

**Senate Standing Committee on Environment and Communications**  
**Answers to Senate Estimates Questions on Notice**  
**Additional Estimates Hearings February 2011**  
**Broadband, Communications and the Digital Economy Portfolio**  
**Department of Broadband, Communications and the Digital Economy**

**Question No: 175**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: NBN Rollout**

**Senator Fisher asked:**

Brisbane City Council is currently working on an agreement with i3 Asia Pacific to install a high-speed broadband network in Brisbane using the sewer system as the primary means of laying cables. How has Brisbane Council's decision impacted on NBN Co's planning for the Brisbane rollout?

**Answer:**

While directed to NBN Co Limited (NBN Co), as the question is about the general industry situation in Brisbane it has been answered by the Department of Broadband, Communications and the Digital Economy.

The Australian Government understands from media reports that on 22 February 2011, Brisbane City Council indicated it had decided to not proceed with the proposed fibre rollout in its sewer network.<sup>1</sup>

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<sup>1</sup> source: <http://www.smh.com.au/technology/technology-news/sewer-broadband-deal-sours-20110222-1b455.html>

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**Broadband, Communications and the Digital Economy Portfolio**  
**Department of Broadband, Communications and the Digital Economy**

**Question No: 176**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: NBN Rollout**

**Senator Fisher asked:**

Will any high-speed network installed by i3 Asia Pacific in Brisbane be subject to the cherry-picker laws currently being debated in Parliament?

**Answer:**

The Australian Government understands from media reports that the i3 network is no longer going ahead. On 22 February 2011, Brisbane City Council indicated it had decided to not proceed with the proposed fibre rollout in its sewer network.<sup>1</sup>

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<sup>1</sup> source: <http://www.smh.com.au/technology/technology-news/sewer-broadband-deal-sours-20110222-1b455.html>

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**Question No: 177**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: Australian Broadband Guarantee**

**Senator Fisher asked:**

An ANAO report released on 16 February 2011 into the Australian Broadband Guarantee reports that the program blew out by around \$20 million in its four years of operation. The initial budget was \$258 million. However, the program has cost \$237.7 million. The program was initially worth \$2500 for customer and up to \$6000 per customer for participating ISPs. Can the Department provide numbers regarding the amount of broadband customers who have accessed the Australian Broadband Guarantee in each of its years in operation?

**Answer:**

The Australian National Audit Office (ANAO) report did not find that the Australian Broadband Guarantee (ABG) went over budget. A media article in Computerworld, dated 17 February 2011, originally made this incorrect assertion. The article has since been corrected by the author, James Hutchison.

The budget for the ABG Program for the period July 2008 to June 2012 is \$237.7 million. The ANAO report covered the period from April 2007 to June 2010, and correctly stated the amount of funds spent as \$258 million. The Computerworld article mistakenly confused these different periods. The ABG Program has always operated within budget.

The number of broadband connections under the ABG Program for each of its full years of operation are:

2007-2008:	37,440
2008-2009:	36,412
2009-2010:	30,386

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**Question No: 178**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: Australian Broadband Guarantee**

**Senator Fisher asked:**

The ANAO have recently detailed that the cost of the project was \$20 million above its budgeted cost. What are the reasons for the increase in costs – do they relate to number of customers, or do they relate to the types of premises that require installation?

**Answer:**

The Australian National Audit Office has not detailed that the cost of the project was \$20 million above its budgeted cost. This error was made by a journalist writing on the Computerworld website.

The Australian Broadband Guarantee Program has always operated within its budgeted allocation of funds.

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**Question No: 179**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: Australian Broadband Guarantee**

**Senator Fisher asked:**

What budget did the Department meet the additional costs for the broadband guarantee program from?

**Answer:**

There were no additional costs as the Australian Broadband Guarantee Program remained within budget.

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**Question No: 180**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: Australian Broadband Guarantee**

**Senator Fisher asked:**

The program was initially worth around \$2500 per customer and \$6000 for each customer for participating ISPs. What has been the amount of money under the program that has been allocated to ISPs, and what amount has been allocated to customers?

**Answer:**

The Australian Broadband Guarantee Program provides incentive payments to registered providers to connect and supply registered broadband services to eligible customers at eligible premises. No payments are made to customers.

Incentive payments vary according to the nature of the service being provided. The most common payment is \$2500 (GST Exclusive) per connection, which is paid for new connections in regional and rural areas. Payments of up to \$6000 (GST Exclusive) per connection are available, on a pre-approved basis, where the cost of connection and supply of the service is particularly difficult and costly. Examples are very remote premises (eg off-shore islands) and premises that require additional infrastructure (eg cyclone-prone areas).

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**Question No: 181**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: Australian Broadband Guarantee**

**Senator Fisher asked:**

The Department stated to ComputerWorld Australia that the program is scheduled to end on 30 June this year, when satellite services through the NBN are expected to become available. Will these satellite services be available by 30 June?

**Answer:**

NBN Co aims to commence providing services during July 2011.

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**Question No: 182**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: Australian Broadband Guarantee**

**Senator Fisher asked:**

Will the broadband guarantee program be extended if satellite services do not become available by June 31?

**Answer:**

The Australian Broadband Guarantee Program is expected to cease on 30 June 2011. Existing customers will maintain guaranteed access to subsidised services for a three year obligation period from the date they were originally connected and supplied.



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**Question No: 183**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: Australian Broadband Guarantee**

**Senator Fisher asked:**

If not, what will happen to the thousands of customers who utilise the guarantee if they cannot afford their current internet connection and cannot access a new satellite scheme? Will the department guarantee that they will not lose internet services?

**Answer:**

Existing Australian Broadband Guarantee (ABG) customers have the benefit of an obligation period under which their registered ABG Providers must maintain the registered service provided to the customer for three years from the date the customer's service was connected and supplied. Once the three year period has expired, the customer is still able to continue using the service on commercial terms with the same provider, or any other provider offering services on the same platform. Overtime, ABG customers are expected to switch to the higher grade of service offered by NBN Co.

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**Question No: 184**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: Australian Broadband Guarantee**

**Senator Fisher asked:**

The department has not clearly reported against its performance targets on the broadband services offered, and taken up, under the program and how they compare with services offered in metropolitan areas (para 51, Page 27 of ANAO report). Why not?

**Answer:**

The Department has always reported on the number of registered Providers, the services offered by Registered Providers, the number of customers connected, and expenditure under the Australian Broadband Guarantee (ABG) Program. The Department maintains detailed records on all aspects of Provider activity and Customer status under the ABG Program.

The Department has not considered it appropriate to report on how ABG Program services compare with commercial services in metropolitan areas, given that such a comparison has not been part of the Program objectives, as set out in the ABG Guidelines, and has not been a Key Performance Indicator under the Program.

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**Question No: 185**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: Australian Broadband Guarantee**

**Senator Fisher asked:**

Timely, reliable and accurate reports are essential for informed management decision making and are a key accountability mechanism. Routine internal management reports include ministerial reports, monthly traffic light reports (to the department's Executive) and weekly reports on customer service issues (within the ABG branch) (page 52).

Although the department was advised that the Minister expected the reports to be provided within two to three weeks of month end, more than two thirds of the reports did not meet this timeframe. Why was this the case?

**Answer:**

The issue raised in the Australian National Audit Office (ANAO) report pertains only to the "Progress Report on Performance of the Australian Broadband Guarantee Program" report (termed "ministerial reports" in the Audit Report). As advised to the ANAO during the audit, regular ministerial reports were occasionally supplanted by more detailed briefings, particularly leading up to new funding rounds. None of the regular ministerial reports failed to be delivered to the Minister, although some months were combined in periods when the Minister was appraised of Australian Broadband Guarantee issues through other briefings, as described above.

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**Question No: 186**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: Australian Broadband Guarantee**

**Senator Fisher asked:**

In a number of instances, the reported figures in the internal reports could not be readily verified to relevant source data. DBCDE acknowledged that it did not routinely keep records of how it derived the reported figures. How can the veracity of the ABG be accurately determined without evidence-based internal reporting mechanisms in place?

Do you find it incredulous that a program which had a budget of in excess of \$80m in 2009-10 (page 50 of ANAO report), repeatedly failed to provide appropriate internal management reports?

**Answer:**

The Department considers that its record-keeping for the program has been completely accurate and that all internal management reporting requirements have been met. The issue raised by the Australian National Audit Office (ANAO) is a minor concern that the numbers for some management reports may have changed over time. These changes include items such as the dates in which a claim is considered 'paid' having changed from the time of the report to the time at which the ANAO was testing data.

For example, the Department integrated "SAP" accounting software and Broadband Connect Online Management System (BCOMS) data during 2009, requiring that statistical reporting in BCOMS had to match with SAP data reporting requirements. One change that had to be made was in the count of claims paid. Previously, for reporting purposes, claims were counted as 'paid claims' on the date they were actually paid by the Department. Subsequently, for reporting purposes, claims were counted as 'paid claims' on the date the claim was lodged in BCOMS.

It is important to note that this difference was only relevant for subsequent reporting purposes, in that a claim lodged in, say March, but paid in April, would be treated differently in reporting the number of claims made for each month. Hence there were differences found by the ANAO between the numbers contained in the Australian Broadband Guarantee Program's reports, and the numbers determined during the audit by the ANAO. These differences were minor and the ANAO was made well aware of the reasons during the audit.

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**Question No: 187**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: Australian Broadband Guarantee**

**Senator Fisher asked:**

In determining whether or not a customer of the ABG service was entitled to a subsidised service, Broadband Service Locators (BSL) are used to ascertain whether or not a customer falls within range of a Category A (commercial non – subsidised area) or a Category B or C subsidised area. In the six month period to 4 February 2009, the department inadvertently omitted 211 ADSL – enabled exchanges from the BSL. This meant that 351 customers received subsidised connections at total cost of \$875,183 (Page 67).

Can the Department confirm that it was decided that the relevant ineligible subsidy payments would not be recovered from the service providers?

**Answer:**

The Department accepts that a number of ADSL-enabled exchanges were not updated as commercial metro-comparable areas on the Department's Broadband Services Locator in a timely way. This was an administrative oversight that was corrected immediately once identified. Providers registering and connecting customers in these areas during this period were operating legitimately according to the eligibility rules and systems of the Department, and the Department considered that there were no grounds to recover payments from the Providers concerned.

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**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: Australian Broadband Guarantee**

**Senator Fisher asked:**

A key component of the ABG compliance framework is the conduct of telephone surveys of ABG customers (known as telephone audits) (page 76). Telephone audits can provide DCBDE with reasonable assurance regarding the validity of claims lodged by providers.

Where records (telephone audit spreadsheets) were available, many of the audits indicated that the customer was not able to be contacted (even after three or more attempts). However, it was not apparent that any follow up action had been taken to verify the existence of the customer. Why not?

Given that the BSL allows for movements of a customer's premises "pin" (which shows the location of the customer's premises) does the Department consider that there is potential for possible fraudulent customer movement, by either a registered service provider or an end-user customer to an area which commands a higher level of subsidy?

**Answer:**

The random post-connection telephone audits are one component of the comprehensive Australian Broadband Guarantee (ABG) Compliance Framework. They are intended to complement the range of other compliance activities undertaken by the Department, including full Provider audits, automated system compliance checks, customer declaration processes, and full assess of each Provider claim.

Customers of the ABG Program are mostly located in remote and rural areas, where telephone contact is not easy, especially during the day. The Department now attempts to call these customers in the evening, which is increasing the contact success rate.

Where it is not possible to contact a customer by telephone in three attempts, the Department uses other methods to determine whether or not a customer has been connected, including obtaining evidence from Providers. To date, telephone audits have not revealed a single instance of a customer not being connected and supplied with a Service.

The Department further checks a random sample of claims during periodic audits of Providers. Included in these audits is a check of connection and supply of services.

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In July 2009 the ABG Program's Systems section completed development of a tool for recognising mapping all instances of pin movements on the Broadband Service Locators (BSL). This was a tool utilising new developments of Google Maps software. The tool has enabled ABG staff to run a daily check on any pin movements (including the ability to check historical pin movements).

In August 2009, ABG Compliance staff commenced using the tool and tested all pin movements since the 'pin movement' capability was added to the BSL. It was discovered that a very small proportion of pin movements had been made for claims which would have been otherwise ineligible. An investigation was undertaken by ABG Compliance staff which led to a referral to the Department's Fraud Control Committee, and by the Department to the Australian Federal Police (AFP). The AFP is still conducting investigations into actions by employees and agents of the two (then) registered Providers involved.

All monies claimed for ineligible customers have been fully repaid to the Department.

The Department continues to monitor pin movements both automatically via a system tool and manually through regular staff checks. There have been no instances of invalid pin movements since 2009.

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**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: Australian Broadband Guarantee**

**Senator Fisher asked:**

A significant proportion of complaints remained classified as level one (or level two) beyond the specified escalation timeframes. The longest period DCBDE took to resolve a complaint was about six months, compared to the timeframe of about three weeks implicit in the complaints resolution process (i.e. 17 working days).

Why is the Department taking so long to resolve complaints arising from the program?

**Answer:**

As the Department advised the Australian National Audit Office (ANAO) during the audit, most complaints (over 96 per cent) are resolved within 1-2 working days. Of the remainder, virtually all are escalated and resolved within the objective timeframe of 17 days. A very small proportion result in the Provider being found to have breached the customer's rights, in which case the customer is usually transferred to another Provider and the original Provider required to repay the incentive payment to the Department.

However, in rare cases the customer may wish to continue negotiating with the Provider rather than moving to another Provider. In such cases, the "complaint" remains active, even though there is ongoing negotiation. As in the case mentioned, sometimes the negotiation takes place over a number of months as the Provider performs service calls, makes changes to the customer's account settings, or negotiates an outcome with the satellite wholesaler.

In these cases, the Department's role is to ensure that the customer's rights are being protected and that the Provider's obligations are met, and meeting an objective timeframe is secondary to providing a positive outcome for customers.

Overall, customer complaints to the Australian Broadband Guarantee (ABG) Program are very low, and have been trending down over time. For example, in 2009-10, complaints constituted less than 0.5 per cent of the number of customers using ABG Program services.



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**Question No: 190**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: Australian Broadband Guarantee**

**Senator Fisher asked:**

Quarterly updates on TIO (Telecommunication Industry Ombudsman) complaints was one of the deliverables listed in the ABG Program Implementation Plan. An internal audit also recommended that DCBDE make better use of TIO complaints information relevant to the ABG program. The TIO data indicate that the most common complaints to that organisation involving ABG providers cover: faults; customer service; complaints handling; and billing and payments issues.

The department has been slow to act in this regard. For example, the lack of monitoring and analysis of TIO complaints was still an issue when DCBDE's internal evaluation of the program was reported in November 2009. As at August 2010, the relationship between the TIO and DBCDE still had not been formalised, more than two years after the recommendation.

Has there been any progress in this aspect of the complaints process?

**Answer:**

The Department has had a long and productive informal relationship with the TIO with regard to the operation of the Australian Broadband Guarantee (ABG) Program, including regular communications between the TIO and the Department's ABG Consumer Support section, and an agreed approach to respective roles and responsibilities.

The ABG Consumer Support section has, since its inception in 2007, liaised very effectively with the TIO, in relation to sharing information and referring customers as necessary. This liaison has been on an as-need basis, in addition to regular department-wide meetings with the TIO. The Australian National Audit Office's only criticism has been that there is no formal Memorandum of Understanding or similar document to formalise the arrangements. The Department has advised that it considers this has not been necessary, given the co-operative and positive relationship that has always existed between the TIO and the Department.

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**Question No: 191**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: Australian Broadband Guarantee**

**Senator Fisher asked:**

The ANAO reviewed the department's annual reporting for the three years of the program (2007-08 onwards). Generally, the department did not report program performance against the KPIs and performance targets set out in its PBS. Further, the performance information that was reported could not always be substantiated or reconciled with data held by the department, and other sources. Key aspects of the program's performance, such as service level, data speeds, data allowances and costs were also not regularly reported (page 100).

How can the Department run an efficient and effective program without regular KPI reporting and assessment?

**Answer:**

The Department has accepted the Australian National Audit Office's view that it would have been desirable to have more consistent Key Performance Indicators (KPIs) through the various iterations of the Australian Broadband Guarantee (ABG) Program and its predecessors. However, the Department considers that it has established relevant KPIs for the ABG Program, and has reported appropriately as required to senior management, to the Minister and through its Annual Report to Parliament.

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**Question No: 192**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: NBN Co Business Case**

**Senator Fisher asked:**

When NBN Co is privatised (assuming the Government does choose to privatise the NBN), will the private operators be permitted to alter the wholesale pricing figures contained in the NBN business case?

**Answer:**

NBN Co Limited (NBN Co) is subject to the telecommunications access regime under Part XIC of the *Competition and Consumer Act 2010*. Under the *Telecommunications Legislation Amendment (National Broadband Network Measures—Access Arrangements) Act 2011*, all services delivered by NBN Co are declared services and therefore subject to oversight by the Australian Competition and Consumer Commission (ACCC). All price and non-price terms and conditions need to be set out in a Special Access Undertaking, Standard Form of Access Agreement or in an access determination made by the ACCC. The ACCC has powers to regulate access prices for declared services, which include all services delivered by NBN Co.

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**Question No: 193**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: NBN Co Business Case**

**Senator Fisher asked:**

If not, how will the Government ensure that the wholesale prices remain the same?

**Answer:**

Referring to question on notice 192 NBN Co Limited (NBN Co) is subject to the telecommunications access regime under Part XIC of the *Competition and Consumer Act 2010*. The Australian Competition and Consumer Commission has powers to regulate access prices for declared services, which include all services delivered by NBN Co.