery of Fibre to the Curb (**FTTC**), Fibre to the Node (**FTTN**), Fibre to the Premises (**FTTP**) and Hybrid Fibre Coaxial (**HFC**) services; and
- **Reactive and planned maintenance projects** including urgent field service work, site maintenance, network restoration, copper rehabilitation, alternate power system activities, network performance and capacity enhancement.

Downer has delivered these projects to NBN Co across all states and territories and is currently delivering services in all states and territories except Tasmania and Victoria. Projects range from multi-year programs of work, to single day 'ticket of work' activities. As more NBN construction work naturally reaches completion, Downer is now transitioning to delivering a higher proportion of reactive maintenance projects which, due to their nature (i.e. rectification of faults), are difficult to forecast.

Sustainable operating model

In order to successfully connect approximately 12 million Australian homes and businesses to date, the NBN project has required its delivery partners, such as Downer, to operate on a *national scale* to ensure the consistency of service delivery while delivering construction and maintenance solutions that are *highly specific to the local conditions* where connections are implemented.

The nature of the NBN project has also evolved since its inception with new technologies (such as the introduction of FTTC) and new Government policies requiring service partners to adapt their construction and maintenance capabilities.

To this end, where Downer has been awarded contracts to deliver projects for NBN Co it has operated with a mix of direct employees (such as engineers, project managers, OHS professionals) and specialised businesses who work with Downer to deliver civil work, fibre splicing, fibre hauling, equipment installation and aerial make ready works (**Construction and Service Partners**).

Through this model, Downer has been able to quickly adapt to changing consumer and regulatory demands and build trusted relationships with both the customer and its suppliers. This has in turn enabled Downer to win further contracts and provide more opportunities to its Construction and Service Partners.

Snapshot of Downer's current NBN Projects

- Total number of direct employees: 259
- Approximate number of Construction and Service Partners onboarded: 541
- Approximate number of Construction and Service Partners performing works on each day: 120 - 160
- Approximate number of people engaged by Construction and Service Partners per day: 750
- Average length of relationship with Construction and Service Partners (from onboarding to offboarding): 2.5 years
- Annual spend on Construction and Service Partners (F21, inclusive of plant and equipment): Approximately \$195M

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Procurement of Downer's services through NBN Co

Sourcing

NBN Co procures its construction and maintenance projects through a competitive sourcing process for discrete packages of work. Given the complexity of the work and consistent with industry practice, Downer is awarded work on a package by package basis. While Downer has been successful in winning work through this sourcing process, it has not been successful in every instance and on occasions has decided not to bid for certain packages of work.

As part of its bid submissions to NBN Co, Downer is required to provide a detailed plan establishing how it will source and mobilise the number of qualified resources necessary to perform the contract.

Downer is also required to demonstrate compliance with workplace laws and explain the procedures and processes in place to prevent and remedy breaches.

Pricing

The fairest way for delivery partners to be remunerated for planning, design and construction work is on the basis of a schedule of rates. A schedule of rates provides fixed component pricing for the delivery of specified activities within a project.

As Downer is remunerated on a schedule of rates, it in turn remunerates its Construction and Service Partners on this basis.

In preparing its price for bid submissions, and the underpinning proposed schedule of rates, Downer seeks to ensure that:

- Construction and Service Partners receive a sustainable margin on work performed;
- Downer is able to attract and retain the best Construction and Service Partners;
- Rate cards are simplified to support the activity required; and
- Construction and Service Partners can meet all insurance and workplace legislation compliance requirements.

Construction and Service Partners are given an opportunity to negotiate the proposed schedule of rates prior to execution of a subcontract.

Resourcing for NBN projects

Sourcing

The nature of the work requires highly experienced and skilled people to deliver it, sometimes at short notice. Given the national coverage of the NBN Network, Downer engages a large number of Construction and Service Partners (currently over 500) with requisite capabilities across the country.

To find these resources without disrupting our customer and end users, Downer naturally turns in the first instance to Construction and Service Partners who have demobilised from other telecommunications projects as well as advertising in all local markets. The significant

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majority of Construction and Service Partners engaged by Downer have continued an operating model established for earlier packages of work on other projects in the industry.

Downer does not engage any sole traders to perform work on its NBN contracts. Downer only enters into services contracts with legitimate, independent businesses.

The workforce that Downer engages to deliver each project are highly skilled and specialised, encompassing telecommunications technicians, electricians, fibre splicers and plant operators.

In delivering the work, Downer's Construction and Service Partners are required to meet the necessary technical specifications and safety standards but otherwise have autonomy in how the work is performed. For example, when completing a Downer work order, the Construction and Service Partner determines the number of resources required, the method of execution and the order of execution subject to NBN Co's technical standards and project timelines.

The terms of Downer's contract with its Construction and Service Partners on the NBN specifically permit those businesses to engage in other work, including for competing businesses. It is not unusual for Downer's Construction and Service Partners to also provide services to other entities delivering services of a similar nature to NBN Co.

Further, the contracting arrangements Downer has with its Construction and Service Partners contemplate and permit those businesses to subcontract part or all of the services they provide to Downer, provided the employees of those entities are qualified to complete the work.

Downer's Construction and Service Partners provide their own plant and equipment, provided it meets NBN Co's standards for delivery of the service. As an example, NBN Co requires specific splicing test reports and a Construction and Service Partner's equipment must be capable of producing these reports.

Support and engagement with Construction and Service Partners

Downer is proud to have helped people to grow their businesses as a key delivery partner over many years on the NBN project.

These businesses will continue to support Downer and contribute to the economy with the skills and portfolio developed through their work on the NBN project.

Case Study

- Contract Partner (**CP**) originally commenced works with Downer under the Multi-technology Integrated Master Agreement (**MIMA**) program in 2017 to support the business' rod, rope proving, cable hauling, splicing and copper works.
- CP's quality and safety performance measures were exceptional.
- In early 2018, Downer agreed to support CP's aim of broadening its business by facilitating its accreditation to undertake aerial works for several power utilities due to a shortage of accredited resources in the NSW North region.
- This accreditation (with Essential Energy, Ausgrid and Endeavour Energy) required upskilling of CP's employees which was fully supported by Downer.
- Downer and CP's relationship continues as CP is now a key partner in our N2P Pilot and Evolution programs.
- CP is currently exploring opening a branch in Perth, Western Australia, to support the

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Downer ODM, Unify, N2P and Telstra programs in the region.

- CP has also recently diversified and now also supports Downer in our New Energy business with the construction of solar infrastructure.
- CP currently employs 20 workers but is planning to build their workforce to 60.

As far as possible, Downer works to ensure that its Construction and Service Partners have access to consistent and predictable patterns of work so that they can forecast and plan their work accordingly.

Downer receives a rolling forecast from NBN Co about upcoming work and regularly communicates with Construction and Service Partners to ensure they are aware of upcoming works. This is achieved through one-on-one communication with management representatives, and town hall meetings with Construction and Service Partner representatives. Our Contract and Service Partners also provide monthly forecasts to Downer regarding their availability to accept new and ongoing work.

Work on the NBN has been designated by State and Territory Governments as critical infrastructure work and through the COVID-19 pandemic, Downer has been able to continue to deliver work to Contract and Service Partners with appropriate safety measures in place.

Ensuring compliance of Construction and Service Partners

Downer requires its Construction and Service Partners to submit evidence (either in the form of a warranty at the time progress claims are made; or by a monthly statutory declaration) that all employee entitlements (including superannuation) have been paid in accordance with applicable industrial instruments and that the business has complied with all payroll tax and workers compensation obligations as well as carrying the necessary insurances to cover their business and employees.

All Construction and Service Partners are required to provide Downer with confirmation that they are complying with relevant state and territory Public Health Orders and legislation, and that the required CovidSafe plans are in place within their business.