



**SENATOR THE HON PENNY WONG**  
Minister for Finance and Deregulation  
Leader of the Government in the Senate

**THE HON ANTHONY ALBANESE MP**  
Deputy Prime Minister  
Minister for Infrastructure and Transport  
Minister for Broadband, Communications  
and the Digital Economy  
Leader of the House

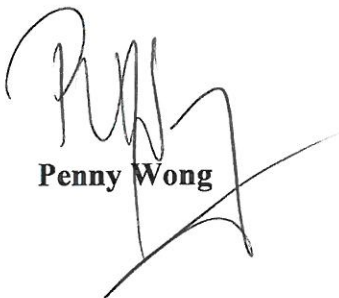
2 AUG 2013

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

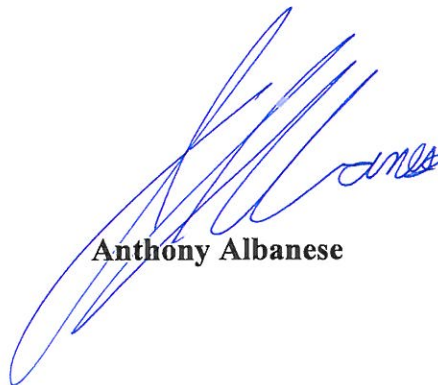
Dear Mr Oakeshott <sup>Rab</sup>

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

Yours sincerely



**Penny Wong**



**Anthony Albanese**



# Australian Government

Joint Committee on the National Broadband Network

Review of the Rollout of the National Broadband Network  
Fifth Report

Australian Government Response to the Committee's Fifth  
Report of 17 June 2013

July 2013

## 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, its second report on 24 November 2011, its third report on 25 June 2012 and its fourth report on 28 February 2013. The government's responses to the Committee's first, second, third and fourth reports were tabled in the Parliament on 1 March 2012, 16 April 2012, 9 October 2012 and 5 June 2013 respectively.

On 17 June 2013, the Committee tabled its fifth report, entitled *Review of the Rollout of the National Broadband Network: Fifth Report*. The Committee's fifth report was informed by public hearings and public consultation which attracted 20 submissions. The report made five recommendations ranging across: risk mitigation strategies related to policy change, performance reporting, particularly in regard to the regional fibre rollout, issues associated with interim satellite service, the potential of private equity to fund the NBN, and workforce issues associated with the NBN rollout.

## 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) download and 400 megabits per second (Mbps) upload. Seven per cent of premises will be served by a combination of next-generation fixed-wireless and satellite technologies providing peak speeds of up to 25 Mbps download and 5 Mbps upload.

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 the new high-speed NBN. NBN Co will roll out the network and sell wholesale services to internet and telephone service providers. In turn 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 11 January 2013, NBN Co announced that it had exceeded its target to have construction commenced or completed in areas covering 758,000 premises before the end of 2012. The total number of premises in areas where construction had commenced or completed was 784,592 by year end.

On 21 March 2013, NBN Co reported that it had updated its short-term fibre rollout timeline expecting to pass 341,000 premises with fibre about three months later than the June 2013 target, with between 190,000 and 220,000 premises being forecast to be passed by fibre by end June 2013. NBN Co also assumed direct responsibility for the Northern Territory fibre rollout.

NBN Co advised that this short-term issue will not affect the long-term delivery of the NBN or the overall cost of the project. NBN Co remains on track to deliver better broadband to all Australians by 2021 as set out in NBN Co's 2012-15 Corporate Plan.

On 5 May 2013, NBN Co released an update to its indicative three year fibre rollout plan, which will see NBN construction either commence or be completed by mid-2016 for more than 4.8 million homes, businesses, schools and hospitals across Australia. This is an increase of over 1.3 million premises from NBN Co's 2012-15 fibre rollout plan.

The full list of locations included in the plan can be viewed on NBN Co's website at [www.nbnco.com.au/rollout/about-the-rollout/communities-in-the-rollout.html](http://www.nbnco.com.au/rollout/about-the-rollout/communities-in-the-rollout.html). The three year rollout plan will be updated each year.

On 4 July 2013, NBN Co released its 30 June 2013 rollout figures, confirming that the company had achieved its revised end of financial year fibre rollout targets. The fibre network has passed more than 207,500 premises as of 30 June 2013, meeting NBN Co's revised forecast of between 190,000 and 220,000 premises. As at 30 June 2013, NBN Co had also covered 27,300 premises with the fixed wireless network and 250,000 premises with the interim satellite service.

There are over 70,000 homes and businesses using the NBN as of 30 June 2013, up from 13,600 premises at 30 June 2012. This represents an increase of more than fourfold in the total number of end users over the past 12 months. Additionally, the number of premises connected to NBN fibre services has increased sevenfold from 3,900 premises as at 30 June 2012, to 33,600 premises as at 30 June 2013.

## AUSTRALIAN GOVERNMENT RESPONSE

The government has considered the Committee's Fifth Report and provides the following response to the recommendations.

### Performance Reporting and Regulatory Issues

#### Recommendation 1

The Committee recommends the Government task the NBN Co Limited to update its Corporate Plan 2012-2015 to prepare strategies to minimise risk in any policy changes that may reasonably be expected to occur in the 2012-2015 period.

Shareholder departments and NBN Co are implementing the government's policy to rollout and operate a National Broadband Network within the existing policy framework set out in the Statement of Expectations.

The six-monthly government progress reports to the Committee and NBN Co's 2012-15 Corporate Plan contain risk and mitigation strategies relevant to the existing policy framework.

### Regional and Remote Issues

#### Recommendation 2

The Committee recommends the NBN Co Limited revised Corporate Plan and the six-monthly Shareholder Ministers' Performance Reports to the Committee include further information on the National Broadband Network fibre rollout in regional Australia.

The government supports this recommendation.

The NBN will enable every community in regional Australia fair access to affordable high-speed broadband. This is underpinned by the delivery of uniform national wholesale pricing within the three technology platforms – fibre, fixed wireless and satellite – and across the platforms for entry level products and other products to the greatest extent where practicable. This means that wholesale broadband prices for comparable products can be the same for households and businesses regardless of where they are located, in the city, in regional Australia or in more remote parts of the country.

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

On 25 July 2012, the government released a list of regional towns across Australia that will be receiving access to the high-speed NBN fibre network. To date, the majority of construction and planning so far in the NBN project has been in non-metropolitan areas with more than 70 per cent of communities in NBN Co's 2013-16 fibre rollout plan located in non-metropolitan Australia. It is expected that more than 70 per cent of Australian premises in non-metropolitan areas will be able to access fibre to the premises by the end of the rollout.

NBN Co's 12-month national construction rollout plan and three year national fibre rollout plan lists the communities, in metropolitan and non-metropolitan areas across each state and territory, where construction on the fibre network will commence, or be completed by mid-2016. NBN Co's rollout plans, interactive maps and detailed information on progress nationally is available at [www.nbnco.com.au/industry/service-providers/network-rollout.html](http://www.nbnco.com.au/industry/service-providers/network-rollout.html)

The government has provided information to the Committee on the progress of the fibre rollout to non-metropolitan areas of Australia in past six-monthly NBN progress reports. The government has also included information on the NBN rollout to regional and rural areas in responses to the Committee's first, second and third reports on the Review of the NBN Rollout.

NBN Co's 2011-13 and 2012-15 Corporate Plans confirm that fibre will be built in regional areas as a priority and now that NBN Co has reached volume rollout, NBN Co is considering what additional information can be provided on an ongoing basis.

### **Recommendation 3**

The Committee recommends NBN Co Limited and the Department of Broadband, Communications and the Digital Economy closely monitor the current rate of Interim Satellite Service (ISS) activations and, prior to the customer cap on the ISS being reached:

- consult with relevant stakeholders and the Australian community on options for establishing cost efficient arrangements to ensure that education, health and local government facilities in rural and remote communities and other individuals determined to be most in need of access to the ISS are still able to access the service; and
- consider increasing the customer cap on the ISS, if additional satellite capacity becomes available at a competitive cost.

The government supports this recommendation.

As at 30 June 2013, there were over 34,600 customers with an active NBN interim satellite service (ISS) connection, with another 1,800 orders in the process of being connected.

At the Committee's hearing on 19 April 2013, NBN Co's Chief Executive Officer, Mr Mike Quigley, advised that once the 48,000 customer cap for the ISS is reached, NBN Co will not be able to provide satellite services to new customers.<sup>1</sup> NBN Co has investigated options for expanding the available capacity on the ISS, but at this time has not identified alternatives that would be economically viable.<sup>2</sup>

Demand for the ISS has been extremely strong. As the former Minister for Broadband, Communications and the Digital Economy, Senator the Hon Stephen Conroy outlined during the Senate Estimates hearing on 30 May 2013, 'ISS services were expected to last until late 2014, but the popularity of the ISS means that the orders will reach capacity sometime in early 2014. So NBN Co is managing the remaining services to ensure that customers without

<sup>1</sup> Joint Committee on the National Broadband Network, Public Hearing, 19 April 2013, Transcript (page 38).

<sup>2</sup> Ibid.

existing access to affordable metro-comparable broadband services receive priority registration for the ISS'.<sup>3</sup>

## **Additional Issues**

### **Recommendation 4**

The Committee recommends that the Government continue considering investor interest in the National Broadband Network and the optimum capital structure for the NBN Co Limited.

The government does not support this recommendation.

Private equity funding prior to the completion of the NBN rollout was explicitly advised against in the NBN Implementation Study<sup>4</sup>. The government remains committed to the sale of NBN Co at an appropriate time.

The 2012-15 Corporate Plan assumes that NBN Co will commence raising debt from FY2015 onwards.<sup>5</sup> Prior to this, as set out in the Statement of Expectations, NBN Co will be funded with government equity.

For more information on the Government's position on private equity engagement, refer to the government's response to recommendation 6 of the Committee's Fourth Report and recommendation 12 of the Committee's Third Report.

### **Recommendation 5**

The Committee recommends that the NBN Co Limited continue to:

- work with contractors to ensure sufficient mobilisation of skilled labour to meet National Broadband Network (NBN) rollout targets;
- update NBN workforce modelling data to assist with communicating and planning for changing NBN training needs and workforce demand; and
- encourage the participation of local recruitment firms and the local construction industry in the NBN rollout.

The government supports this recommendation.

As outlined in the government's response to the Committee's Fourth Report, NBN Co has developed and is implementing an overall 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

<sup>3</sup> Senate, Environment and Communications Legislation Committee, Estimates, Public Hearing, 30 May 2013, Hansard (page 110).

<sup>4</sup> National Broadband Network Implementation Study, 2010, page 41.

<sup>5</sup> NBN Co 2012-15 Corporate Plan, page 16.

- a skills assurance program to confirm workers have the necessary regulated and required skills to perform work.

The workforce development strategy also recognises the dispersed nature of the rollout. This will allow for greater use of local recruitment firms and the local construction industry in the NBN rollout, in both regional and metropolitan areas.

The government expects to provide an overview of NBN Co's workforce development strategy in its annual statement to the Committee. In the interim, information can be found at NBN Co's website ([www.nbnco.com.au](http://www.nbnco.com.au)) which provides an outline of the workforce development strategy activities.