



Chair's Foreword

This is the First Report of the Joint Committee on the National Broadband Network, one of the largest committees in Australian parliamentary history, with currently 57 participating and full voting members. The sizeable membership of the committee demonstrates the commitment to better information communication technology (ICT) for all Australians amongst parliamentary colleagues, as well as a high degree of political interest in the National Broadband Network (NBN) more specifically.

There is a broad consensus in both the Parliament and the community on the importance of better ICT. A recent report by Deloitte Access Economics titled *The Connected Continent: How the internet is transforming the Australian economy* found that the direct contribution of the internet to the Australian economy “is set to increase by \$20 billion over the next five years from \$50 billion to roughly \$70 billion.” The report estimates that approximately 80 000 more Australians will be employed in areas directly related to the internet as a result.¹

How to deliver better ICT is a hotly contested issue and one of the political divides of the moment. With this in mind, this committee has worked hard to focus on its parliamentary oversight responsibility of the rollout of the NBN, and to emphasise that it is not a “clearing house” for policy differences. I thank all Members of the committee for respecting the role that we have as a committee.

The committee is guided by three basic documents in the performance of its oversight and scrutiny role of the NBN. These are the:

- Government commissioned *NBN Implementation Study*, dated 6 May 2010;
- *NBN Co Corporate Plan 2010-2013*, dated 17 December 2010; and
- Government's *Statement of Expectations* for NBN Co, dated 17 December 2010 (issued on behalf of the Government by the Shareholder Ministers, Senator the Hon Stephen Conroy, Minister for Broadband, Communications

¹ Deloitte Access Economics, *The Connected Continent: How the internet is transforming the Australian economy*, August 2011, p. 2.

and the Digital Economy and Senator the Hon Penny Wong, Minister for Finance and Deregulation).

These key documents are available at:

www.nbnco.com.au/assets/documents/nbn-co-3-year-gbe-corporate-plan-final-17-dec-10.pdf

www.dbcde.gov.au/broadband/national_broadband_network/national_broadband_network_implementation_study

These documents need to be read alongside the ongoing work schedule for the NBN. To understand the time flow, the committee has included a diagram from the NBN Co Corporate Plan in Figure 2.7.

In its next review period, the committee intends to pursue a number of issues raised in these foundation documents, including when and how private equity will be engaged in the wholesale platform.

Many Australians are under the misconception that NBN Co is building a Government-owned monopoly to own and run the wholesale platform at taxpayers' expense, indefinitely, with no return to the Government on its very large initial capital expenditure. This is an incorrect assessment of what the final product will look like, and what the true return to the taxpayer really is. The end product will, more than likely, be a privately-owned and operated wholesale platform, with a return on revenue through engagement with retail providers as the platform is built, and then the opportunity for a significant private sale once the NBN is complete.

As a consequence, a very important question the committee will be pursuing is the question of when and how private equity and finance will be engaged in the wholesale platform, and at what financial return to Government, and ultimately taxpayers. The political debate is obscuring the fact that what is being built will be an asset on the financial books of the taxpayer. And as with all assets - everything from a house to a business investment - if it is built efficiently and effectively, and if private equity is engaged in the right way at the right time, an initial spend can lead to a much larger return in the future. With that in mind, this report flags that this committee will be exploring this question further: the committee will seek to satisfy itself about the Government's view of where the points of entry are for private investment alongside public investment, and to make sure maximum return on the Government's investment is secured on behalf of Australian taxpayers.

Recommendation 4 reflects this intent, by calling on the Government to publish a detailed statement outlining the productivity, jobs and competitive benefits of the impact of the NBN on competition (at the wholesale and retail levels) including

the impact of the Australian Competition and Consumer Commission's ruling to increase the number of points of interconnect for the NBN from 14 to 121.

In terms of performance scrutiny, if the committee is to properly provide parliamentary oversight of the NBN it needs to have at hand some agreed Key Performance Indicators (KPIs) and measures to examine. The committee was expecting to have received these by its mandated reporting date of 31 August 2011, so that it could report against them.

On 7 July 2011, the Shareholder Ministers wrote to the committee advising that these performance measures will be provided by mid September 2011. This timing is unfortunate because it means the committee is unable to report against NBN rollout performance in its First Report. The committee asks for this performance information to be provided as a matter of priority and in future, in a timely manner to allow full and more adequate parliamentary oversight of Australia's largest infrastructure project.

When the range of performance indicators are finalised by the Department of Broadband, Communications and the Digital Economy together with the NBN Co, the committee will be seeking a biannual report on these KPIs so that it can report against these agreed measurements. Some committee Members were keen for the committee to be given quarterly or monthly reports from NBN Co, arguing the committee is akin to a board of directors. The majority of committee Members, however, recognised that the committee is not a board of directors and that its parliamentary oversight role is broader; and its reporting requirements are twice yearly, as a consequence, performance measure reporting by NBN Co should be likewise.

Recommendation 1 therefore calls on the Government and the NBN Co to provide the committee with NBN rollout progress reports every six months, no later than three months before the committee is due to report to the Parliament.

In the absence of a formal performance reporting document, the committee has relied on the public hearing evidence of 5 July 2011 from NBN Co CEO, Mr Mike Quigley. At the hearing Mr Quigley reported to the committee that as at the end of June 2011, the NBN Co had passed some 14 256 Brownfields premises (more than the 13 000 forecast in the NBN Co Corporate Plan). Mr Quigley added that the interim satellite service was launched on 1 July 2011 which is expected to cover some 200 000 premises (more than the 165 000 forecast in the NBN Co Corporate Plan). However, progress with Greenfields sites has been delayed, due to the policy discussions and the need to 'bed-down' legislative amendments in the first half of 2011.²

2 Mr Mike Quigley, Chief Executive Officer, NBN Co, Transcript of evidence, Canberra, 5 July 2011, pp 2-3.

Based on Mr Quigley's statements, NBN Co has exceeded several performance targets as per the schedule on page 15 of the NBN Co Corporate Plan. However, as previously stated, the committee is very keen to have a broader set of KPIs and measures made available to it, to enable it to provide proper oversight of the NBN rollout, so that issues in the NBN Co Corporate Plan, the Government's Statement of Expectations, and related issues (i.e. Workforce issues) can receive further scrutiny.

A final theme to emerge in evidence received to date is the question of just how "NBN ready" Government and its agencies are. This was also a key theme of the recent report about the role and potential of the NBN by the House of Representatives Infrastructure and Communications Committee titled *Broadening the Debate* (tabled in the Parliament on 25 August 2011). This committee agrees with its Infrastructure and Communications committee colleagues on this consideration.

While the focus of many has been on a nine-year, complex engineering build of the NBN or on the size of the capital expenditure for the NBN, a number of critical, secondary policy considerations need to be prioritised by the Government for the NBN to deliver maximum value. Many of these were addressed in the Infrastructure and Communications Committee's report and will continue to be pursued by this committee. These include issues such as: Australian content and copyright law, individual privacy and national security, taxation administration, Government use of the internet, and timely and relevant data collection opportunities.

The committee's Resolution of Appointment requires it to report once only this year, by 31 August 2011. Due to the full range of issues, including the many mentioned above, the committee will again report to the Parliament before the end of the year. The second report will examine the agreed performance information pending from the Government, further work on private sector engagement for the NBN in both the wholesale and retail sectors, workforce issues, and the NBN-readiness of Government generally. As well, with several critical agreements due to be resolved in the coming months— such as the NBN Co agreement with Telstra which is expected to go to Telstra shareholders on 18 October— the committee can address these matters in more detail.

I thank the Secretariat for their work to date on what is a very challenging public policy oversight role. And once again, I thank all committee Members for, above all else, focusing on Australia's need for speed in the development of ICT over and above all other policy or political considerations.

Robert Oakeshott MP
Chair