



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

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

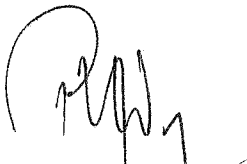
16 APR 2012

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

Dear Mr Oakeshott

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

Yours sincerely



Penny Wong  
Minister for Finance  
and Deregulation



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

Second Report

Australian Government Response to the Committee's  
Second Report of 24 November 2011

April 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.

On 31 August 2011, the Committee tabled its first report, entitled *Review of the Rollout of the National Broadband Network*. The government tabled its response to the Committee's first report on 1 March 2012.

On 24 November 2011, the Committee tabled its second report, entitled *Review of the Rollout of the National Broadband Network: Second Report*. The Committee's second report was informed by four public hearings and public consultation which attracted 38 submissions and 11 exhibits. The report made five recommendations ranging across: reporting arrangements that facilitate comparability of information over time; clearance processes for responding to questions on notice; NBN Co's policy position for the provision of costing extensions to its NBN fibre footprint, especially for regional and remote Australia; NBN Co's plans for community consultation with regional and remote Australia; and improved access for low income households and other disadvantaged groups to the NBN.

## BACKGROUND

The NBN will provide access to high-speed broadband to 100 per cent of Australian premises. It will connect 93 per cent of homes, schools and businesses 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).

The NBN will be Australia's first national wholesale-only, 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.

Planning and construction of the NBN is well underway. On 15 February 2012 NBN Co released an update to its 12-month national rollout schedule. The updated schedule lists the communities in each state and territory where work on the fibre network will begin before December 2012. The schedule lists 66 sites across Australia containing more than 758 000 premises, where work is completed, underway or due to begin by the end of 2012. This is an increase over the October plan of 191,000 premises across Australia. The schedule shows work commenced in areas to cover 58,000 premises during the previous three months, taking the total premises in areas where work is underway to 121,500. In addition to quarterly updates to the rollout schedule NBN Co also released its three-year indicative rollout plan on 29 March 2012, which will be updated annually until the rollout is complete. The rollout plan will see NBN construction either begin or be completed by mid 2015 for more than 3.5 million homes, businesses, schools and hospitals across Australia.

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. In support of the NBN and the Definitive Agreements, in June 2010 the government made commitments on a package of important measures including:

- new universal service arrangements will be able to commence on 1 July 2012;
- the Commonwealth and Telstra \$100 million retraining agreement which will provide Telstra with funding to assist in the retraining and deployment of Telstra staff affected by these reforms;
- payment by the Commonwealth of the cash component of the Financial Heads of Agreement, valued at \$190 million post-tax NPV;

- the government declaring that Telstra is not required to provide undertakings about its control of hybrid fibre coaxial (HFC) networks and subscription television broadcasting licences. This means that Telstra will not be prevented from competing for spectrum released as part of the digital dividend; and
- the start of the volume rollout, together with ACCC endorsement of the Migration Plan means customers will need to be advised of their options. NBN Co, in conjunction with industry, will undertake a public education campaign to inform consumers about the progressive migration of services from the copper-based infrastructure to the fibre optic infrastructure.

The Definitive Agreements will mean less disruption to communities, less use of overhead cables and faster access to the NBN for Australians.

## **AUSTRALIAN GOVERNMENT RESPONSE**

The Australian government has considered the Committee's second report and provides the following response to the recommendations.

### **Recommendation 1**

The committee recommends that where possible tables and graphs be used in the Government's Six Monthly National Broadband Rollout Performance Report to enable information to be compared across years.

The government broadly supports this recommendation.

Where possible, tables and graphs will be used in the government's six monthly report to the Committee to enable information to be compared across years, and illustrate trends.

These tables and graphs will, for example, summarise information relating to NBN Co's financial results, the number of premises passed, NBN Co's resources and key performance information.

### **Recommendation 2**

The committee recommends that the Department of Broadband, Communications and the Digital Economy review its existing clearance processes for providing answers to questions on notice with the aim of providing answers to questions taken on notice where possible on the notified due date or within a reasonable timeframe thereafter.

The government supports this recommendation.

The department does prioritise its clearance processes for responding to Joint Committee on the National Broadband Network questions on notice. However, depending on the complexity of the question, on some occasions additional time will be required for detailed analysis and or wider consultation prior to finalising a response.

### **Recommendation 3**

The Committee recommends that as a matter of urgency, the NBN Co formalise and publicise its policy for the provision of costing extensions to its planned National Broadband Network fibre footprint, especially for regional and remote Australia.

The government broadly supports this recommendation.

The government, through its Statement of Expectations for NBN Co publicly released on 20 December 2010, encourages NBN Co to explore mechanisms for a community to fully or partially fund the extension of the fibre network to cover its location. Premises connected with such community contributions will be accounted separately to the 93 per cent coverage objective. NBN Co should only seek to recover the incremental costs incurred in these extensions.

On 1 February 2012 NBN Co publicly released documents setting out the 'Network Extension Quote Method for the Tasmanian Trial'. This information represents NBN Co's interim network extension policy and methodology followed to develop the quotes to extend the fibre network during the Network Extension trial in Tasmania for selected properties that bordered sites of Triabunna, Sorrell, Deloraine, St Helens and South Hobart in Tasmania. The information is available at [www.nbnco.com.au/assets/documents/d-f/foi-no-1112-14-nbn-co-tas-fibre-extension-network-trial-released-1-february-2012.pdf](http://www.nbnco.com.au/assets/documents/d-f/foi-no-1112-14-nbn-co-tas-fibre-extension-network-trial-released-1-february-2012.pdf) on the NBN Co website.

NBN Co's Network Planning and Design can undertake studies to identify the incremental cost per premises to provide fibre to towns outside the fibre footprint, however the costs for construction are required and preparing these costings around individual propositions is a significant diversion of resources. Therefore, NBN Co is only intending to do costings for locations contiguous with the rollout and when an application under a properly defined process is received. The network extension process needs to be scheduled to fit within the overall construction timetable for an area, preferably around the finalisation of network design documentation, so that the overall costs of network extension on both end-users and the company are minimised and the process is able to be accommodated in an efficient and effective manner.

The precise optic fibre footprints for the NBN will only be known when NBN Co completes detailed suburb-by-suburb, region-by-region network designs. Current maps are high level, indicative only and may change as the rollout progresses. NBN Co's key objective is to cost effectively provide fibre coverage to 93 per cent of premises. Further details on the methodology adopted by NBN Co to determine the fibre footprint is outlined in NBN Co's Corporate Plan.

NBN Co will report on the outcomes of 'network extension' trials including providing information on its website regarding further network extension trials which will inform NBN Co's final policy.

#### **Recommendation 4**

The committee recommends that NBN Co:

- Finalise and publicise its plans for community consultation with regional and remote Australia
- In its report to the committee include:
  - Details of the progress of its consultation plans;
  - Issues raised; and
  - Numbers of participants .

The government broadly supports these recommendations.

NBN Co has a dedicated team to engage with communities and stakeholders throughout the rollout process and is building relationships with local authorities and utilities to ensure it takes full account of their requirements and develops community understanding of the company's project plan as the project progresses.

In March 2011 NBN Co published a Community Consultation paper that outlined its engagement strategy for the NBN rollout. The paper is available at

<http://www.nbnco.com.au/assets/documents/community-consultation.pdf>

NBN Co's key community relations objectives are to:

- ensure all key stakeholders are identified and engaged in an appropriate, timely and consistent manner, and their needs and interests recognised;
- foster open and ongoing channels of communication with stakeholders during each project phase;
- understand issues and concerns and resolve or escalate them in an appropriate manner;
- provide stakeholders with information about construction and / or environmental impacts that will affect them, and create awareness of mitigation measures to minimise these impacts; and
- educate the community and key stakeholders about the benefits of the NBN.

During the construction phase for fibre serving areas in regional and rural areas NBN Co will:

- place advertisements in local newspapers prior to construction commencement;
- utilise community bulletins and notifications to provide information on specific construction impacts;



- provide information upon semi-completion of work outlining timeframes in which contractors will return to complete work;
- prepare specific site plans to map premises lead-in information and restoration information; and
- notify the community upon completion of the rollout.

NBN Co's local area activities are being implemented in accordance with the timeline set out in the 12 month rollout schedule NBN Co published on 18 October 2011 and updated on 15 February 2012. The schedule is available on NBN Co's website at [www.nbnco.com.au/rollout/index.html](http://www.nbnco.com.au/rollout/index.html) and includes an interactive map developed so that residents can identify the timing and status of their community regarding the rollout. NBN Co will provide quarterly updates to its 12-month national rollout schedule including advice on progress with construction, as well as listing new rollout sites where construction activity will start in the next twelve months. In addition to quarterly updates to the rollout schedule NBN Co also released its three-year indicative rollout plan on 29 March 2012, which will be updated annually until the rollout is complete. The three-year rollout plan will see NBN construction either begin or be completed by mid 2015 for more than 3.5 million homes, businesses, schools and hospitals across Australia.

The government has agreed that as the NBN is rolled out and to facilitate the migration process, NBN Co will provide the Australian public with information on migration activities which will be developed in consultation with the government, Telstra and the wider industry. The objective of the public education 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.

The public education activities will provide information concerning:

1. the timing for provision of new services;
2. the nature of the services;
3. the action that the consumer will need to take; and
4. the extent to which existing equipment is reusable, together with the responsibilities of the respective parties (that is, NBN Co, the retail service provider and the consumer) in implementing migration to the new infrastructure.

While NBN Co will be providing the public information on migration activities, it is the responsibility of Access Seekers to make their end-users aware of any impending Disconnection Dates which are applicable to those end-users.

NBN Co has commenced work on three key public outreach campaigns to launch in 2012.

These being:

- the Public Education Activity (PEA) (to facilitate continuity of Telecommunication services when the copper network is retired). NBN Co is working with government and industry on an appropriate governance and consultation structure for the PEA;
- sectoral benefits campaign beginning with the education sector; and
- a campaign to generate interest in and build understanding of the NBN.

NBN Co continues to engage with state-based NBN taskforces, local government and regional interest groups. As part of NBN Co's regional and rural community engagement it will provide community relations representatives for each site, deliver stakeholder briefings and community information sessions, provide a community information contact line including email address, advertise in local areas, circulate fact sheets and brochures and set-up information displays.

To further support NBN Co's engagement strategy, NBN Co launched two demonstration facilities on 25 November 2011; the Discovery Centre in Docklands, Melbourne and the NBN Co Discovery Truck to travel across Australia

The Discovery Centre and the NBN Co Truck provide an interactive opportunity for consumers to learn about how the NBN will work and how it can benefit them.

The NBN Co Truck is touring the country as the rollout progresses, visiting Australian towns and communities to inform Australians about how important the NBN will be in their lives. It has a physical mock-up of the NBN equipment being installed in homes to provide visitors a hands-on experience.

As at the end of February 2012, there have been more than 2700 visitors to both facilities. The Truck spent 30 days in Tasmania and covered 23 towns. At the end of February 2012 the truck had been open in Victoria for 13 days and covered 9 towns.

The NBN Co Truck has visited the following towns in Tasmania: Devonport, Deloraine, Launceston, Georgetown, Scottsdale, St Helens, Campbell Town, Triabunna, Port Arthur, Sorell, Rosny Park, Kingston, Huonville, South Hobart, Hobart, Glenorchy, Bridgewater, New Norfolk, Queenstown, Strahan, Zeehan, Ulverstone and Penguin. At the end of February 2012, the NBN Co Truck had visited the following nine destinations in Victoria: Bairnsdale, Sale, Morwell, Bacchus Marsh, Warragul, Wonthaggi, Brunswick, Mill Park (South Morang) and Broadmeadows (Tullamarine).

Bookings for the Discovery Centre and the NBN Co Truck can be made via the NBN Co website.

The top three questions asked by visitors are:

- When will I be connected to the NBN?

- How much will my NBN service and installation cost me?
- What technology will I be getting (fibre, fixed wireless or satellite)?

Visitors to date include: Federal and State MPs, journalists, Mayors and Council Staff, seniors, NBN Tasmania Board, Media, Telco/RSP staff, professionals, small business owners, construction workers, health workers, online learning groups, tourists and farmers.

NBN Co is receiving an increasing number of requests from across Australia for visits by the Truck. NBN Co has combined a couple of visits with the fixed wireless and community information sessions and they went very well.

In addition to these activities, 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. The engagement model provides a framework for the delivery of engagement activities in a coordinated and aligned manner.

#### **Recommendation 5**

The Committee recommends that the Department of Broadband, Communications and the Digital Economy and the NBN Co:

- Undertake a study of methods to improve access for low income households and other disadvantaged groups to the National Broadband Network and report its findings to the committee.
- In conducting the study, include examination of community proposals for measures which would support a basic broadband account and a broadband low income measure scheme.

The government notes these recommendations.

The government's objective is that the NBN will provide access to high-speed, affordable broadband for all Australians. As Australia's first national, wholesale-only, open access fixed-line network, the NBN will drive more vigorous competition between retail service providers, leading to better services and more choice for consumers and businesses.

Maintaining pricing parity between metropolitan areas, and regional, rural and remote Australia is a fundamental objective of the government's telecommunications policy. That is why NBN Co is delivering uniform national wholesale pricing within each of the three technology platforms of fibre to the premises, fixed wireless and next-generation satellite. NBN Co will provide a uniform national wholesale access price of \$24 per month across all technologies for its basic service of 12 Mbps download and 1 Mbps upload.

As wholesale access is by far the largest single component influencing retail pricing, the government expects this will translate into retail prices that will be affordable. Recently

released pricing structures by service providers confirm that current NBN retail service prices compare favourably with prices for ADSL2+ broadband.

The success of the government's approach is demonstrated by the fact that several retail service providers, including Telstra, Optus, iiNet, Internode and several satellite providers, are offering their retail services of improved quality wherever the NBN is available, at prices comparable to current services over DSL.

Retail service providers have announced and continue to announce very competitive pricing for voice and broadband services over the NBN. Telstra has now released its first series of bundled plans that are NBN ready. As part of its pricing announcement on 27 February 2012, Telstra committed to providing its existing suite of voice-only plans on the NBN, including the Homeline Budget, which costs \$22.95 per month for those who want a voice only service. The prices of Telstra's NBN bundles are similar to the ADSL and HFC bundles, but the speeds offered on the NBN can be up to 12 times faster than the average speeds on ADSL for the same price, depending on the bundle chosen.

On 18 October 2011, WhistleOut, a comparison website, released its analysis that showed on the entry-level 12/1 Mbps plans with data allowances of up to 50GB per month, consumers will pay around 24 per cent less on the NBN compared to ADSL2+ services.

The government expects that in future more service providers will release competitive pricing for broadband and voice only services.

The government notes Telstra's ongoing commitment to provide low income measures, and that the Low Income Measure Assessment Committee (LIMAC) will continue working with Telstra to guarantee low income products are offered. Under clause 22 of the Carrier License Conditions (Telstra Corporation Limited) Declaration 1997, Telstra is required to:

- have a low-income package in place endorsed by low-income consumer advocacy groups and specified in writing to the Australian Communications and Media Authority;
- have a marketing plan in place for the package, approved by LIMAC; and
- obtain and consider the views of LIMAC on proposed changes to the package<sup>1</sup>.

LIMAC has been an essential bridge between Telstra and advocates for those most in need when it comes to formulating socially-useful telephone products and services. Depending on future arrangements for low-income customers, LIMAC may continue to have a role to play in any future low-income policy arrangements.

The government also recognises that providing universal access to basic telecommunications services is an important social objective. On 21 March 2012, a package of legislative reforms to existing USO arrangements, including to establish a new entity, the Telecommunications Universal Service Management Agency (TUSMA) was passed by the Parliament. TUSMA

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<sup>1</sup> DBCDE – Retail Price Controls Review Discussion Paper, Q6

will be responsible for entering into and administering service agreements from 1 July 2012 to ensure voice and payphone services and other public interest services continue to be available to consumers as the telecommunications industry transitions to the NBN environment.

The government has conducted a review of telecommunications retail price controls which are a key consumer safeguard. They aim to ensure that efficiency improvements are passed through to consumers in the form of lower prices for telecommunications services in markets where competition is not yet fully developed, and also protect the interests of low-income and regional users of telecommunications services<sup>2</sup>.

Over time, increased competition in an NBN environment is likely to remove one of the main reasons for the existence of price controls—the lack of competitive alternatives to Telstra in parts of the market. NBN Co's Special Access Undertaking (SAU) currently being assessed by the ACCC includes a range of price-related terms and conditions intended to provide the long-term framework necessary for uniform wholesale pricing. This includes an individual price increase limit of half the rate of the CPI over the next 30 years to each of NBN Co's Product Components, Product Features and Ancillary Services. The government anticipates that the level playing field afforded by the NBN will mean that carriage service providers will compete on price and non-price offerings to consumers in a manner that is not possible today.

In such an environment, the market is likely to be more effective in preventing instances of significant price increases, mainly through enhanced choice for consumers. In addition, the ACCC has powers granted under Parts XIB and XIC of the *Competition and Consumer Act 2010* to promote and protect competition in telecommunications markets. This includes mechanisms to deal with anti-competitive conduct.

In this context, the government considers there are appropriate regulatory and monitoring mechanisms in place and does not currently consider that a study of methods to improve access for low income households and other disadvantaged groups to the NBN is required.

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<sup>2</sup> Media release, Senator the Hon Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, 21 October 2011