

Senate Standing Committee on Environment and Communications

Answers to Senate Estimates Questions on Notice

Additional Estimates Hearings February 2016

Communications Portfolio

nbn

Question No: 149

nbn

Hansard Ref: Written, 22/02/2016

Topic: Telstra contracts

Senator Urquhart, Anne asked:

In December 2015, nbn co announced that it had signed two new contracts with Telstra for maintenance and remediation. Telstra described the contracts in its announcement to market.

These two contracts have an estimated combined first year revenue of approximately \$80m subject to the volume of work. The first contract over 3 years involves fixing faults on the copper network and undertaking a small number of new connections for services that are yet to transfer to the NBN. This revenue is expected to decrease in alignment with the NBN network build. The second over 4 years relates to fixing faults and connecting new services on the NBN for the Fibre to the Node (FTTN), Fibre to the Premises (FTTP), Fibre to the Basement (FTTB) and HFC technologies in select areas once a customer has migrated to the NBN. This revenue is expected to grow in subsequent years in alignment with the NBN network build, subject to volume of work. Both contracts have the option for NBN to extend.

- (a) Telstra indicates that the first contract involves Telstra “fixing faults on the copper network.” Will this work take place prior to the relevant areas being declared ready for service?
- (b) Telstra has cited a combined value of \$80 million for the first year for both contracts. What is the forecast three year value of the first contract—fixing faults on the copper network?
- (c) NBN indicated in December that the cost of these contracts was included in the Corporate Plan (“These arrangements will have no impact on nbn’s peak funding estimate”). If the cost of these contracts was finalised by the issue of the Corporate Plan in August, why did nbn co wait until late December to announce the contracts?

Answer:

- (a) No, this is primarily to cover fixing faults post Ready for Service. The only exception is for the 5 days between asset transfer and Ready for Service, during which the contract covers work performed by Telstra prior to Ready for Service.
- (b) This information is Commercial in Confidence.
- (c) Funding estimates were included in the Corporate Plan in August 2015. When the contracts were subsequently finalised, the forecast cost of these contracts was confirmed to be within the original funding estimates used for the Corporate Plan in August 2015.