



**SENATOR THE HON PENNY WONG**  
Minister for Finance  
and Deregulation

**SENATOR THE HON STEPHEN CONROY**  
Minister for Broadband, Communications and  
the Digital Economy

Mr Rob Oakeshott MP  
Chair  
Joint Committee on the National Broadband Network  
PO Box 6022  
Parliament House  
CANBERRA ACT 2600

9 OCT 2012

Dear Mr Oakeshott

We present to you the government's response to the third report of the Joint Committee on the National Broadband Network, *Review of the Rollout of the National Broadband Network*.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Penny Wong', written over a printed name and title.

Penny Wong  
Minister for Finance  
and Deregulation

A handwritten signature in black ink, appearing to read 'Stephen Conroy', written over a printed name and title.

Stephen Conroy  
Minister for Broadband,  
Communications and the  
Digital Economy



# **Australian Government**

Joint Committee on the National Broadband Network

Review of the Rollout of the National Broadband Network

Third Report

Australian Government Response to the Committee's  
Third Report of 25 June 2012

October 2012

## INTRODUCTION

In March 2011 the Parliament established the Joint Committee on the National Broadband Network (the Committee) to enable the ongoing parliamentary scrutiny of all aspects relating to the rollout of the National Broadband Network (NBN). The Committee is required to report to the Parliament on the rollout of the NBN on a six monthly basis until the completion of the project.

The Committee has been asked to provide progress reports on:

- the rollout of the NBN;
- the achievement of take-up targets as set out in NBN Co Limited's (NBN Co) Corporate Plan;
- network rollout performance including service levels and faults;
- the effectiveness of NBN Co in meeting its obligations as set out in its Stakeholder Charter;
- NBN Co's strategy for engaging with consumers and handling complaints;
- NBN Co's risk management processes; and
- any other matter pertaining to the NBN rollout that the Committee considers relevant.

The Committee tabled its first report on the *Review of the Rollout of the National Broadband Network* on 31 August 2011 and its second report on 24 November 2011. The government's responses to the Committee's first and second reports were tabled in the Parliament on 1 March 2012 and 16 April 2012 respectively.

On 25 June 2012, the Committee tabled its third report, entitled *Review of the Rollout of the National Broadband Network: Third Report*. The Committee's third report was informed by two public hearings, one site inspection and public consultation which attracted 22 submissions and two exhibits. The report made fifteen recommendations ranging across: clearance processes for responding to questions on notice; the provision of information on the NBN including key performance data on targets and actual results; communications around voice services to communities in fixed wireless and satellite areas; publishing details of NBN Co's procurement processes; NBN Co's policy position for the provision of costing extensions to its NBN fibre footprint, especially for regional and remote Australia; private equity funding and Telstra workforce issues.

## BACKGROUND

The NBN is a telecommunications network that will provide access to high-speed broadband to 100 per cent of Australian premises using a combination of fibre to the premises, fixed-wireless and satellite technologies. NBN Co's objective is to provide 93 per cent of premises with access to a high-speed fibre network capable of providing broadband speeds of up to one gigabit per second (Gbps). Seven per cent of premises will be served by a combination of next-generation fixed-wireless and satellite technologies providing peak speeds of 12 megabits per second (Mbps).<sup>1</sup>

The NBN will be Australia's first national wholesale, open access broadband network offering equivalent terms and conditions to all access seekers or service providers. The Australian Government has established NBN Co to design, build and operate a new high-speed NBN. NBN Co will roll out the network and sell wholesale services to retail service providers. In turn retail service providers will offer retail services to consumers. This is a significant structural change to Australia's telecommunications industry, aimed at encouraging vibrant retail competition.

On 7 March 2012 the Definitive Agreements between NBN Co and Telstra came into force. The Agreements pave the way for a faster, cheaper and more efficient rollout of the NBN. They include the reuse of suitable Telstra infrastructure, avoiding infrastructure duplication and for Telstra to progressively structurally separate by decommissioning its copper network during the NBN rollout. The Definitive Agreements will mean less disruption to communities, less use of overhead cables and faster access to the NBN for Australians.

Planning and construction of the NBN is well underway. On 29 March 2012 NBN Co released its first 3 year fibre rollout plan, which has an objective of construction commenced or completed for approximately 3.5 million fibre premises by 30 June 2015, in every state and territory in Australia<sup>2</sup>.

At the public launch of the three year fibre rollout plan NBN Co CEO, Mr Mike Quigley, set out the principles which govern the planning of the rollout and the locations to receive fibre under the first three year plan, including:

- completing rollout sites that had already been announced in the first and second release announcements and the 12 month rollout plan;

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<sup>1</sup> NBN Co is designing the NBN to be capable of delivering these speeds to NBN Co's Retail Service Providers (RSPs) and Wholesale Service Providers (WSPs) via Fibre, Fixed Wireless and Satellite. Speeds actually achieved by End Users will depend on a number of factors including the quality of their equipment and in-premises connection, the broadband plans offered by their service provider and how their service provider designs its network to cater for multiple End Users.

<sup>2</sup> The terms 'construction commences' and 'construction completed' throughout this document have the meaning given in NBN Co's 2012-15 Corporate Plan dated 6 August 2012.

- incorporating the instructions given by the government in its capacity as the shareholder of NBN Co, such as an even rollout distribution between regional and metropolitan areas and across states and territories; completing the rollout in Tasmania by 2015; and prioritising locations likely to contain a high number of new estates in order to meet the objectives in the government's greenfields policy;
- utilising available Telstra infrastructure, including exchanges and the transit links that connect the fibre nodes back to the points of interconnect;
- prioritising the links needed to provide high speed broadband to rural Australia as quickly as possible through NBN Co's next-generation fixed wireless and satellite networks;
- sequencing the rollout to ensure that costs were minimised and operations were conducted as efficiently as possible; and
- ensuring the construction load was balanced for the contractors and make necessary adjustments if unacceptable congestion levels in local communities were forecast.

On 8 August 2012, the Shareholder Ministers released NBN Co's 2012-15 Corporate Plan, which confirms that the NBN is on track to be delivered to all Australians. The NBN Co 2012-15 Corporate Plan confirms:

- the NBN is a sound investment that will pay its own way and generate a 7 per cent return for the taxpayer;
- the government is on track to meet its target of having work for 758,000 fibre premises commenced or completed by the end of 2012;
- wholesale broadband prices are projected to fall over time in both real and nominal terms;
- the government's equity contribution is forecast at \$30.4 billion over the life of the project; and
- the construction time for the NBN has only been extended by six months, despite a nine month delay in the completion of the Telstra deal.

The key elements of the rollout are now in place, with NBN Co making the transition from planning and initial implementation towards a full-scale rollout.

## AUSTRALIAN GOVERNMENT RESPONSE

The Australian Government has considered the Committee's Third Report and provides the following response to the recommendations.

### Performance Reporting

#### Recommendation 1

The Committee recommends that the NBN Co and the Department of Broadband, Communications and the Digital Economy review the efficiency of their current clearance processes for providing answers to questions on notice so that:

- Responses to the majority of questions placed on notice by the Joint Committee on the National Broadband Network can be received by the due date;
- Its answers to parliamentary committees are consistent, thorough and complete, so that ambiguities are minimised in public debate.

The government notes this recommendation.

The government recognises the importance of providing information to the Committee, noting that time is required to prepare accurate responses to requests for information on the NBN rollout, and for necessary due diligence processes of NBN Co and the government.

The level of interest in the rollout of the NBN attracts considerable inquiries from a range of parliamentary committees. It is worth noting that NBN Co responded to more than 320 Questions on Notice arising from Senate Estimates hearings in 2011-12 and 80 Questions on Notice from the Joint Committee on the National Broadband Network since its establishment. Many questions asked by Members of Parliament or Senators have multiple sub-parts and a level of complexity around the information sought that requires significant investment of resources and time to prepare comprehensive responses.

The government and NBN Co are committed to publishing as much information as possible on the rollout, the company and the benefits of the NBN.

Shareholder departments and NBN Co continue to prioritise clearance processes for responding to questions on notice from Parliamentary Committees.

## **Recommendation 2**

The Committee recommends the government include key performance information in its six-monthly National Broadband Network performance report, listing and detailing: (1) established Business Plan targets and (2) actual results for:

- Homes passed;
- Homes connected; and
- Services in operation.

The government supports this recommendation.

The government and NBN Co are committed to publishing as much information as possible on the NBN rollout.

The government's six-monthly report to the Committee is based on information from NBN Co and provides:

- a summary of the key milestones achieved by the Company, including construction commenced, premises passed, and premises activated for brownfields, greenfields and satellite/fixed wireless;
- year to date financial reports, comprising profit and loss statements, balance sheets and a consolidated statement of cash flows; and
- measurement against agreed Key Performance Indicators for the Company.

The initial performance reports reflect the early stages of the rollout and as such, contain in addition to financial reports, a growing range of performance indicators as the rollout proceeds.

Key Performance Indicators to date have included information on actual results for occupational health and safety, complaint handling, and network deployment (including the number of premises under construction, passed, and activated).

The indicators included in future reports will be expanded so that, over time, the reports will include further detail as the company and its reporting systems mature and the rollout ramps up.

NBN Co's 2012-15 Corporate Plan, released on 8 August 2012, includes annual targets for premises passed and premises activated for brownfields, greenfields and satellite/fixed wireless.

NBN Co's rollout forecasts in the 2012-15 Corporate Plan are consistent with the objective of construction commenced or completed for approximately 758,000 fibre premises by 31 December 2012, in line with NBN Co's '12 month Fibre Rollout Schedule' and an

objective of construction commenced or completed for approximately 3.5 million fibre premises by 30 June 2015, in line with NBN Co's '3 year Fibre Rollout Plan'.

### **Recommendation 3**

The Committee recommends that the NBN Co as soon as possible, provide further key information on its website in a user-friendly format, and also include this information in the six monthly Shareholder Ministers' Performance Report. This information should include:

- The date of the commencement of work in individual service areas;
- The progress of the rollout in each service area (expressed as a percentage);
- The exact date of completion of the National Broadband Network rollout in each service area;
- Information about how to connect to the network; and
- A list of retail service providers active in each service area.

The government supports this recommendation.

The government and NBN Co are committed to publishing as much information as possible on the NBN rollout including its progress in each service area and connection advice relevant to end-users.

On 29 March 2012 NBN Co released its first 3 year fibre rollout plan, which has an objective of construction commenced or completed for approximately 3.5 million fibre premises by 30 June 2015, in every state and territory in Australia. On average it will take 12 months from the start of the fibre network rollout in a given area until services are available.

NBN Co's three year national fibre rollout plan is updated annually with new rollout information. The plan and updates are published on NBN Co's website [www.nbnco.com.au](http://www.nbnco.com.au) and include advice on progress with construction, as well as listing new rollout sites where construction activity will begin.

Expected timings around the commencement and completion of work in areas within the fibre footprint area are provided in NBN Co's Monthly Ready for Service Rollout Plan, published on NBN Co's website <http://www.nbnco.com.au/getting-connected/service-providers/network-rollout.html> and includes advice on the:

- approximate number of premises within the Fibre Serving Area (FSA);
- expected date for the commencement of work within an FSA; and
- expected date that services will become available.

NBN Co has also published information on its website about connecting to the NBN including a step-by-step guide for individuals and businesses, a brochure on *Getting Connected* and a guide on *Preparing for the NBN*.



As of 20 August 2012, 43 service providers were listed on NBN Co's website as active certified service providers of fibre, satellite or wireless services. The list of service providers is further divided into the following categories to assist members of the public in identifying an appropriate service:

- Inland Australia - fibre service
- Mainland Australia - new housing developments
- Tasmania
- Fixed wireless service area
- Satellite service area

The decision to provide services to a specific location is a commercial matter for retail service providers.

Further information on NBN service providers is available from NBN Co's website at <http://www.nbnco.com.au/getting-connected/certified-service-providers.html>. NBN Co is also exploring the possibility of including additional information on its website to enable the identification of retail service providers in service areas within each state and territory.

#### **Recommendation 4**

The Committee recommends that the Department of Broadband, Communications and the Digital Economy, in the development of future public education activities, undertake a study of similar international networks, with a view to adoption of:

- International best practice;
- Strategies employed by governments and companies building these networks; and
- Concrete examples of how this technology is being used and maximised by individuals, business and governments.

The government broadly supports this recommendation.

The government notes that a range of reviews and inquiries – including the House of Representatives Inquiry on role and potential of the NBN, reports by the Joint Committee on the NBN and submissions to the Regional Telecommunications Independent Review Committee, together with a range of other surveys and research – encourage the Australian Government to provide further education and information about the NBN to promote greater awareness and understanding of the NBN and the value and benefits of being connected to, and participating, in the digital economy.

NBN Co is already undertaking a range of comprehensive public education activities at the local level and continues to engage with state-based NBN taskforces, local government and regional interest groups.

NBN Co has provided a call centre 1800 number and public website ([www.nbnco.com.au](http://www.nbnco.com.au)) where the community and stakeholders can contact NBN Co directly with questions, queries, and problems.

To further support its public education activity, NBN Co has established two demonstration facilities; the Discovery Centre in Docklands, Melbourne and the NBN Co Discovery Truck travelling across Australia.

The government's information-based NBN regional advertising campaign was conducted earlier this year and aimed to improve perceptions and understanding of the NBN in regional and rural Australia, including that the NBN will deliver high-speed reliable and affordable broadband to all of Australia and will have a positive impact on regional businesses.

Public information on migration activities will be undertaken by NBN Co, in consultation with government, Telstra (as the existing infrastructure provider) and the wider industry, to support the migration of consumer services during the transition from the copper network to the new fibre optic NBN.

The objective of the public information on migration activities will be to ensure to the maximum extent practicable that end users receive advance notice of the planned migration and are familiar with the action required to be taken by them to migrate to the NBN.

Further to this NBN Co, in consultation with the department, has developed a framework for engaging key stakeholders to assist with the development of public information on migration. This framework includes consulting government, relevant industry regulators, retail service providers, industry and peak bodies, and consumer groups such as ACCAN.

### **Regulatory and Pricing Issues**

#### **Recommendation 5**

The Committee recommends that NBN Co include the consumer protection components of the Customer Service Guarantee in its Wholesale Broadband Agreement.

The government notes this recommendation.

The Customer Service Guarantee (CSG) sets minimum standards, such as connection and repair timeframes that apply to the supply of standard telephone services by retail service providers to retail customers (i.e. residential/small business end-users). NBN Co is a wholesale company that does not supply services directly to retail customers. As such it is

not appropriate to include service levels directly relating to retail customers in its Wholesale Broadband Agreement (WBA).

Notwithstanding this, the current WBA acknowledges the role of NBN Co in enabling its customers to meet their retail level obligations. To this end NBN Co's Product Catalogue, which is part of its WBA, includes a Service Level Schedule<sup>3</sup> which sets out a full range of connection and service assurance timeframes. NBN Co is working with its customers through its Contract Development Process (CDP) to further refine these service level commitments. NBN Co has also indicated that its revised Special Access Undertaking will address service levels and commit to an ongoing Product Development Forum.<sup>4</sup>

Prior to executing the interim WBA in February 2012, Telstra negotiated an amendment that acknowledged that nothing in the WBA amends, limits or negates the rights and obligations of the parties under section 118A of the *Telecommunications (Consumer Protection and Service Standards Act) 1999* (TCPSS Act). Relevantly, this provision imposes an obligation on a carriage service provider (here, NBN Co) to contribute to a retail service provider's CSG liability to a retail customer as a result of a contravention of the CSG, where the contravention is wholly or partially attributable to acts or omissions by the first-mentioned carriage service provider. NBN Co subsequently offered the benefit of this amended clause to its other customers (through a variation to the WBA they had previously signed up to).

#### **Recommendation 6**

The Committee recommends the Government more effectively deliver its Digital Enterprise Program to small and medium sized enterprises (SMEs) with the aim of improving SME access to online resources and enabling interested SMEs to achieve an online presence.

The government recognises that small businesses need to be digitally literate in order to maximise opportunities and productivity benefits offered by the digital economy.

NBN Co has released the first of a series of enhancements to the fibre optic network to help enable Australian businesses to make the most of high-speed broadband. *NBN For Business* is available to telephone and internet service providers and is designed to meet the needs of SMEs.

These enhancements include business grade service levels, higher internet speeds than the existing residential offering and multi-line telephony capabilities.

NBN Co's business offering is also designed to provide higher reliability, guaranteed bandwidth and faster upstream speeds to end-users. However, it is important to note that

<sup>3</sup> NBN Co, WBA Product Catalogue, 26 June 2012, <http://www.nbnco.com.au/assets/documents/w-z/wba-sfaa-wba-product-catalogue-20120626.pdf>, pp.143

<sup>4</sup> NBN Co, Incentive Based Modular SAU: Design Principles, 20 June 2012, [http://www.accc.gov.au/content/item.phtml?itemid=1060326&nodeld=ffb8fb54e17f0ecec20acf908f518257&fn=NBN%20Co%20Revised%20SAU%20proposal%20\(20%20June%202012\).pdf](http://www.accc.gov.au/content/item.phtml?itemid=1060326&nodeld=ffb8fb54e17f0ecec20acf908f518257&fn=NBN%20Co%20Revised%20SAU%20proposal%20(20%20June%202012).pdf)

while these services are still under development, businesses in areas where the fibre rollout has been completed are still able to obtain a standard NBN service.

The government has already provided \$10 million in grant funding over three years to establish the Digital Enterprise program. The program is helping SMEs and not-for-profit organisations in 40 communities that benefit from the NBN, where work on the rollout has already commenced. The program will help these communities to better understand how they can maximise the opportunities from greater digital engagement, enabled by the NBN.

The Digital Enterprise program services are now available in the communities of Townsville in Queensland, Kiama and Armidale in New South Wales, Midway Point, Smithton and Scottsdale in Tasmania, and Willunga in South Australia.

The establishment of another 34 Digital Enterprise services are proposed for the 2012-13 financial year in the communities of St Helens, George Town, Triabunna, South Hobart, Deloraine, Launceston and Kingston Beach in Tasmania; Prospect, Adelaide City, Adelaide Hills, Salisbury and Modbury in South Australia; South Morang, Bacchus Marsh, Brunswick, Ballarat, Golden Plains Shire, Hepburn Shire and Pyrenees Shire in Victoria; Toowoomba, Goodna, Lockyer Valley and Brisbane in Queensland; Victoria Park, Geraldton and Melville in Western Australia; Richmond, Riverstone, Auburn, Penrith, Tamworth and Liverpool Plains in New South Wales; Darwin in the Northern Territory; and, the Australian Capital Territory.

Funding for the program is available until June 2014. Any extension to the program will require further consideration by the government.

The government is providing practical guidance to Australian SMEs and community organisations about how to get online and maximise the opportunities of the digital economy through its Digital Business website ([digitalbusiness.gov.au](http://digitalbusiness.gov.au)). Launched in December 2010, the website is specifically designed for people who want to get the most out of the internet for their organisation, but may have limited experience, modest budgets or be busy running their business. It contains easy to understand information on establishing and enhancing an online presence, using online productivity tools to increase business efficiencies, and protecting business data. The Digital Business website contains video case studies that share real examples of Australian businesses and community organisations that are engaging in online activities, as well as a blog that provides updates on the latest trends and advice from industry experts. The website is one of the resources being used by Digital Enterprise service providers.

To give some context to the online engagement by businesses, Australian Bureau of Statistics data shows that in 2010-11, while 90 per cent of businesses had broadband Internet access, only 43 per cent had a web presence<sup>5</sup>. Australian Communications and Media Authority

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<sup>5</sup> ABS, Summary of IT Use and Innovation in Australian Business 20010-11, Cat. No. 8166.0, 26 June 2012

research found that 35 percent of people had bought, sold or shopped online in the month of June 2011<sup>6</sup>.

The department commissioned a study<sup>7</sup> on the potential for small business and community organisations to take advantage of the NBN. This study identifies key opportunities presented by the NBN, in addition to outlining a number of challenges to SMEs realising the NBN's full potential. The government is taking these challenges into consideration in relation to the delivery of its Digital Enterprise Program. They include:

- cost and time constraints - costs and time associated with services resulting from the NBN and developing Internet capabilities;
- information gaps - potential for information gaps to exist among NBN stakeholders regarding the NBN, its technical aspects, and the network set-up currently in progress;
- technical issues - focus groups expressed concern around a number of technical aspects of the NBN (such as wireless internet speeds and international bandwidth capacity); and
- behavioural issues - a continuing tendency for SMEs to more willingly commit to traditional industry practices. Some existing SMEs are still in the process of embracing existing internet technologies, and will take more time to fully realise the capabilities of the NBN. Focus groups recognised the difficulty for SMEs to conceptualise the benefits of products and practices without first experiencing them.

## **Contracting**

### **Recommendation 7**

The Committee recommends the Department of Broadband, Communications and the Digital Economy review its internal processes where the public interest test is used to assess whether material is commercial-in-confidence, and provide details of this review to the Committee.

The government notes this recommendation.

The department considers and responds to requests for information from the Committee in a transparent and accountable manner. Where requests involve the potential disclosure or provision of information that is considered commercially confidential, an assessment is made

<sup>6</sup> [http://www.acma.gov.au/WEB/STANDARD/pc=PC\\_410254](http://www.acma.gov.au/WEB/STANDARD/pc=PC_410254) p153

<sup>7</sup> The Allen Consulting Group, Opportunities for small business and community organisation in NBN first release areas, Feb 2011, [http://www.dbcde.gov.au/data/assets/pdf\\_file/0020/135506/Opportunities\\_for\\_small\\_business\\_and\\_community\\_organisations\\_in\\_NBN\\_first-release\\_areas.PDF](http://www.dbcde.gov.au/data/assets/pdf_file/0020/135506/Opportunities_for_small_business_and_community_organisations_in_NBN_first-release_areas.PDF)

regarding the potential commercial harm that disclosure may cause including to third parties such as suppliers and contractors, and to NBN Co. The assessment takes account of the particular facts of the matter and:

- the public interest in accountability (i.e. the interest in disclosing the information); and
- the public interest in protecting commercial interests (i.e. the interest in the information remaining confidential). In formulating an assessment of this interest, the department consults with any relevant third party to which the confidential information relates. The assessment considers the particular detriment that would flow from the release of the information in the particular case.

Each of the interests is weighed up to determine, on balance, whether it is in the public interest to disclose the information.

Requests for the release of information that the Committee may make in relation to the rollout of the NBN are considered on a case-by-case basis as set out above and includes an analysis, for example, as to whether potential disclosure or provision of information may cause adverse effects on commercial relationships and NBN Co's ability to achieve its business, financial or commercial objectives and hence negatively impact upon Australian taxpayers' investment in NBN Co.

Matters relating to departmental or NBN Co claims for non-disclosure of information to the Committee are ultimately referred to the Minister for consideration.

#### **Recommendation 8**

The Committee recommends that, as a matter of urgency, for all future contracts the NBN Co update, and regularly maintain, its tender registry to include the following basic information:

- A list of works included in the original request for tenders;
- The dates at which the tender opened, closed and was awarded;
- The name of the awarded company or companies;
- The length of time the services or goods are expected to be completed;
- The value of the contract, or where commercial sensitivities prohibit disclosure, the aggregate value of the contracts;
- The details of any extensions and variations to contracts as well as the value of an extended contract;
- The value and percentage of local content in the awarded contract; and
- Any other relevant accompanying information.

The government is supportive of NBN Co being subject to a high level of transparency and accountability regarding its tendering activities.

NBN Co's overall corporate governance framework is set out in the *Commonwealth Authorities and Companies Act 1997* (CAC Act) complemented by *Commonwealth Government Business Enterprise Governance and Oversight Guidelines* of October 2011 (GBE Guidelines), its constitution and the *Corporations Act 2001*. Under the CAC Act and GBE Guidelines, NBN Co is required to notify responsible Ministers of significant events and the operations of the company and its subsidiaries, including major procurement activities.

While there are no formal requirements for tender outcomes to be published by GBEs, NBN Co publishes the details of current, closed and awarded tenders on its website at <http://www.nbnco.com.au/working-for-us/tenders.html>. The Company also regularly publishes announcements on its website detailing major procurement outcomes. Further, the government's six-monthly report to the Committee includes commentary regarding major procurements, the percentage of local content in NBN Co's contracts and a schedule of commitments detailing the aggregate value of commitments payable by type and maturity.

While contract negotiations are a matter for NBN Co, the government is confident that NBN Co has a comprehensive and documented approach to achieving value for money in procurement and undertakes the appropriate levels of due diligence in its approach to tender processes, recognising its responsibilities to demonstrate alignment with the principles of probity, transparency and value.

#### **Services in regional and remote Australia**

##### **Recommendation 9**

The Committee recommends that the NBN Co revise its terminology and language to clarify community understanding of what the three National Broadband Network services can and cannot support, to enable the community to prepare for the network's services appropriately and become fully informed.

The government supports this recommendation.

NBN Co has developed and published material on its website ([www.nbnco.com.au](http://www.nbnco.com.au)) that demonstrates the opportunities created by the NBN and explains the capabilities of the three technology platforms; fibre, fixed wireless and satellite. This material includes case studies, fact sheets, videos, presentations, brochures and a range of other web content.

NBN Co has provisioned additional resources for the marketing and execution of public education activities over the deployment period and this will support the delivery of more information about the NBN in regional communities. Public education activities will be aimed at addressing consumer needs including highlighting the benefits of the different NBN

technologies and ensuring information is available on how to prepare for the transition to the NBN.

Over the longer term it is expected that NBN Co will play a primary role in this activity as it aligns with the Company's current communications plans.

**Recommendation 10**

The Committee recommends that the NBN Co include in its web-based interactive rollout map specific information on the provision of voice services for communities in fixed wireless and satellite access areas.

The government supports the provision of further information for consumers of voice services in fixed wireless and satellite areas.

The government is committed to the continued provision of voice services to residents and businesses in NBN fixed wireless and satellite areas. Under an agreement reached between Telstra and the Commonwealth, as administered by the Telecommunications Universal Service Management Agency (TUSMA), Telstra has a contractual obligation to maintain the copper network in non-fibre areas, and provide voice-only services nationally (including locations outside the fibre footprint) for a period of 20 years from 1 July 2012. TUSMA's agreement with Telstra to deliver key services such as standard telephone services and public payphones ensures continuity of basic safeguards for all Australians and in particular, strengthens the safety net for rural and regional Australia.

For premises in NBN fixed wireless and satellite areas, residents that have existing telephone services will have the choice to maintain those services or access a voice service provided over the NBN's fixed wireless or satellite network.

Further, the 2012 Regional Telecommunications Independent Review Committee recently examined telecommunications services in regional, rural and remote parts of Australia ('the Sinclair Review'). The Committee's report 'Regional Communications: Empowering digital communities', was tabled in the Parliament on 23 May 2012. Recommendation 2.3 of the Sinclair Review was that "*the government should develop and implement a comprehensive communication strategy to raise awareness of consumer safeguards for people in regional Australia.*"

The Australian Government responded to the recommendations of the Sinclair Review on 23 August 2012. In response to recommendation 2.3, the government has stated that the Department of Broadband, Communications and the Digital Economy will work with the Department of Regional Australia, Local Government, Arts and Sport to develop and implement a strategy to disseminate information on consumer safeguards to people living in regional Australia, for example through Regional Development Australia committees and the 'myregion' website. This will include providing information on TUSMA and associated



arrangements for ongoing availability of voice services, including for communities in fixed wireless and satellite access areas.

#### **Recommendation 11**

The Committee recommends that the NBN Co finalise its policy for the provision of costing extensions to its planned National Broadband Network fibre footprint:

- And publicise the policy and its process for communities in the fixed wireless and satellite service areas; and
- At the point of announcing new areas within these footprints, ensure that the policy is attached to media releases and known to the relevant local government associations.

The government supports this recommendation.

NBN Co has recently published its Network Extension Policy on its website (refer to <http://www.nbnco.com.au/assets/documents/network-extension-policy.pdf>).

The government is supportive of NBN Co publicising its Network Extension Policy and committed to making this information widely available in fixed wireless and satellite service areas.

The policy outlines NBN Co's process for individuals, businesses and governments to apply for a Network Extension to build an alternate technology to that which was planned as part of NBN Co's national rollout.

The company conducted a network extension trial process in Tasmania, which informed development of the final policy. The trial's most important finding was the need for effective community consultation activities at the commencement of the rollout process in relevant areas. As such, the company has now published its Network Extension policy, and provides significant information to interested parties at NBN Community Information Sessions which are generally held at the commencement of the rollout in a particular area.

Further, to support the rollout in any one area, NBN Co undertakes extensive engagement with the relevant local council and information about Network Extension options is provided as part of these discussions.

There are three types of Network Extensions categorised by the size and complexity of the extension.

1. Adjacent Fibre Network Extensions - covering premises located on the edge of a fibre serving area module. These premises can be individual (e.g. a house) or a group of premises (e.g. a group of houses or a group of businesses in an industrial area);
2. Large Fibre Network Extensions - covering small communities or towns that are not planned to be serviced by fibre or individual premises or multiple premises that cannot be considered for an Adjacent Fibre Network Extension; and

3. Fixed Wireless Network Extensions - covering small communities or towns that are planned to be serviced by satellite services.

A key objective behind the Network Extension Program is to give Australian households, businesses and other premises the ability to choose, where possible, an alternative technology through which they can access the NBN.

NBN Co's Network Extension Fact Sheet can be viewed on their website at <http://www.nbnco.com.au/assets/documents/network-extension-fact-sheet.pdf>

The fact sheet explains what the Network Extension Program is and outlines the process which is to be followed to apply for a network extension. The fact sheet and application form will be available at NBN Co's Community Information Sessions held in towns where there is a potential for Network Extension projects.

NBN Co has established a dedicated group whose task is to engage with communities and stakeholders throughout the project rollout. A structured program of community and stakeholder activities has been designed and promoted.

Community engagement activities are designed to ensure that landowners, tenants, businesses and end-users are kept informed of activities and rollout progress. They include:

- direct marketing;
- community information sessions and forums;
- key stakeholder briefings and meetings;
- media and advertising; and
- a range of detailed information on NBN Co's website.

### **Private Equity Funding and Telstra Workforce Issues**

#### **Recommendation 12**

While noting possible revisions in this area in NBN Co's next corporate plan, the Committee recommends that NBN Co progress its consideration of debt financing arrangements as a priority.

The government supports this recommendation.

In its Statement of Expectations to NBN Co dated 17 December 2010, the government noted that during the NBN rollout period, private sector debt raised by the Company will complement government equity to fund rollout activities.

NBN Co's 2012-15 Corporate Plan includes external funding assumptions and estimates that the total debt funding to be raised from banks and financial markets is forecast at \$13.7 billion from 2014-15 to 2020-21.

By the time of raising private sector finance, NBN Co will have demonstrated a strong track record in the delivery of its key objectives, established investor confidence in both the rollout and take up of this critical infrastructure, with clear visibility of positive earnings and cashflows.

The government notes, however, that debt arrangements are subject to market conditions outside of NBN Co and the government's control and will need to be assessed closer to the point that debt is required.

Following completion of the rollout, the government will consider the optimum capital structure for the Company, noting that NBN Co is required to operate within the ownership and investment settings determined through the *National Broadband Network Companies Act 2011*.

### **Recommendation 13**

The Committee recommends that the Department of Broadband, Communications and the Digital Economy publicly disseminate a reporting document on annual progress under the Telstra Retraining Funding Deed.

The government broadly supports this recommendation and considers that information about the progress of the Telstra Retraining Funding Deed could be included in the annual statement outlining the direct and indirect employment benefits of the National Broadband Network in response to Recommendation 15.

Under the Telstra Retraining Funding Deed, the Commonwealth provided Telstra with \$100 million in funding to assist it to retrain its eligible staff to operate in an NBN environment. The retraining funding will be spread over an eight year period in which Telstra will develop courses and train staff focussing primarily on retraining staff who currently work on the copper and Hybrid Fibre Coaxial (HFC) networks, and staff whose roles are linked to supporting the copper and HFC networks including the wholesale copper workforce and the direct field support workforce. Telstra will also give priority to retraining Telstra employees in NBN related technical, process and system activities.

The provision of funding followed the government's acceptance of Telstra's comprehensive Training Plan which formed a key requirement of the Deed. Telstra must provide a Training

Plan covering three years which sets out the training needs, courses to be developed, training methodology, and training targets. Six months prior to the cessation of the then current Training Plan, Telstra will submit the next Training Plan to the department for review. Under the Deed, not less than 70 per cent of funds spent in any three years of a Training Plan must go towards the development and delivery of Accredited Training Courses by a Registered Training Organisation.

The Deed includes a comprehensive reporting regime, covering both financial and training activities. Telstra must create and maintain full and accurate accounts and records of the conduct of the retraining, the use of funds, progress against the training targets and plan and the creation, acquisition and disposal of assets. Telstra is required to provide a half yearly report to government on progress against the Training Plan and a more detailed annual report to government on the Training Plan. Telstra will also meet with the department every six months and, unless agreed otherwise, hold quarterly meetings with its Unions which the department will attend as an observer.

**Recommendation 14**

The Committee recommends that NBN Co publicly communicate major areas of emerging training need and workforce demand with regard to the rollout of the National Broadband Network, to assist with future Australian workforce planning in this sector.

The government supports this recommendation.

NBN Co is focused on growing a pool of skilled labour within Australia and maximising local industry participation in the rollout of the NBN.

NBN Co has forecast direct employment demand for total employment in the construction phase of 16,000 to 18,000 jobs at the peak of construction. There are five key roles which make up around 80 per cent of forecast workforce demand:

- Labourer (5,500)
- Earthmoving Plant Operator (2,300)
- Road Traffic Controller (900)
- Cabler (3,000)
- Telecommunications Lineworker (1,100)

NBN Co is working with all levels of government, its principal construction contractors, the industry skills boards and training organisations to facilitate partnerships and support an appropriately skilled workforce to support the rollout.

To date NBN Co has:

- established a working group on skills and workforce issues involving the principal contractors;
- established a workforce development group which has undertaken a detailed assessment of the tasks involved in the rollout, the skills required and the corresponding demand and supply for employment during the rollout construction;
- sought expressions of interest from Registered Training Organisations (RTOs) who can deliver training courses in a range of nominated occupations in civil construction, fibre network construction and wireless network construction. The expression of interest received from RTO's indicated these firms are looking to hire more trainers to meet the expected demand for training places so that people can gain the skills they need to participate in the rollout; and
- developed a workforce development strategy that involves:
  - identifying the gap between supply and demand of appropriately skilled resources;
  - determining relevant training programs and qualifications, providers, and funding to support skills development; and
  - developing assurance that the NBN rollout workforce is skilled and qualified.

The workforce development strategy also recognises the dispersed nature of the rollout which will enable it to leverage workers from both regional and metropolitan areas.

As part of the strategy, NBN Co undertakes workforce modelling using the national rollout schedules to:

- identify where and when NBN construction activities will take place and the type of network architecture to be built;
- identify the rollout schedule data which is then overlaid with assumptions built upon construction activities, including; crew composition, productivity rates, occupations and installation guidelines; and
- provide a forecast of demand for workers, by region, occupation and time.

The modelling is currently being reviewed against the three year rollout plan announced in March 2012. The review will also consider the impact of the Telstra agreement which was finalised in March 2012.

Information on this strategy is publicly available on the NBN Co website at [www.nbnco.com.au](http://www.nbnco.com.au).

NBN Co is also:

- exploring an umbrella approach to funding proposals which would facilitate principal contractors/delivery partners and their sub-contractors being engaged with large federally funded programs. This approach will also assist their understanding of how to access government funding and how to connect with apprentices, local job seekers and Indigenous Australians; and
- starting to engage with employment services providers, Registered Training Organisations (RTOs) and Australian Apprenticeships Centres (AACs), through relevant government agencies, to build their understanding of the NBN and the associated rollout while also building connections of relevant stakeholders at a regional level.

Traineeships will play an important role in the development of the NBN workforce, and to date construction companies appointed by NBN Co have already taken on more than 45 trainees with plans for a further 50 to be engaged in the coming months.

The NBN Co website features information on preferred qualifications to provide clear advice to both the vocational education and training (VET) system, and individuals' training for NBN Co's preferred qualifications. This will assist in influencing decisions on delivery and participation in telecommunications training courses.

Other than the construction task, jobs will be created through direct NBN Co employment; through NBN Co's purchase of inputs for the rollout and related companies; industries gearing up to deliver applications and services over the NBN infrastructure; and the flow-on effects to the businesses these firms interact with. Initial estimates prepared by the Australian Government in April 2009 indicated that the NBN would support up to 25,000 local jobs every year, on average, over the life of the project, with up to 37,000 jobs at the peak of the rollout.

NBN Co seeks local content and sourcing arrangements in its major contracts particularly where there is known local supply capacity or the potential to promote additional local production through NBN Co contracts.

Certain contracts are inherently local such as construction of the fibre network. NBN Co has awarded over \$1.1 billion in construction contracts, including:

- \$300 million over four years to Visionstream Australia for the construction of the fibre network in Tasmania;
- \$19 million to Visionstream Australia to build the first stage on the transit network;

- \$141 million over two years to Syntheo for the construction of the fibre network in South Australia and the Northern Territory;
- \$133 million over two years to Transfield for the construction of the fibre network in Victoria;
- \$174 million over two years to Syntheo for the construction of the fibre network in Western Australia; and
- \$380 million over two years to Silcar for the construction of the fibre network in Queensland, New South Wales and the Australian Capital Territory.

The contract for construction in Tasmania is an example of where the NBN is not only expected to see the creation of 800 new jobs at the peak of the rollout, but it will also create a permanent workforce based in Tasmania to undertake ongoing maintenance and future upgrades.

NBN Co anticipates that between 250-300 Australian jobs will be generated by the rollout of the Long Term Satellite Service. This includes approximately 200-250 equivalent full-time positions (likely to be contractors) who will install satellite dishes and modems on the roofs and inside the homes of up to 200,000 homes and businesses across Australia from 2015.

In January 2011, NBN Co awarded three contracts worth over \$1.6 billion to Australian located companies—Warren & Brown, Corning and Prysmian—to supply equipment for the NBN, including optical distribution frames, fibre optic cabling and other passive network equipment. As a direct result of being awarded an NBN contract:

- Warren & Brown has advised they have so far employed an additional 40 people and anticipate another 20 will be added over the next 12 months;
- Corning expects to create an additional 400 jobs at its Melbourne facility; and
- 50 direct new jobs were created in Prysmian's Dee Why manufacturing facility and it is estimated that in addition to this, jobs will be created in transport, logistics, training, administration and other support roles.

#### **Recommendation 15**

The Committee recommends that the Minister for Broadband, Communications and the Digital Economy publish, on an annual basis, a detailed statement outlining the direct and indirect employment benefits of the National Broadband Network (NBN) rollout, including in terms of local/regional employment and major areas of emerging NBN workforce demand.

The government broadly supports this recommendation.

The government established NBN Co to design, build and operate the NBN, a project that will create jobs in upstream industries as new applications are developed to utilise the network, as well as create new jobs in related sectors supplying to NBN Co and its

subcontractors in the construction, manufacturing, IT and telecommunications industries. The rollout of the NBN will also assist in developing new and wider workforce opportunities in regional areas in the sectors of health and education, and with the greater use of new online markets.

NBN Co projects that between 16,000 and 18,000 construction jobs alone will be created at the peak of the rollout. To ensure a suitably qualified and skilled workforce is available to support the rollout of the NBN, NBN Co has developed a workforce development strategy which recognizes the dispersed nature of the rollout, enabling NBN Co to leverage workers from both regional and metropolitan areas.

Other than the construction task, jobs will be created through direct NBN Co employment, through NBN Co's purchase of inputs for the rollout and related companies, and industries gearing up to deliver applications and services over the NBN infrastructure and the flow-on effects to the businesses these firms interact with.

As at 30 June 2012, NBN Co had 1,674 employees, including contractors and labour hire.

The initial estimates prepared in April 2009 by the government on the local jobs that would be supported by the NBN relate to the broad economic impact of the government's decision to invest in the NBN policy and include the jobs created in related sectors that have started gearing up to support or deliver services over the NBN.

NBN Co seeks local content and sourcing arrangements in its major contracts particularly where there is known local supply capacity or the potential to promote additional local production through NBN Co contracts. During 2011, NBN Co awarded a range of contracts with a total value of almost \$4 billion, the majority of which was for Australian-based manufacturing and services, leading to direct new employment of approximately 700 to 1,000 new jobs.

On 20 December 2010, the government publicly released its Statement of Expectations to NBN Co. The document highlighted the government's expectation that NBN Co will actively promote opportunities for small and medium enterprises to participate fully in this project in meaningful and continuing ways. To assist NBN Co, the Department of Industry, Innovation, Science, Research and Tertiary Education funds an NBN National Sector Manager through the Supplier Access to Major Projects program to liaise with Industry Capability Network Consultants, suppliers, industry associations and NBN Co, to facilitate links between Australian companies and supply opportunities. The NBN National Sector Manager is working with NBN Co to identify Australian companies for tenders, verify tenders and substantiate capability statements from Australian companies including those from regional areas.



The government has also outlined the jobs benefits created by the NBN in its response to the Committee's first report on the *Review of the Rollout of the National Broadband Network* and will provide future updates on an annual basis, including information about the progress of the Telstra Retraining Funding Deed.