

Introduction

Background

- 1.1 The Shareholder Minister's Third Performance Report (the Performance Report) on the rollout of the National Broadband Network (NBN) details performance information relating to progress of the NBN rollout for the six month period from 1 January to 30 June 2012.
- 1.2 Since the second Performance Report, the NBN Co Limited (NBN Co) has revised its performance targets and issued a new Corporate Plan.¹ The new corporate plan 'incorporates the following major changes when compared to the' ...previous...' corporate plan:'
- 'Changes in the scope of the overall project resulting from:
 - ⇒ The inclusion of the Optus HFC Agreement in the Corporate Plan forecasts; and
 - ⇒ The latest assessment of the impact of implementing a number of policy requirements, including the full impact of the New Developments policy announced in December 2010 and revised in June 2011; the impact of the 121 semi-distributed Points of Interconnect decision; and the requirement for NBN Co to rollout the Fibre network in all the current Telstra Band 1 and Band 2 copper exchanges.
 - Other changes since the 2011-13 Corporate Plan resulting from:

1 The NBN Co Corporate Plan 2012-2015 released on 8 August 2012 replaces the NBN Co Corporate Plan 2011-2013 released 20 December 2010.

- ⇒ The impact of the delayed Commencement Date of the Telstra Definitive Agreements, which has led to a corresponding delay in the start of the volume rollout;
 - ⇒ Reduced Capital Expenditure and increased Operating Expenditure as a result of more infrastructure being accessed under the Telstra Definitive Agreements; and
 - ⇒ Accelerated Capital Expenditure during the Construction period to FY2021 as a result of adopting a 'Build Drop' strategy for connecting premises to the Fibre network.²
- 1.3 These changes in scope outlined in paragraph 1.4.1 of the 2011-2013 Corporate Plan have contributed to a 'decrease in capital expenditure during the construction period, an increase in operating expenditure to 2021 and'...an overall 'reduction in revenues to' 2021 'compared with the' previous corporate plan.³ The NBN Co has attributed the changes to its financials, but not limited these changes to the:
- 'Delayed commencement of volume rollout
 - Increased Telstra Infrastructure, and
 - Accelerated Customer Connect Costs.⁴
- 1.4 In regard to outstanding regulatory issues, the NBN Co Special Access Undertaking (SAU) has been withdrawn, revised and resubmitted to the Australian Competition and Consumer Commission (ACCC) for formal consideration.⁵

Committee's Role

- 1.5 Pursuant to its Resolution of Appointment (RoA) and in accordance with its terms of reference, the committee is required to report to the Parliament and the NBN Shareholder Ministers⁶ every six months 'until the NBN is complete and operational'.

2 NBN Co, *Corporate Plan 2012-2015*, August 2012, p. 10.

3 NBN Co, *Corporate Plan 2012-2015*, August 2012, p. 12.

4 NBN Co, *Corporate Plan 2012-2015*, August 2012, pp 12 and 13.

5 ACCC, 2012, ACCC Receives New NBN Co Special Access Undertaking, media release, 28 September.

6 The Shareholder Ministers are Senator the Hon Stephen Conroy, Minister for Broadband, Communications and the Digital Economy and Senator the Hon Penny Wong, Minister for Finance and Deregulation.

- 1.6 The committee is primarily enabled to examine and report on matters relating to the NBN Co's objective to connect Australian premises to the NBN which includes:
- the achievement of take-up targets as outlined in the NBN Co Corporate Plan
 - Progress of the NBN rollout and performance matters relating to the NBN Co such as consumer engagement, complaint handling, risk management and
 - 'any other matter pertaining to the NBN rollout that the committee considers relevant.'
- 1.7 To date, the committee has reviewed and reported on a number of significant and ongoing issues associated with the NBN rollout which include:
- NBN rollout across the three technologies of fibre, wireless and satellite
 - issues raised and faced by regional and remote areas
 - regulatory issues associated with establishment of the NBN
 - E-readiness of small business, communities, governments and individuals and associated consultation by the NBN Co
 - funding arrangements directly and indirectly associated with the NBN
 - Telstra workforce issues associated with the Retraining Funding Deed under the Binding Definitive Agreement between the NBN Co and Telstra Corporation (Telstra).
- 1.8 The Shareholder Ministers' Performance Report provides an overview of the NBN Co's progress in managing the NBN rollout for the six month period ended on 30 June 2012. In addition, information covering the period from 1 July to 1 October 2012 has been included in the Performance Report. As a result, as contained in previous reports,⁷ the committee is again able to follow and report on matters progressed and on current issues.
- 1.9 Information contained in the Performance Report forms the basis of the committee's six-monthly review, and is supplemented with submissions, published reports, hearings and questions placed on notice which are part of the formal parliamentary committee inquiry and review process.
- 1.10 The committee has in its First, Second and Third reports commented on:
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7 These are the committee's First, Second and Third Reports.

- specific key performance indicators to be included in future Shareholder Minister's reports, and
 - the delay in receiving answers to questions placed on notice with the NBN Co and the Department of Broadband, Communications and the Digital Economy (DBCDE).
- 1.11 The committee is continuing its pursuit of these matters in its Fourth Report.

Reporting Timeframe

- 1.12 Through its RoA, the committee is required to report to the Parliament every six months on the progress of the NBN rollout. With agreement from the Shareholder Ministers the committee reports biannually in June and December.
- 1.13 In line with reporting requirements, the committee previously reported (Third Report) in June 2012 on the progress of the six monthly NBN rollout period from 1 July to 31 December 2011, and a number of regulatory events that took place outside this six month timeframe. These events flowed on into the first half of 2012.
- 1.14 This is the committee's fifth report on NBN related matters and the fourth NBN rollout review report. The Fourth Report includes examination and comment on the progress of the six monthly NBN rollout from 1 January to 30 June 2012, as well as discussion, where relevant, on current matters associated with the NBN rollout.
- 1.15 The Fourth Report also includes continuing examination and commentary on the progress of the NBN rollout and associated regulatory matters, initially reported on in the First Report.

About the Review

Objectives and Scope

- 1.16 As part of its Fourth Review, the committee examined and provided comment on:

- The NBN rollout through the fibre, satellite and fixed wireless networks and associated issues such as service delivery, community consultation, public education and engagement activities;
 - KPIs included in the Shareholder Ministers' six monthly performance report;
 - ongoing regulatory and pricing issues.
- 1.17 The committee has also continued its examination of:
- The potential of private equity to fund the NBN, and
 - Telstra workforce issues associated with the Retraining Funding Deed under the Telstra Agreement.

Conduct

- 1.18 A media release issued on 20 June 2012 announced the commencement of the Fourth Review and called for submissions to be received by 3 August 2012. In addition, a similar advertisement appeared in *The Australian* on 11 July 2012.
- 1.19 Appendix A lists the 28 submissions and three exhibits received as part of the Fourth Review.
- 1.20 The committee subsequently held four public hearings in Canberra on 26 June, 14 August, 9 and 30 October 2012.
- 1.21 Witnesses who gave evidence at public hearings are listed at Appendix B. Transcripts of the public hearings are available at www.aph.gov.au/jcnbn.

Information Provided to the Committee

- 1.22 The committee has previously reported on the limited information provided to it by the NBN Co and the DBCDE in reference to its Third Review. More specifically, the committee has noted the continued lateness of receiving pertinent answers to questions on notice, and the unnecessary pressure this has placed on the committee's reporting timeframe.
- 1.23 In an effort to assist both the NBN Co and the DBCDE to provide answers to questions on notice within an acceptable timeframe, individual members of the committee placed a number of questions on notice for response in advance of between six and two weeks of the 30 October 2012

public hearing. By the 30 October 2012 hearing, only five answers to the 17 questions placed on notice had been received by the committee.

- 1.24 Following the public hearing on 30 October 2012, the committee was informed via correspondence from the DBCDE that it would receive answers to questions on notice 'at the earliest opportunity and to the best extent possible' the DBCDE 'will endeavour to meet the committee's deadline.'⁸
- 1.25 Over the course of three weeks, the committee received the majority of its answers to questions on notice which enabled it to adequately finalise its report. Additional comment about information provided to the committee during the course of its Fourth Review is included in Chapter 2.

Committee's Visit to New Zealand

- 1.26 From 24 to 28 September 2012 the committee represented the Australian Parliament in the reciprocal Australia New Zealand Parliamentary Committee Exchange Program (NZCEP). As part of its New Zealand visit, the committee met with private and public sector individuals and organisations involved in the design, development, and implementation of the New Zealand high speed broadband network.
- 1.27 In addition, the committee met with parliamentary representatives including the: Minister for Communications and Information Technology, Minister of Commerce, Spokesperson for Economic Development, Commerce Select Committee, previous members of the Finance and Expenditure Select Committee and the Speaker of the New Zealand Parliament.
- 1.28 As part of its visit, the committee undertook a half day inspection of fibre and copper broadband network infrastructure, including the central exchange in Wellington.
- 1.29 The Visit Report attached to this report includes an overview of New Zealand's experience in the development and early build of its high speed broadband network and associated issues, as well as a summary of the issues discussed by Members.

8 Correspondence from the DBCDE dated and received 13 November 2012.

Report Outline

- 1.30 Chapter 2 examines the six monthly NBN rollout performance information and associated issues. This includes discussion about the revision of targets and key performance indicators contained in the new NBN Co Corporate Plan.
- 1.31 Chapter 3 continues discussion of the regulatory and pricing issues associated with the rollout of the NBN. Matters discussed include: the ACCC review of the NBN Co SAU and developments relating to the term of the Wholesale Broadband Agreement.
- 1.32 Chapter 4 continues examination of issues associated with the NBN rollout to regional and remote Australia through the fibre, satellite and fixed wireless networks.
- 1.33 Chapter 5 discusses additional issues relating to the NBN rollout such as medical alarms and the connection of multi-dwelling units.
- 1.34 Chapter 6 examines issues associated with private equity engagement in funding the NBN. It also considers Telstra workforce issues associated with the Retraining Funding Deed under the Telstra Agreement.
- 1.35 The committee's report on the 2012 NZCEP is included following the body of this report as a stand-alone chapter. The delegation report contains a summary of the information presented to Members and the associated issues discussed during the committee's visit to New Zealand.