

Senate Standing Committee on Environment and Communications

Answers to Senate Estimates Questions on Notice

Additional Estimates Hearings February 2014

Communications Portfolio

NBN Co Limited

Question No: 87

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Rollout

Senator Urquhart asked:

At the hearing (Page 42) Dr Switkowski said “The announcement, as I recall—and I stand to be corrected—foreshadowed an eight-year rollout plan in 2009. Five years into that period, we are at three per cent.” The joint media release of April 2009 said “This company...will invest up to \$43 billion over 8 years to build the national broadband network. “

- a. In NBN Co’s evidence at both Supplementary Estimates and the Senate Select Committee, NBN Co has stated it is still operating under the Corporate Plan 2012-15. Is that still the situation?
- b. Did the NBN Co Corporate Plan 2012-15 state that the Commencement Date was 7 March 2012 being the date “that the Telstra Definitive Agreements became wholly unconditional”?
- c. On that basis to say NBN Co is “five years into that period” is incorrect isn’t it? NBN Co is still not even two years into that period, is that correct?
- d. What proportion of the transit network is completed?
- e. As a proportion of the total project, how advanced is the fixed wireless construction?
- f. As a proportion of the total project, how advanced is the long term satellite solution?
- g. As a proportion of the total project, how advanced is the building of Operational and Business Support Systems (OSS/BSS)?
- h. What proportion of the \$7B quoted as having been invested has been invested in areas other than the fibre build?
- i. Do the investment figures in the corporate plan also include expenditure on fibre construction in FSAMs that have not yet been brought into service (in other words work in progress)? So even the investment in fibre is for more than the 3% of completed premises, is that correct?
- j. On that basis the statement that “total investment so far in NBN Co approaches \$7 billion for three per cent of the build” is inaccurate, isn’t it?

Answer:

- a. The Commonwealth Government’s policy objectives for the NBN prior to the September 2013 Federal elections were detailed in the Statement of Expectations issued in December 2010 (the 2010 SoE) (it is also worth noting that the 2010 SoE was then supplemented by a series of subsequent policy directives to NBN Co provided in writing by the former Shareholder Ministers). The 2012-15 Corporate Plan aligned with the 2010 SoE and was approved by the previous Shareholder Ministers (and published in August 2012). It is correct that the 2012-2015 Corporate Plan remains the last plan approved by Government, but whether or not it remains in force is a complex question. A revised equity funding profile reflecting the updated Corporate Plan was set out in the 2012-13 Mid-Year Economic & Fiscal Outlook (published in December 2012) which stated that NBN Co would receive \$17.5 billion over the fiscal years 2012-13, 2013-14 and 2014-15 inclusive. But the 2013-14 Budget (delivered in May 2013) reduced equity funding for the same three fiscal years by \$3.5 billion or 20 per cent, citing delays in the rollout. This prima facie would appear to have made the rollout targets for the 2012-2015

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Corporate Plan unachievable. Subsequently, a draft 2013-2016 Corporate Plan was submitted to the former Government but not approved. After the change of government in September 2013, two revisions to the Statement of Expectations were provided by Shareholder Ministers – the Interim SoE (on 24 September 2013) and the 2014 SoE (on 8 April 2014). NBN Co is planning to submit a Draft 2014-17 Corporate Plan aligned with the 2014 SoE as per the requirements set out by the Commonwealth Authorities and Companies Act 1997 and timelines recommended by the Commonwealth Government Business Enterprise Governance and Oversight Guidelines.

- b. The 2012-15 Corporate Plan (dated 6 August 2012) states that “All conditions precedent to the Telstra Definitive Agreements have now been satisfied and the Telstra Definitive Agreements became wholly unconditional on 7 March 2012.” The June 2011 Definitive Agreements included interim access measures to allow NBN Co to access Telstra infrastructure to enable the rollout to get under way prior to ACCC approval.
- c. Close to five years have passed since the announcement of the NBN Policy during April 2009, which is what Dr Switkowski was referring to.
- d. As at the end of December 2013, NBN Co has brought into service 94 Points of Interconnect (POIs) out of a planned 121, and more than 38,000 kilometres of Transit Fibre Connectivity have been deployed, which represents approximately 60% of the total planned Transit Fibre Connectivity (distances).
- e. As at the end of December 2013, NBN Co has acquired 768 sites and integrated 273 base stations cumulatively. This represents approximately 19.5% of the 1,400 base stations required in the 2012-15 Corporate Plan. The NBN Co Fixed Wireless and Satellite Strategic Review noted that NBN Co must nearly double the number of fixed-wireless base stations to 2,700 in total to serve 85 per cent more premises, and that additional spectrum would need to be acquired.
- f. NBN Co’s contractor, Space Systems / Loral, is working to schedule on the two new Ka Band satellites due to launch in 2015, and work is progressing on the 10 ground stations. This represented approx. \$0.7 billion of Capex incurred for the period to 31 December 2013, or approx. 36% of the total build Capex forecast in the 2012-15 Corporate Plan.
- g. Note page 61 of the Strategic Review projected a Revised Outlook of \$1.6 billion total capex for OSS/BSS (IT), which reflects an updated view of these requirements.
- h. It should be noted not all commitments are current. Korda Mentha’s estimate of NBN Co’s past spending plus commitments to future spending in the event of a termination are set out on page 105 of the Strategic Review, and aggregate to \$15 billion as of mid-2014.
- i. Actual and forecast Capital Expenditure detailed in the Corporate Plan is stated inclusive of capital costs incurred for Work in Progress.
- j. Refer to responses (h) and (i) detailed above.