



Chair's Foreword

This Second Report of the 57-member strong oversight committee of the National Broadband Network (NBN) is the first report that examines detailed performance measures provided by the NBN Co and Government, and allows for a direct comparison of the foundation documents of the NBN Co Corporate Plan 2011-2013 with the Shareholder Ministers' letter to NBN Co dated 17 December 2010.

While there are several differences between these foundation documents and the recently provided performance update, it is evident that 2012 will see NBN Co transition from a company working through the frustrating and tangled regulatory stages, and the testing of first release sites, to provide the NBN rollout a broader engagement with retail providers and communities.

Compared to the NBN Co Corporate Plan, a lower than expected capital expenditure (capex) and higher than expected operating expenditure (opex) result, will be watched closely by the committee. This could be an early warning that it is costing more to do less, when compared to the expected results in the NBN Co Corporate Plan, even though the committee has at this stage accepted the argument from NBN Co that other reasons are behind this. The committee will watch this capex/opex combination closely, as value for money to taxpayers is the critical key performance indicator in turning this good concept into an even better reality for all.

Compared to the NBN Co Corporate Plan, timeframe slippage has also occurred, largely due to the number of unresolved issues between the Australian Competition and Consumer Commission (ACCC) and various stakeholders. The competition and consumer "rules of the game" remain unresolved at the time of writing. Certainty for markets, investors and consumers demands greater attention from Government to resolve outstanding regulatory matters, so there are no further schedule slippages.

It is understood by most that Australian telecommunications is currently not a level playing field. It is also understood this historic imbalance means decisions are being made on the front-end of this infrastructure project to eventually achieve a more competitive environment and better consumer result for the future, even if

decisions may look anti-competitive in the short term. It is also understood and acknowledged that this is initially challenging-challenging for regulators like the ACCC, challenging for some existing business models like those wanting to both wholesale and retail in Greenfield sites, and challenging for those looking for investment opportunities in the new markets that are coming with the NBN rollout. Even with this all being understood, however, it should also be understood by the relevant stakeholders involved in these regulatory decisions that challenging does not equate to delay, and should not be an excuse for delay.

If these matters can be addressed quickly and thoroughly, 2012 has great potential to be the Year of the NBN. The move from test sites to broader rollout will engage more people, and will see more retail engagement, and more innovative strategies and products introduced into Australia as a consequence. Regional and rural Australia will now, finally, have the opportunity through the next steps of interim satellite, wireless and FTTP to be better engaged in the Australian economy and services. And to add to this, the committee has made recommendations for better low socioeconomic engagement, and better remote indigenous engagement, so that these opportunities actually turn into real, ongoing and sustainable change for the better in regional, rural and remote information communication technology. I would hope key decision-makers consider these recommendations in detail and in good faith.

The committee will continue its work in the next six months on several key areas, including workforce related matters, and private sector engagement. Both are touched on in this report, however, the committee believes even more work needs to be done in detail on both. Personally, the options for privatisation of the NBN's national wholesale platform remain unclear. If the current model is a public sector "build-own-operate" project, then questions still remain as to where, when and how a "transfer" to the private sector is going to occur, if it is going to occur at all. The reason this is important to consider earlier than currently legislated, is because a sale, if tightly contracted, could occur in several sections, and considerations therefore need to begin on what terms and conditions on behalf of consumers such a model could take place.

Of course, if the majority parliamentary view is not to sell it, and indeed to keep it as a public asset returning an annual dividend to the taxpayer, then this change in the final policy position also needs to be made explicit for legislative reasons, and a debate about this deserves to occur soon. This public debate about the sale of the NBN, and the new process that is established as a consequence of such a debate, could be brought forward for the next NBN Co Corporate Plan. For this reason, work on exactly what the final product that is being built-whether a private or public one, whether sold in parts, as a whole or not at all-will be undertaken by the oversight committee throughout 2012.

Once again, the committee thanks all those who have taken the time to give evidence over the past six months. This all helps with the committee's independent considerations. Likewise, on behalf of the committee, I thank the secretariat for their ongoing diligence. This a large committee overseeing one of Australia's largest ever infrastructure projects, and the secretariat is showing great skill in managing it all. Well done and thanks once again.

Robert Oakeshott MP
Chair