Answers to Senate Estimates Questions on Notice

Budget Estimates Hearings June 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 303

Program No. NBN Co Limited Hansard Ref: Page 28 (16/06/2011)

Topic: Opening Statement

Senator Birmingham asked:

Senator BIRMINGHAM: Let us let Mr Quigley answer the questions and we will see where they go. Mr Quigley, did you delegate to anybody in NBN Co. the preparation of details or information contained in the paragraphs leading up to and including paragraph 37?

Mr Quigley: I certainly asked some of legal team, as I have referenced in there, to check with the legal companies in the US the data. I wanted to be sure because as the senior executive at Alcatel I signed a very, very large number of documents. I thought it was possible I could have signed a memorandum. I had no recollection of it. I wanted to be sure of that. I wanted that checked. So I asked our legal team to check that.

Senator Conroy: Would you like Mr Quigley to take it on notice and get a list.

Senator BIRMINGHAM: I am happy for him to do that at a later stage and that may well be fine, but I am trying to get to the bottom of whether there were people who provided significant input to the content of the statement and these parts of the statement up to paragraph 37. You have said you got the lawyers at NBN Co. to check some of the facts and that type of activity. **Mr Quigley:** Yes.

Answer:

Mr Quigley sought assistance from the NBN Co Government Relations and External Affairs (GREA) Team and the NBN Co Legal Team in drafting and checking the content.

Question No: 304

Program No. NBN Co Limited

Hansard Ref: Page 29 (16/06/2011)

Topic: Opening Statement

Senator Abetz asked:

Mr Quigley: The company, NBN Co., in areas such as this where you are going to interface with US lawyers, I can almost be certain that we had outside lawyers involved in assisting in this area. **Senator ABETZ:** Who paid for those outside lawyers?

Mr Quigley: The company did. Before any outside lawyers were involved in these discussions I sought counsel from the board of NBN Co. about that very issue.

Senator ABETZ: If you can take on notice the total cost of that, please.

Answer:

We estimate that the costs spent on external lawyers to assist with the preparation of the opening statement were approximately \$15,000. See also our response to Question on Notice 312.

Question No: 305

Program No. NBN Co Limited Hansard Ref: Page 29 (16/06/2011)

Topic: Opening Statement

Senator Birmingham asked:

Senator BIRMINGHAM: In paragraph 26 you state that the two law firms confirmed that we were not interviewed by them. To whom and in what manner did they confirm that? **Mr Ouigley:** They confirmed that to our legal people.

Senator BIRMINGHAM: In writing, in conversation? How were the exchanges between the lawyers of NBN Co. and these people undertaken?

Mr Quigley: I will have to check how they did that.

Answer:

It was confirmed via oral and written communications between Mr Quigley and NBN Co's lawyers and Alcatel-Lucent's internal and external US lawyers, Wilkie Farr and Gallagher.

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Budget Estimates Hearings June 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 306

Program No. NBN Co Limited

Hansard Ref: Page 35 (16/06/2011)

Topic: Alcatel Investigation

Senator Birmingham asked:

Senator BIRMINGHAM: Thank you. In terms of the investigation that was initiated close to 2004 and the engagement of the two law firms that we canvassed in your opening statement, what role did Mr Redondo have in that investigation?

Mr Quigley: Do you mean in initiating anything?

Senator BIRMINGHAM: Indeed, did he have any oversight role?

Mr Quigley: I cannot answer that question here and now.

Senator Conroy: We can take it on notice.

Mr Quigley: Just to be clear, the two firms were sequential. They were not appointed at the same time. Proskauer Rose was for a period and then Willkie Farr after that.

Senator BIRMINGHAM: Thank you. Do you know who was in charge of the relationship, in a sense, the initiation between Alcatel and those two firms?

Mr Quigley: I would have to check, but I would imagine that would be the legal department of Alcatel under the auspices, of course, of the CEO and the board. I would believe that the frontrunning would be done by the legal department.

Answer:

You will need to ask this of Alcatel-Lucent directly.

Question No: 307

Program No. NBN Co Limited Hansard Ref: Page 35 (16/06/2011)

Topic: Alcatel Investigation

Senator Birmingham asked:

Senator BIRMINGHAM: Thank you. You have identified that Mr Redondo, as far as you believe, is the president of area 1, who, in this document—

Mr Quigley: He is certainly the president of Alcatel Latin America; whether it was area 1 or area 2 I cannot recall. But it is very much likely that it was area 1.

Senator Conroy: We will happily take that on notice, Senator Birmingham, to make sure that we are accurate. And we may even have to employ some resources to find out for you—but then do not complain about it later.

Answer:

Mr Redondo was the President of Area 1.

Question No: 308

Program No. NBN Co Limited Hansard Ref: Page 42 (16/06/2011)

Topic: Opening Statement

Senator Abetz asked:

Senator ABETZ: Can you then tell us whether it was from an outside lawyer or an internal NBN lawyer?

Mr Quigley: No, I cannot. I would have to take that on notice because I do not know who did the actual physical interfacing with the US law firm.

Answer:

Both NBN Co's internal and external lawyers communicated with Alcatel-Lucent's internal lawyers and external US lawyers, Wilkie Farr and Gallagher.

Question No: 309

Program No. NBN Co Limited

Hansard Ref: Page 42 (16/06/2011)

Topic: Opening Statement

Senator Abetz asked:
Senator ABETZ: All right. Whose was the first iteration?
Mr Quigley: I do not recall.
Senator ABETZ: Was it yours?
Senator Conroy: We will happily take it on notice.
Senator ABETZ: Was it yours, Mr Quigley?
Senator Conroy: We will take it on notice.
Senator ABETZ: Mr Quigley must know whether the first iteration was his or not?
CHAIR: Senator Abetz, you know as well as I do that when the minister says it will be taken on notice, then it will be taken notice.

Answer:

Mr Quigley sought assistance from the NBN Co Government Relations and External Affairs (GREA) Team and the NBN Co Legal Team in drafting and checking the content.

Question No: 310

Program No. NBN Co Limited Hansard Ref: Page 43 (16/06/2011)

Topic: Alcatel Investigation

Senator Abetz asked: Senator ABETZ: Did you ever provide correspondence to the SEC, DOJ, Proskauer Rose or Wilkie Farr and Gallagher? Mr Quigley: Not that I recall, but I will take it on notice and I will check.

Answer:

Having considered this matter further, I still do not have recollection of ever providing such correspondence.

Question No: 311

Program No. NBN Co Limited

Hansard Ref: Page 43 (16/06/2011)

Topic: Opening Statement

Senator Abetz asked:

Senator ABETZ: Can you then tell us on notice who those people were—the in-house lawyers and the external lawyers who were brought in—and how that was verified to you. You must, I suggest, have knowledge as to how that was verified to you. Was it in a letter that was put in front of you saying, 'Because of that evidence you can now sign off on paragraph 30'? Or were you just told verbally?

Mr Quigley: I do not know in what form that information was conveyed to our legal people, but I will be sure to take it on notice.

Senator Conroy: They will find out for you.

Answer:

Some information was confirmed orally, some information was confirmed by written communications between NBN Co's lawyers and Alcatel-Lucent's lawyers.

Answers to Senate Estimates Questions on Notice

Budget Estimates Hearings June 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 312

Program No. NBN Co Limited

Hansard Ref: Page 44-45 (16/06/2011)

Topic: Internal and External Lawyers and Salaries

Senator MacDonald asked:

Senator IAN MACDONALD: This could perhaps be taken on notice but Mr Harris or Mr Quigley, whoever is responsible, could you give us details on the amount expended by NBN Co. on the external lawyers and can you give us the names of the external lawyers. Assuming that your processes are such that you internally cost your own internal lawyers legal work for whatever, can you also give me on notice the cost of the internal lawyers for the preparation of this statement...

Senator IAN MACDONALD: I am halfway through and I am asking Mr Quigley, who the minister pointed out was the right person to ask, but the minister keeps interrupting. What I am wanting is the legal bill that the external lawyers will send NBN Co. for the work the lawyers have done in relation to this statement and any other work they have done in relation to your time with Alcatel. Could I get the name of the external lawyers involved please and also if you do cost your internal lawyers costs, which I assume you would, could I also get their bill which they will render to themselves, I guess, or to the company...

Senator IAN MACDONALD: I think Mr Quigley has my question on notice. It was the only question I wanted to ask tonight and I am going to leave you to it now. Can I just clarify that you understand the question I asked?

Mr Quigley: Yes. I am not sure I will be able to satisfy the latter part of your question. I have not put a system in place where people in the company account for each hour of the day to specific areas.

Senator IAN MACDONALD: You do not internalise your costings.

Mr Quigley: No. That would be an overhead which, frankly, would be a cost we do not need to incur.

Senator IAN MACDONALD: Can you just tell me how many internal lawyers you have? Mr Quigley: I have to take that on notice.

Senator IAN MACDONALD: Take that on notice. But is it a lot, or one or two? Mr Quigley: I will have to take that on notice.

Senator IAN MACDONALD: Is it more than one or two?

Mr Quigley: I have to take that on notice.

Senator IAN MACDONALD: Okay. Tell me who your lawyers are. If you could give me the range of their salaries, that might be sufficient—no names mentioned, of course, but just that there are five lawyers and three are paid \$100,000 a year and two are paid \$500,000 a year, or whatever it is. Then there is the external staff. If you can give me that, I would be very appreciative.

Answer:

Clayton Utz and Allens Arthur Robinson did work in relation to Mr Quigley's opening statement at Senate Estimates and in relation to Mr Quigley responding to allegations concerning his time at Alcatel.

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Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

The total costs to date in responding to the extensive enquiries from both the media and parliamentary committees are approximately:

- Clayton Utz \$230,000
- Allens Arthur Robinson \$27,500
- Morgan Lewis \$15,500 (Aus)

NBN Co does not internally allocate costs of its internal staff (including its internal lawyers) in relation to any of the specific matters they work on, and this was the case in relation to this matter. Internal lawyers of NBN Co do not render invoices to NBN Co in relation to the matters they work on. One of NBN Co's internal employed lawyers assisted in this matter.

Answers to Senate Estimates Questions on Notice

Budget Estimates Hearings June 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 313

Program No. NBN Co Limited

Hansard Ref: Page 45 (16/06/2011)

Topic: Alcatel Investigation

Senator Abetz asked:

Senator ABETZ: Can you confirm that you at no stage provided a statement to any authority about the Alcatel matter?

Mr Quigley: I have no recollection of making any statement to any authority on that matter, but I will have that checked with the records...

Senator ABETZ: Thank you. In relation to those questions that I have just asked, are we able to take them on notice and obtain Mr Beaufret's answers to them, please? **Mr Ouigley:** Yes.

Senator ABETZ: Thank you.

Answer:

Neither Mr Quigley nor Mr Beaufret were ever interviewed by the Department of Justice (DoJ)/Securities and Exchange Commission (SEC), and Mr Quigley never provided any written document or statement of any kind to the DoJ or SEC. Mr Beaufret cannot recall ever providing any written statement to the SEC or DoJ on the Alcatel matter.

Answers to Senate Estimates Questions on Notice

Budget Estimates Hearings June 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 314

Program No. NBN Co Limited

Hansard Ref: Page 45 (16/06/2011)

Topic: Alcatel Investigation

Senator Abetz asked:

Senator ABETZ: Thank you. Can you confirm that you at no stage wrote a letter or a memorandum or provided a document of any nature in relation to this Alcatel matter to any relevant authority?

Senator Conroy: An internal document or external? I am just trying to seek clarification. Senator ABETZ: To any relevant authority, as in the SEC, the DoJ or those two law firms. Mr Quigley: I have no recollection of writing any document on this matter to any of those bodies, but I will take it on notice and double-check that...

Senator ABETZ: Thank you. In relation to those questions that I have just asked, are we able to take them on notice and obtain Mr Beaufret's answers to them, please?

Mr Quigley: Yes.

Senator ABETZ: Thank you.

Answer:

See answer to Question on Notice 313.

Answers to Senate Estimates Questions on Notice

Budget Estimates Hearings June 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 315

Program No. NBN Co Limited

Hansard Ref: Page 50-51 (16/06/2011)

Topic: Alcatel Investigation

Senator Birmingham asked:

Senator BIRMINGHAM: The question is: in all the investigations that have been undertaken since then, has it been brought to light—are you aware of whether you unknowingly, at that time, approved a strategy or a business practice that had since been found to have enabled these activities to occur?

Mr Quigley: I really have no idea what that question means, Senator, with respect. I do not know what you are asking me.

Senator IAN MACDONALD: In the investigations you have done since, has it been brought to your notice, subsequent to the event, that something you might have done at the time—

Mr Quigley: What, Senator?

Senator IAN MACDONALD: I do not know.

Senator BIRMINGHAM: If you signed a minute or approved a—

Senator Conroy: I agree with Mr Quigley. It is so broad it is almost impossible to answer, Senator Birmingham, which is why I am inviting you try to narrow it down a little bit.

Senator BIRMINGHAM: For example, if you approved business strategies for the engagement of consultants in these countries without knowing that those consultants were—

Senator Conroy: Without knowing that someone was defrauding and deceiving him? **Mr Quigley:** I have no recollection of such an event, but I will go and do another double-check if you like.

Senator Conroy: So we will hire some more lawyers and we will see if there is corporate strategy, which is what I think you are referring to.

Senator BIRMINGHAM: Just as Mr Quigley is saying, he never signed off on strategies as described in these documents. I am just checking and asking to make sure that he also never approved them. None of them are suggesting that the person was misappropriating the funds. **Senator Conroy:** So you want to know whether he approved of a strategy that he did not know he was being deceived with? Is that what you are asking?

Senator BIRMINGHAM: Mr Quigley has taken the example on notice. That will suffice. **Senator Conroy:** I just want this to be very clear, because you are asking very broad questions, and I know you are not trying to ask broad questions. I just want to make sure we understand what your question is. I will borrow your use of 'consultants'. Has Mr Quigley approved of a strategy that set up consultants? Is that what you are actually trying to ask?

Senator BIRMINGHAM: That was basically the question that was asked, or the example that was given.

Senator Conroy: That was not 'basically the question'. It has taken five minutes. Did Mr Quigley approve of the strategy, as in sign a document that said, 'We should employ consultants to do X,' and then suddenly discover a few years later that X was not what they were actually doing? I just need to understand: is that what you are asking?

Senator BIRMINGHAM: Hallelujah, Minister. Thank you for the example—that is, unwittingly, unintentionally, unknowingly, at the time—

Mr Quigley: I will take that on notice. I have no recollection of that. It certainly has not been brought to my attention, but I will check.

Answer: No.

Question No: 316

Program No. NBN Co Limited

Hansard Ref: Page 52 (16/06/2011)

Topic: Alcatel – Appointment of Consultants

Senator Birmingham asked:

Senator BIRMINGHAM: We have already dealt with that, Minister. Let us not revisit the question Mr Quigley previously took on notice. Did you ever approve the appointment of consultants in Costa Rica to assist with marketing?

Mr Quigley: I have no recollection but I will take it on notice. I will go back and get it checked again.

Answer:

To the best of Mr Quigley's recollection, the answer remains no.

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Budget Estimates Hearings June 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 317

Program No. NBN Co Limited

Hansard Ref: Page 52 (16/06/2011)

Topic: Appointment of Mr Beaufret

Senator Birmingham asked:

Senator BIRMINGHAM: But you had suggested Mr Beaufret.

Mr Quigley: They asked me whether there was anybody I knew, because their advice to me was that they would probably have to go overseas to find the appropriate candidate.

Senator ABETZ: And you specifically mentioned Mr Beaufret's name to them?

Mr Quigley: They asked me the question: did I know anybody?

Senator BIRMINGHAM: Was his appointment approved by the board or was it your call? **Mr Quigley:** As I said, a board member of NBN Co. interviewed Mr Beaufret.

Senator BIRMINGHAM: The decision to appoint was made by the board or the CEO?

Mr Quigley: These are the people who report to the CEO for the final decision to be made, but, clearly, I was not going to appoint a CFO when, after an interview by a board member it was said that they did not think he was the right man.

Senator IAN MACDONALD: Can you tell us who the board member was? **Mr Quigley:** Perhaps on notice, yes.

Answer:

Gene Tilbrook, head of the NBN Co Audit Committee, and respected financial advisor to a number of high profile Australian companies.

Question No: 318

Program No. NBN Co Limited

Hansard Ref: Page 53 (16/06/2011)

Topic: Appointment of Mr Beaufret

Senator Birmingham asked:

Senator BIRMINGHAM: Was there even a short list presented to you by the search firm, Mr Quigley?

Mr Quigley: I will have to check. I cannot recall.

Answer:

No. Egon Zehnder interviewed Mr Beaufret for the role of CFO and he was considered by Egon Zehnder to be suitable. This is a normal process for the recruitment of executives in Australia and Mr Quigley, the NBN Co Board and Egon Zehnder were all confident that Mr Beaufret was the right person for the role.

Question No: 319

Program No. NBN Co Limited

Hansard Ref: Page 53 (16/06/2011)

Topic: Appointment of Mr Beaufret

Senator Birmingham asked: Senator BIRMINGHAM: Did they present any other names to you besides Mr Beaufret? Mr Quigley: I will take it on notice. I do not believe so, but I will check.

Answer:

See answer to Question on Notice 318.

Question No: 320

Program No. NBN Co Limited

Hansard Ref: Page 53 (16/06/2011)

Topic: Appointment of Mr Beaufret

Senator Birmingham asked:

Senator BIRMINGHAM: Was a briefing or anything provided to the entire NBN board on Mr Beaufret? Were any details or recommendations provided to the entire NBN board related to Mr Beaufret's appointment or was it just the single board member? **Mr Quigley:** I will check on that.

Answer:

Mr Beaufret was interviewed by Gene Tilbrook on behalf of the Board, however, the decision was ultimately made by the CEO.

Answers to Senate Estimates Questions on Notice

Budget Estimates Hearings June 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 321

Program No. NBN Co Limited

Hansard Ref: Page 55 (16/06/2011)

Topic: Security Vetting

Senator Abetz asked:

Senator ABETZ: Thank you. That was just general interest. Is there a security vetting process for people such as you, the chief financial officer and possibly even board members?

Mr Harris: There is a security vetting process, certainly at CEO level, for access to government documentation.

Senator ABETZ: So that is at Mr Quigley's level?

Mr Harris: That is Mr Quigley's level.

Senator ABETZ: What about the board and other top management people?

Mr Harris: I cannot answer that off the top of my head. I can tell you on notice how far the security checking process goes, but I would not be able to tell you right now.

Senator ABETZ: That is fine; take it on notice, and then whether that is required and whether they have actually been undertaken and the appropriate security clearances then given. Can you take all that on notice.

Mr Harris: I am happy to do that.

Answer:

A select number of NBN Co employees have role requirements for access to nationally classified information. Predominantly this relates to those employees working in security and in fulfilling out interception obligations under the Telecommunications Interception and Access Act.

Those employees have undergone or are currently undergoing national security vetting as determined by their required level of access. Many of these employees have joined NBN Co with security clearances obtained through previous employment in related fields.

Vetting procedures are managed in accordance with our obligations under the Protective Security Policy Framework.

Mr Quigley's appointment and that of the remaining board members to NBN Co followed the Government's standard processes for the appointment of board members to Government controlled entities, including security checks.

Answers to Senate Estimates Questions on Notice

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Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 322

Program No. NBN Co Limited

Hansard Ref: Page 55-56 (16/06/2011)

Topic: Charted Aeroplanes

Senator Abetz asked:

Senator ABETZ: I dare say that from time to time NBN would be in the business of having to charter the odd aeroplane to get people from A to B.
Mr Harris: I am not aware of you having chartered an aeroplane.
Mr Quigley: I am not aware of us having chartered an aeroplane either.
Mr Harris: I would probably raise an eyebrow.
Senator ABETZ: Have you ever or not?
Mr Quigley: No, we have never.
Senator ABETZ: What about the board?
Mr Harris: I would again have thought it very unlikely.
Mr Quigley: I am absolutely not aware of the board ever chartering an aeroplane.
Senator ABETZ: Any member of the board?
Mr Quigley: Or any member of the board chartering an aeroplane.
Senator ABETZ: Or the executives? Just take that on notice for us if you would, please.

Answer:

Neither NBN Co executives nor Board members have ever chartered an aircraft on company business.

Answers to Senate Estimates Questions on Notice

Budget Estimates Hearings June 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 323

Program No. NBN Co Limited

Hansard Ref: Page 56 (16/06/2011)

Topic: First Mainland Release Site

Senator Abetz asked:

Senator ABETZ: On what date was it decided that the first mainland city to be delivered the National Broadband Network would be Armidale?

Senator Conroy: When Townsville got wiped out by the cyclone.

Mr Quigley: Yes, that is right. When it became apparent that-

Senator ABETZ: When? What was the date?

Mr Quigley: Straight after the Townsville cyclone.

Senator Conroy: Townsville was on track to be first. The cyclone hit it. Armidale was the next in line.

Senator ABETZ: Can you give us the date on that, Mr Quigley, on notice?

Mr Quigley: Certainly; I will look at the date the cyclone took place.

Answer:

Cyclone Yasi struck in the first week of February 2011. Following discussions with our construction partner Ergon Energy in the days following the cyclone, it became evident that the redirection of resource effort required by Ergon to repair its own network would mean delays in the final completion date for Townsville. The delay was estimated at between 6 to 8 weeks. So whilst the NBN Co network suffered relatively minor damage, Townsville completion slipped behind Armidale as the first mainland site for completion.

Answers to Senate Estimates Questions on Notice

Budget Estimates Hearings June 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 324

Program No. NBN Co Limited

Hansard Ref: Page 58 (16/06/2011)

Topic: NBN Co Workforce - Wage increases

Senator Abetz asked:

Senator ABETZ: What deals have been done with the workforce in relation to wage increases? **Senator Conroy:** NBN Co.'s own workforce or the contractor workforce?

Senator ABETZ: With NBN Co.'s workforce.

Senator Conroy: There are four EBAs and they have been read out at previous estimates.

Senator ABETZ: Do those require wage increases of four per cent plus four per cent plus four per cent?

Mr Quigley: I will check on each of those EBAs. I can supply the information on the details of each of those EBAs.

Answer:

Three 4 per cent increases are provided for under the four EBAs (1 July 2011, 1 July 2012, 1 July 2013) covering NBN Co's own workforce; not related to contractors. The EBAs all nominally expire in the latter half of 2014 and therefore the average across the period is 3 per cent per annum.

Question No: 325

Program No. NBN Co Limited Hansard Ref: Page 58 (16/06/2011)

Topic: CEPU NBN forum

Senator Abetz asked:

Senator ABETZ: So you are aware that there was a forum that the CEPU held, but NBN officials were not present. **Mr Quigley:** I will confirm that but I believe that they were not.

Answer:

With respect to the CEPU forum referred to; the General Manager of Training, Strategy and Internal Communications for NBN Co attended at the invitation of the CEPU to provide a presentation on training and skills. He left after his presentation.

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Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 326

Program No. NBN Co Limited

Hansard Ref: Page 58-59 (16/06/2011)

Topic: CEPU NBN forum

Senator Abetz asked:

Senator ABETZ: Prior to that forum had CEPU officials met with NBN officials about a draft document detailing the draft framework agreement?

Mr Quigley: I know that our head of HR has met with some union officials. I will have to check whether that was the CEPU and I will have to check whether that document which you have referenced was discussed.

Senator ABETZ: Because the draft framework agreement with its many conditions—

Senator Conroy: The word 'draft' would tend to imply it is not agreed. Is that your understanding of the word 'draft'?

Senator ABETZ: That was in February for that forum. There was a draft.

Senator Conroy: And has it ever been touted as an agreed agreement or has it still been touted as a draft agreement every day since then?

Senator ABETZ: When you are finished I will ask my question. Did the NBN discuss with the CEPU the conditions that might be part of a framework agreement?

Mr Quigley: I do not believe so, but I will check for you.

Senator ABETZ: I ask you to take on notice whether the NBN at any stage-

Senator Conroy: Agreed to government.

Senator ABETZ: Just stop it, Minister. Was there any draft framework agreement provided to the NBN by the CEPU?

Answer:

Under the National Code of Practice for the Construction Industry, NBN Co cannot require or attempt to unduly influence subcontractors or suppliers to have particular workplace arrangements. These are matters between the tenderers/contractors and their respective employees.

NBN Co has not played any part in the development or otherwise of any enterprise agreement bargaining claims that the CEPU is pursuing. This is not a matter for NBN Co. All queries relating to the enterprise bargaining claim should be directed to the CEPU.

With respect to the CEPU forum referred to; David Auld, General Manager of Training Strategy for NBN Co attended at the invitation of the CEPU to present at the forum only in relation to training and skills and left after his presentation.

Question No: 327

Program No. NBN Co Limited Hansard Ref: Page 59 (16/06/2011)

Topic: Alcatel Board – Mr Beaufret

Senator Birmingham asked: Senator BIRMINGHAM: Did Mr Beaufret serve on the board of Alcatel Standard? Mr Quigley: I believe he did. Senator BIRMINGHAM: Do you know what years he served on the board? Mr Quigley: I will have to check on that for you.

Answer:

Mr Beaufret was a director of Alcatel Standard from June 2002 to June 2007.

Answers to Senate Estimates Questions on Notice

Budget Estimates Hearings June 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 328

Program No. NBN Co Limited

Hansard Ref: Page 61 (16/06/2011)

Topic: NBN Launch - Armidale

Senator Birmingham asked:
Senator BIRMINGHAM: Thank you. I want to finish off on something Senator Abetz was pursuing. What was the total cost of the Armidale launch?
Mr Quigley: I will have to supply you with information on that.
Senator Conroy: I think we took that on notice.
Senator ABETZ: I think you indicated something over 100; didn't you?
Senator Conroy: \$120,000 or \$130,000.
Mr Quigley: Are you talking about the cost of the construction or the launch?
Senator BIRMINGHAM: The launch.
Mr Quigley: I think it is approximately \$140,000. I will give you the exact figure on notice.
Senator BIRMINGHAM: Thank you.

Answer:

The total cost for the Armidale launch event on 18 May 2011 was \$138,474.05.

Answers to Senate Estimates Questions on Notice

Budget Estimates Hearings June 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 329

Program No. NBN Co Limited

Hansard Ref: Page 61 (16/06/2011)

Topic: NBN Launch - Armidale

Senator Fisher asked:

Senator FISHER: I am about to, but I thought I heard Mr Quigley say something just then. Can you please inform us how much the rollout in Armidale cost for 105 kilometres of fibre, 763 pits, 28 kilometres of pipe and 32 distribution hubs?

Mr Quigley: I will have to take that on notice. I do not know the exact figure.

Senator FISHER: Do you know the total amount expended in the Armidale rollout?

Senator Conroy: He just said he would take it on notice.

Senator FISHER: Thank you. Can you take on notice the costs of the rollout for any of the first release sites to the extent that they have been proceeded with thus far?

Mr Quigley: Do you want them completed or where they are up to if they have not been completed?

Senator FISHER: Completed, which will narrow it down somewhat...

Answer:

As at 31 July 2011, the total build costs for the First Release Sites, which constitute a trial of design and construction methodologies in order to provide learnings for future roll-out were:

- Armidale \$16.3 million
- Townsville \$16.5 million
- Brunswick \$13.0 million
- Willunga \$11.5 million, and
- Kiama/Minnamurra \$19.9 million.

These costs includes \$4.8 million of Interim Backhaul cost, which is a sunk cost while the transit network is being built and approximately \$5.7 million of Fibre Access Network fit-out costs which will largely be avoided as a result of the Telstra Definitive Agreements.

Question No: 330

Program No. NBN Co Limited

Hansard Ref: Page 62 (16/06/2011)

Topic: NBN Armidale – Retail Service Providers

Senator Fisher asked:

Senator FISHER: Thank you, I am happy. Mr Quigley, who are the four involved in Armidale? **Mr Quigley:** The four, I believe, are iiNet, Internode, iPrimus and Telstra. But I will check if that is correct.

Answer:

The answer provided by Mr Quigley is correct. However, an additional RSP, Exetel is now also offering services in Armidale.

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Budget Estimates Hearings June 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 331

Program No. NBN Co Limited

Hansard Ref: Page 63 (16/06/2011)

Topic: Indemnities

Senator Fisher asked:

Senator FISHER: Mr Quigley, beyond those two, have the directors of NBN made any suggestions about any further indemnities to be provided to them in respect of their directorship of NBN Co?

Mr Quigley: I will take that on notice, if I can, because I would like to check the answer to that question with the chairman.

Senator FISHER: Do you think you know what the answer is?

Mr Quigley: I think I need to check with the chairman of the board before I answer any questions relating to what the board has or has not asked the shareholders. I am the CEO; I report to the board and the board is responsible to the shareholders. It is not up to me to answer questions on behalf of the board.

Senator FISHER: Minister, given that you are the government and a shareholder, has the shareholder been asked for any further indemnities by the NBN board?

Senator Conroy: The board has not finalised anything that we are aware of. But if the board is seeking any we will consider them on a case-by-case basis.

Senator FISHER: The board has not finalised anything that you are aware of. Has the board tentatively suggested anything?

Senator Conroy: I have not been to a board meeting for a long time and I do not get the minutes. However, if there is any information that I can share with you on that, I am happy to take it on notice and see if there is any information available.

Answer:

See answer to Question on Notice 365.

Question No: 332

Program No. NBN Co Limited Hansard Ref: Page 63 (16/06/2011)

Topic: IBM Contract

Senator Fisher asked:

Senator FISHER: You are the chair—for now. Mr Quigley, has the contract with IBM—which you referred to in your opening statement as being worth in excess of \$200 million over three years but the minister, I think, talked about being worth \$220 million over the next three years—been assigned for anything beyond three years; and, if so, what is the value of that?

Mr Quigley: I will have to check, Senator. I believe it is a three-year contract. It is possible that we may have negotiated an ongoing maintenance deal; I will have to check on that and come back to you.

Senator FISHER: And, if you have, what is the anticipated cost of that ongoing segment? Mr Quigley: I can get back to you on that one.

Answer:

The contracts for the build, support and maintenance of the OSS/BSS (Operational Support and Billing Support systems) involved the following costs over the three year contract:

- a) To build, support and maintain the solution approximately \$150.0 million;
- b) To purchase, maintain and support the associated software approximately \$49.0 million; and
- c) Internal NBN Co management and delivery costs approximately \$21.0 million.

At this stage beyond the three years there is no ongoing financial commitment with IBM under the contract.

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Budget Estimates Hearings June 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 333

Program No. NBN Co Limited

Hansard Ref: Page 66 (16/06/2011)

Topic: NBN employees – involvement with Alcatel-Lucent

Senator Fisher asked:

Senator FISHER: Regarding the number of employees of NBN Co. who either were employed by or engaged perhaps as consultants by Alcatel-Lucent at any point in time, I asked about this on 26 May and the minister said he thought about 15 former Alcatel and Alcatel-Lucent employees were currently employed full time by NBN Co. Can you confirm or otherwise that figure in terms of the number of—

Mr Quigley: Are you talking currently, or at any other particular time?

Senator FISHER: The number of full-time NBN Co. employees at the moment who have at any stage worked for Alcatel or Alcatel-Lucent?

Mr Quigley: You mean at any time in their career?

Senator FISHER: Yes.

Mr Quigley: This will require a lot of work. What we have got to check is every CV of every person in the company, not just where was the last place they worked, but at any time in their career. Is that what you want?

Senator Conroy: And does that include employees who are no longer with the company? **Senator FISHER:** Mr Kevin Brown would probably know the answer to that question off the top of his head.

Mr Quigley: No, he certainly wouldn't.

Senator Conroy: He doesn't.

Mr Quigley: He certainly wouldn't know that.

Mr Harris: Presumably, Senator, you are talking about senior executives or something like that; you are not asking Mr Quigley for the numbers—

Senator FISHER: NBN Co. has some 700 employees. I am asking about those 700 employees. **Mr Quigley:** You want us to find out at any time have they ever worked for Alcatel Lucent? **Senator FISHER:** Yes.

Mr Harris: The norm, before Mr Quigley takes this on notice, is that we should assess the resources required to answer a question like that.

Senator FISHER: I would like to hear Mr Brown's answer to that question.

Mr Quigley: We work on behalf of the company. Mr Brown reports to me. If you are asking me to take on that question—

Senator FISHER: I am.

Mr Quigley: Okay, I will check the resources required.

Answer:

To answer this question precisely would require NBN Co to make extensive enquiries of its current employees. Based on the data available, we now estimate that the total number of current employees at NBN Co who have previously worked at Alcatel at any time is about 70 (or approximately 7.7%).

Question No: 334

Program No. NBN Co Limited

Hansard Ref: Page 67 (16/06/2011)

Topic: NBN Co Tasmania

Senator Fisher asked:
Senator FISHER: So what has happened to Tas NBN Co.?
Senator Conroy: It is a viable, ongoing entity.
Senator FISHER: Does the board of it meet?
Senator Conroy: Yes.
Senator FISHER: How often?
Senator Conroy: I would have to take that on notice.
Senator FISHER: What fees and are the directors paid?
Senator Conroy: I am happy to take that on notice, but I think that is on the public record.

Answer:

The board of NBN Tasmania meets approximately every 6 to 8 weeks. Directors fees are \$40,000 per annum.

Question No: 335

Program No. NBN Co Limited Hansard Ref: Page 67 (16/06/2011)

Topic: NBN Co Tasmania

Senator Fisher asked:

Senator FISHER: Does Tas NBN Co. have any separate financial standing from NBN Co. itself? **Senator Conroy:** I am happy to take that one on notice. I am not aware of the individual transactions of Tas NBN Co.—question No. 290, I understand

Answer:

NBN Tasmania is a wholly owned subsidiary of NBN Co. As such it has equity capital funded by NBN Co and is required to maintain its own books and records. Since its accounts are consolidated with NBN Co and since a deed of cross guarantee exists between the two companies, it is not required to publish a separate annual report.

Question No: 336

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

If NBN Co were to cease operations tomorrow what would the exposure of the taxpayer be?

Answer:

NBN Co's contracted commitments recognised at 30 June 2011 are \$374 million. Other exposure items include employee termination costs and the individual termination clauses of over 100 commercial contracts which would need to be calculated on a case by case basis. In addition to the above, there would be liabilities under each of the Telstra and Optus deals.

Answers to Senate Estimates Questions on Notice

Budget Estimates Hearings June 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 337

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

- a. When will NBN Co secure its first paying customer?
- b. If the current 607 (600 in Tasmania and 7 in Armidale) customers paid market rates for the NBN Co services they are currently receiving, what would be the aggregate revenue amount receivable by NBN Co?

Answer:

- a. On 1 July 2011 NBN Co launched commercial services on the interim satellite service, providing eligible rural and regional Australians with immediate access to enhanced broadband services. Commercial services over the fibre network are expected to begin from 30 September, consistent with our Corporate Plan 2011-2013.
- b. The market rates for broadband services are dependent on a number of variables including the type of service, speeds required and levels of usage. NBN Co has not attempted to make any calculations in regard to potential revenue as users in Tasmania and Armidale are part of a network design and testing process and prices to be charged to RSPs are still subject to final approval by the ACCC.

Question No: 338

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

- a. What is the current payroll expense, on an annual basis, for the 784 staff of NBN Co?
- b. How many staff will be employed by the end of 2011? What is the average remuneration per annum for NBN employees?

Answer:

- a. As at end April 2011 there were 785 staff comprising 738 employees, 29 contractors and 18 labour hire. The total payroll expense on an annual basis for the employees and labour hire staff was \$130.3 million.
- b. By 31 December 2011, it is estimated that total staff employed will be 1,427. Average remuneration per annum is estimated at \$145,000 per employee at this date.

Question No: 339

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

- a. How many staff are based at the Head Office of NBN Co?
- b. Can you categorise the roles performed by these employees?

Answer:

a. NBN Co has offices in Sydney, Melbourne and other locations (including Canberra).

TOTAL –	906 staff (as at 30 June 2011)
Other Locations –	44 staff
Melbourne –	422 staff
Sydney –	440 staff

These figures include contractors & labour hires.

b. Roles performed by the NBN Co staff:

Function	Sydney	Melbourne	Other
Information Technology	102	53	1
Technology Office	51	130	1
Commercial	18	7	-
Construction	21	64	13
Corporate (incl. Finance & HR)	129	43	4
Network Operations	71	100	21
Product Development & Sales	42	21	4
Program Office	6	4	-
Total	440	422	44

Question No: 340

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

- a. What is the annual rental on the Head Office?
- b. What is the rental per sq metre?

Answer:

a. NBN Co does not have a Head Office but the respective rentals for our Sydney and Melbourne Offices are as follows:

North Sydney – Gross effective annual rent is \$3.10 million; and Melbourne – Gross effective annual rent is \$2.46 million.

b. These rents equate to \$512/sq metre pa (North Sydney) and \$535/sq metre pa (Melbourne).