

Senate Standing Committee on Environment and Communications
Answers to Senate Estimates Questions on Notice
Budget Estimates Hearings June 2011
Broadband, Communications and the Digital Economy Portfolio
NBN Co Limited

Question No: 341

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

- a. How much expenditure has NBN Co incurred to date?
- b. What is the breakdown of this aggregate expenditure amount between capital and operating expenses?

Answer:

As at 30 June 2011:

Capital expenditure: \$504 million

Operational expenditure: \$402 million

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Question No: 342

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

In the Budget Estimates hearings in May 2010, Mr Quigley stated that “We will not commit the company above the amount for which we have received equity injections into the company”. An NBN Media Release on 1 April 2011 claimed that “in the past 18 months over 90 tenders with a face value in excess of \$5bn have been successfully negotiated” (now \$7bn since contract announcements on 1 June 2011). Given NBN Co’s assurances in May 2010, has NBN Co now received equity injections to 1 April 2011 of \$7bn?

Answer:

NBN Co has not committed the company above the approved amount of equity from Government. At 30 June 2011, approved equity from Government was \$1.712 billion whereas outgoings, including commitments, totalled approximately \$1.5 billion at 30 June 2011. The important phrase in the quote from the 1 April 2011 media release is “with a face value”. The face value does not necessarily constitute a “commitment” of funds for that entire amount.

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NBN Co Limited

Question No: 343

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

- a. What population uptake % is required for NBN Co to make a net profit by 2020?
- b. What is the current uptake in each of the first roll-out sites?

Answer:

- a. Refer to Exhibit 10.3: Summary Financials (Nominal Dollars), page 134 in the Corporate Plan.

Using Earnings Before Tax (EBT) as a proxy for Net Profit, NBN Co forecasts EBT to break even in FY2021 – this is based on the projected connection rate of 65% in FY2021 across all three platforms (Fibre, Fixed Wireless, Satellite : 8.5 million connections divided by 13.2 million premises passed/covered).

- b. The first release sites were part of a trial by NBN Co, to assist in future planning. The number of premises activated was deliberately limited. This means that even if the fibre passed a large number of premises, only those that were invited to connect as part of the trial were able to do so. The concept of “take-up rates” (i.e. number of premises connected as a proportion of premises passed) does not apply to these sites.

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Question No: 344

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

- a. What % of NBN's wholesale revenue will be derived by direct connections to other carriage service providers?
- b. Was this revenue stream taken into account when determining the 7% rate of return on the project?

Answer:

- a. As a wholesale provider, all of NBN Co's revenues are derived through connections to other service providers.
- b. Revenue assumptions are described on page 109 of the Corporate Plan.

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Question No: 345

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

- a. What aspects of the NBN project will be scaled back if there is a cost blow-out on the project?
- b. Can the project revert to a Fibre-To-The-Node (FTTN) model, rather than FTTH?

Answer:

- A) It is somewhat hypothetical in nature to assume that there will be a cost blow-out.
- B) There are fundamental differences between Fibre-to-the-Node and Fibre-to-the-Premises architecture, technology, industry outcomes and economics. Please refer to Mike Quigley's many explanations before committees for more details on this.

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Question No: 346

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

How much additional equity funding is NBN Co expecting to receive in 2011-12 and what are the primary expenditure items forecast for that period?

Answer:

The FY 2011-12 equity injection request is \$2.4 billion.

The primary expenditure items forecast for the period are costs associated with ongoing operations, construction works and the Long Term Satellite project costs.

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Question No: 347

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

Has NBN Co received tender submissions for the project management of multi –dwelling-unit (MDU) cable installations (the tenders closed on 6 June 2011 – Tender ID A091)? Are the tender amounts submitted within the tender pricing parameters of NBN Co?

Answer:

Yes; tender submissions have been received and these are currently being evaluated. As such, we are unable to comment on pricing parameters.

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Question No: 348

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

- a. What risks has NBN Co assumed in its contract with Silcar?
- b. When will the next tranche of fibre-optic rollout contracts be signed and implemented?

Answer:

- a. NBN Co has adopted a standard Telco industry model with a schedule of rates for standard work items. Following design, a Bill of Materials is produced. Once the Design and the Bill of Materials is agreed by NBN Co, the price for the FSAM is fixed with only standard variations under the contract process allowed. Key details of the pricing and risk allocation between NBN Co and Silcar are confidential under the contract terms.
- b. We anticipate being able to announce the second construction contracts package in coming weeks, subject to final contract negotiations.

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Question No: 349

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

- a. NBN Co is reporting quarterly to enable this to occur. What issues are arising from NBN Co's quarterly reports?
- b. Are any management reports provided more frequently?

Answer:

a – b. NBN Co provides Quarterly Reporting to its shareholders in accordance with its obligations under the *Governance Arrangements for Commonwealth Government Business Enterprises* and the *Commonwealth Authorities and Companies Act 1997*. The company is also required to provide updated Corporate Plans on an annual basis and, if requested, to provide interim reports.

The Quarterly Reports provide a mechanism for the shareholders to monitor the company's performance against a number of variables or Key Performance Indicators (KPIs). More frequent detailed management reports are not currently requested or provided but there is regular dialogue between the shareholders and the company's Board and senior executives on a wide range of issues, including performance.

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Question No: 350

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

- a. What is the value of the contract recently awarded to Service Stream to operate NBN Co's new public contact call centre in Melbourne's CBD?
- b. How much was budgeted for this item?
- c. Has the Communications Workers Union (CWU) finalised negotiations with Service Stream about wages and conditions for staff in the NBN call centre?

Answer:

- a. As is standard in Contact Centre outsourcing agreements such as that between NBN Co and Service Stream, a proportion of the Contact Centre cost is based on call volumes and Service Streams' ability to meet contractually agreed service level agreements (SLAs). The estimated value of the contract at the time of award was approximately \$1.0 million dollars although a range of additional activities (management of Greenfields services, management of Satellite services etc.) have been integrated into the Centre's responsibilities, potentially changing the contract value.
- b. The budget for the contract is commercially sensitive information to NBN Co.
- c. This is a matter between Service Stream and the unions.

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Question No: 351

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

- a. Is the cost of the recent deals with Optus, IPstar and Gilat Satellite Networks for the provision of interim satellite services within the budgeted amounts set aside (if any) for this item?
- b. What are the budgeted amounts for the provision of this interim satellite service?

Answer:

- a. Yes. This was within the amount forecast in the Corporate Plan submitted in December 2010 to the Government. Further and for clarity, NBN Co did not enter into a contract with Gilat.
- b. See above. The transaction totals were within the amount forecast in the Corporate Plan submitted to the Government in December 2010.

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Question No: 352

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd

Senator Fisher asked:

Why is NBN Co trialling a “fibre-extension” program for councils situated beyond the NBN’s 93% fibre footprint so such councils can connect their constituents to the new network for a cost. Could the scheme’s costs prove prohibitive?

Answer:

There may be requests from end-users, businesses or governments to extend the fibre footprint beyond the planned rollout of the National Broadband Network.

‘Network Extension’ will come into effect when end-users wish to obtain a service based on an access technology different to that proposed in the initial design of the National Broadband Network, thereby extending the fibre footprint beyond the planned 93%. These requests may involve an entire town or a single premise where the end-user(s) is willing to invest in the infrastructure.

The Commonwealth Government has stated that it:

“...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% coverage objective. NBN Co should only seek to recover the incremental costs incurred in these extensions.”

Statement of Expectations from NBN Co, 17 December 2010.

NBN Co will establish objective design criteria which will be used to define the footprints of each access technology. These design criteria become the starting point for considering Network Extension propositions.

An application process may be established for end-users to make requests for Network Extensions. NBN Co will be charging end-users the incremental cost of installing infrastructure beyond the footprint produced by applying the design criteria.

Whether or not the costs are prohibitive is a decision for the end-users, businesses or governments who wish to extend the footprint.

At this stage NBN Co is performing a trial of the fibre optic network extension process with selected properties that border the Tasmania second stage sites of Sorell, Deloraine, St Helens and South Hobart. Any future process will depend on the outcome of the trial.

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Question No: 353

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Current NBN Roll-out

Senator Fisher asked:

- a. How much has NBN Co expended in the NBN roll-out in Tasmania?
- b. What has been the uptake % for the NBN service?

Answer:

- a. As at 30 June 2011, the amount expended in Tasmania:

Stage 1: \$32.5 million

Stage 2: \$6.7 million

- b. As at 28 August 2011, uptake in Tasmania was 16.5%, as measured by services activated or ordered as a percentage of premises passed.

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Question No: 354

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Current NBN Roll-out

Senator Fisher asked:

- a. How much has NBN Co expended in the NBN roll-out in SA?
- b. What has been the uptake % for the NBN service?

Answer:

- a. See Question on Notice 329.
- b. As at 29 August 2011, the uptake in Wilunga was 13.2% measured as activated and ordered services as a percentage of total premises passed.

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Question No: 355

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Current NBN Roll-out

Senator Fisher asked:

Why is Telstra upgrading its existing copper network to ADSL2 broadband in some parts of northern Tasmania when the NBN roll-out has already commenced in this State?

Answer:

This is a commercial decision taken by Telstra and NBN Co does not have access to information regarding these decisions.

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Question No: 356

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Current NBN Roll-out

Senator Fisher asked:

- a. How much has NBN Co expended in the Armidale roll-out? (105km of fibre, 763 pits, 28km of pipe, 32 distribution hubs)?
- b. Given that the Telstra deal is yet to be executed, will all rollout sites experience such delays?

Answer:

- a. See answer to Question on Notice 329.
- b. Under the Definitive Agreements with Telstra, NBN Co has interim arrangements for access to certain categories of existing Telstra infrastructure that will allow the rollout to proceed pending all necessary approvals required to formalise the deal.

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Question No: 357

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Current NBN Roll-out

Senator Fisher asked:

In an NBN media release issued on 1 June 2011 announcing the contract with Ericsson it is stated that the fixed – wireless network and long-term satellite services are designed to offer speeds of 12mbps to RSPs. However there is a caveat attached to this statements which says that “The speeds actually experienced will depend on a number of factors....”.

- a. How is this statement consistent with the claim that the NBN will provide a minimum speed of 12mbps across the country?
- b. Will the network have sufficient capacity to guarantee that the minimum speed will always be 12mbps, irrespective of the user levels?
- c. To ensure this, how many base stations will be required?
- d. What is the budgetary provision for this component of the NBN project?

Answer:

a. and b.

NBN Co includes the referenced caveat in our communications (such as the 1 June media release) to be clear and transparent regarding the number of factors that affect the speed experienced by an end user. The NBN is only one element in the end-to-end broadband service chain that serves an end user. As a wholesale provider of access services, NBN Co’s services are used as a component in a Retail Service Providers network that makes the connection to the end user’s premises. Other components in the Retail Service Provider’s network include backhaul between major sites and the IP core where management, processing and routing of end user data traffic takes place. Components outside the RSP network include the equipment at the end user’s premises which can include an End Users PC and router and the world wide web itself including the application servers. All these components impact on an end user’s Internet experience.

c. and d.

For NBN Co’s fixed-wireless service, the number of base stations required is calculated based on factors including the number of users or premises in an area and the area’s topology. In the NBN Co’s Corporate Plan it was estimated that the number of base stations required was in the order of 2000. The sum involved in the Ericsson transaction was within the amount forecast in the Corporate Plan.

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NBN Co Limited

Question No: 358

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Internet Plan Fees

Senator Fisher asked:

- a. How much is NBN Co relying, in its forward revenue estimates, on revenue from the Connectivity Virtual Circuit (CVC) charge?
- b. What would be the estimated cost to the consumer of accessing a 1,000GB plan under the NBN?

Answer:

- a. Please refer to NBN Co's Corporate Plan 2011-2013 (pages 110-112) for CVC revenue projections under two possible options.
- b. The cost will be set by Retail Service Providers. Internode, for example, has released proposed pricing with 1TB plans at \$149.95 per month.

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Question No: 359

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Internet Plan Fees

Senator Fisher asked:

- a. Will 121 Points of Interconnect (POIs) create a sufficiently competitive marketplace?
- b. Is NBN Co considering providing additional service connection beyond the POIs?

Answer:

- a. This is a question for the Australian Competition and Consumer Commission (ACCC). The number of Points of Interconnect was determined by the ACCC following a “public confirmation process” (see ACCC media release issues 1 March 2011). This media release states that the availability of competing fibre infrastructure was a key element of the ACCC's competition criteria.
- b. NBN Co is proceeding on the basis that there will be 121 Points of Interconnect.

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Question No: 360

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Internet Plan Fees

Senator Fisher asked:

Have the RSPs given an indication as to which of them will be providing connections from the 121 POIs to the RSP's premises?

Answer:

RSPs have not yet finalised their backhaul arrangements as the backhaul providers are still developing their products.

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NBN Co Limited

Question No: 361

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Internet Plan Fees

Senator Fisher asked:

It has been reported that RSPs that have utilised the NBN pricing calculator have demonstrated how prices for everyday Australians could rise by up to 54% under the NBN pricing and infrastructure plans. If this is the case, can NBN Co still be confident of achieving its stated 7% rate of return on its investment?

Answer:

Pricing released by RSPs such as Internode, Exetel and Dodo indicate that prices will be comparable, and in some cases better than ADSL services. Exetel has released a plan for mainland trial sites, for example, starting at \$34.50 per month for 20 GB of data for speeds of 12/1Mbps. NBN Co is confident that retail prices released to the market so far create no reason to amend the rate of return.

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NBN Co Limited

Question No: 362

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Telstra Issues

Senator Fisher asked:

- a. When will the separation deal with Telstra be finalised?
- b. What happens if the NBN project falls over – is there any recourse to recovering the “Telstra amount”?

Answer:

- a. The Definitive Agreements between NBN Co and Telstra, and a series of agreements between Telstra and the Commonwealth, were entered into on 23 June, 2011.

The Definitive Agreements are subject to a number of Conditions Precedent which must be satisfied (or waived) before the main operative provisions contained in the Agreements come into effect. These Conditions Precedent include approval by Telstra’s shareholders and approval of Telstra’s Structural Separation Undertaking by the ACCC. Telstra lodged its Structural Separation Undertaking with the ACCC on 29 July, 2011.

- b. A Rollout Termination Amount is only payable once the NBN has passed 20% of the number of expected premises as at the date the payment is triggered. If a permanent cessation of rollout or very slow rollout occurs, NBN Co will, subject to limited exceptions, compensate Telstra for Telstra being left with a geographically dispersed network. This compensation is on a sliding scale from a maximum of \$500 million (if the event occurs when NBN Co’s fibre rollout has reached 20 per cent of NBN Co’s current coverage target of 93 per cent of premises in Australia) reducing to zero (if the event occurs when NBN Co’s rollout has reached that current coverage target). Compensation is not payable if the event occurs before the rollout has reached that 20 per cent threshold.

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NBN Co Limited

Question No: 363

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Telstra Issues

Senator Fisher asked:

- a. Has Goldman Sachs has been advising NBN Co in relation to the Telstra agreement on a fixed fee basis but is entitled to a “jackpot success fee” if the deal is successfully executed?
- b. What constitutes “success” and is this interpretation the same as Goldman Sachs?

Answer:

- a. and b.

Goldman Sachs has provided financial advisory services to NBN Co in relation to the Telstra and Optus transactions. As usual with financial advisory arrangements, there is a contract in place between NBN Co and Goldman Sachs which governs this retainer. The contract contains both confidentiality arrangements and a fee structure.

The fee structure in place is partly reliant upon execution and partly premised upon the completion of the Telstra Definitive Agreements and the Optus Agreement. The Telstra Definitive Agreements are currently subject to certain conditions precedent including regulatory approval and Telstra shareholder approval and as such are not complete. The Optus Agreement is also subject to some conditions precedent.

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NBN Co Limited

Question No: 364

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Telstra Issues

Senator Fisher asked:

What is the average amount of professional fees paid by NBN Co to the following firms in the 2010-11 year?

- i. Blake Dawson
- ii. Webb Henderson
- iii. Clayton Utz
- iv. Allens

Answer:

The total fees paid by NBN Co to these firms in respect of the Telstra Transaction are approximately:

- i. Blake Dawson - \$15.6million
- ii. Webb Henderson - \$410,000
- iii. Clayton Utz - \$500,000
- iv. Allens Arthur Robinson - \$590,000

Blake Dawson were the primary advisers on the transaction. A large team worked extensively for the majority of the financial year to conclude the deal. Webb Henderson provided regulatory advice on the transaction and specifically the Access Deed entered into with Telstra. Clayton Utz provided strategic advice on aspects of the transaction including litigation risks. Allens Arthur Robinson provided additional regulatory advice and supported the board and shareholder approval processes.

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NBN Co Limited

Question No: 365

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Telstra Issues

Senator Fisher asked:

1. Has the government indemnified the NBN Co Board from any legal action that may arise from the negotiation and finalisation of the transaction with Telstra? If so,
 - a. Is this, in effect, an unquantifiable contingent liability?
 - b. Why is a government indemnity necessary rather than a suitable professional indemnity insurance policy?
2. Are there any further indemnities being sought by the NBN Co Board?

Answer:

1. An indemnity of the type described in the question was provided by the Commonwealth in respect of the non-binding heads of agreement entered into in 2010; however, that indemnity will have limited practical operation once the Telstra transaction becomes legally binding.

In the context of the final agreements with Telstra announced on 23 June 2011, the Commonwealth has provided an indemnity to each Director of NBN Co against liability as a result of the Commonwealth failing to meet its funding obligations to NBN Co.

- 1a. Yes.
- 1b. In addition, the Directors also have the benefit of a directors and officers policy of insurance taken out by NBN Co (in accordance with normal business practice).
2. No indemnities are currently being sought by the NBN Co Board.

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Question No: 366

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Telstra Issues

Senator Fisher asked:

What is the condition of the ducts and pit and pipe infrastructure that NBN Co will be inheriting from Telstra under the proposed Telstra deal?

- a) Has Telstra ceased to maintain records of the condition of the ducts? If so, when?
- b) Has NBN Co. ensured that the infrastructure to be effectively acquired from Telstra is in an appropriate condition for use? How?
- c) Will Telstra provide NBN Co with construction history records to enable NBN Co to make an informed judgement on the condition of the fundamental infrastructure?
- d) What percentage of intended underground cabling will be put in Telstra's existing ducts?
- e) Is NBN Co indemnified against any additional costs incurred as a result of the condition of the existing infrastructure?

Answer:

On 23 June 2011, Telstra announced publicly that it "agrees to provide NBN Co with the right to access, occupy and use duct sections and associated duct infrastructure (e.g. pits and manholes). Telstra is responsible for the remediation of that infrastructure up to agreed fitness standards and within agreed timeframes in each area as the NBN is rolled out. Telstra must also provide ongoing maintenance and repair of the ducts and associated duct infrastructure in accordance with agreed service levels."

- a) This is a question for Telstra.
- b) See Telstra statement above.
- c) See Telstra statement above.
- d) NBN Co intends to use Telstra underground infrastructure wherever it is available and fit for purpose.
- e) As per the above statement, Telstra is responsible for remediating to the agree fitness standards.

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Question No: 367

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Telstra Issues

Senator Fisher asked:

Are there any areas where Ericsson is installing LTE fixed wireless network for NBN Co where Telstra has or will install their 4G LTE service?

Answer:

Telstra has not made NBN Co aware of the geographical extent or precise timing of their upgrade plans. It is possible that there may be some overlap however the purpose of NBN Co's wireless network is to provide fixed broadband access to the NBN.

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NBN Co Limited

Question No: 368

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Labour

Senator Fisher asked:

- a. In agreements between contractors and NBN Co which may last beyond 12 months are there any price escalation clauses that take effect over time?
- b. What is the impact of such clauses on the estimated operating costs of the project and are they within budget?

Answer:

- a. Yes, it is standard practice to include price escalation clauses in these commercial arrangements.
- b. The assumptions contained in NBN Co's Corporate Plan 2011-2013 take into account such escalation clauses.

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Question No: 369

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Labour

Senator Fisher asked:

- a. Following on from the recent FWA ruling in JJ Richards case, where a strike-now, talk-later concept was effectively endorsed, are negotiations with contractor companies reflecting such union intentions?
- b. Will any agreements reflect fixed prices across Australia i.e. that costings are equivalent across the States?

Answer:

- a. Arrangements between contractor companies and unions are not visible to NBN Co.
- b. No. Pricing is set on a region-by-region basis nationally, reflecting differences in the costs of construction in different geographical areas.

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NBN Co Limited

Question No: 370

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

- a. How will NBN Co provide the final satellite solution for remote Australia?
- b. Will it involve the utilisation of Ka-band satellites?
- c. What is the likely cost of such a solution and will it be within budgeted amounts?

Answer:

a-c. The Long-Term Satellite Service is planned to commence in 2015 and to provide a Layer 2 nationwide service with peak speeds of 12 Mbps download, and 1 Mbps upload. The Long-Term Satellite Service will be delivered by two high-capacity satellites owned by NBN Co and using Ka band spectrum. As the tender process is still underway, NBN Co cannot provide estimates of costs; however, it is NBN Co's intention to get the best possible value for taxpayers in all contract negotiations and to keep within the project's budget.

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Question No: 371

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

- a. What impact has the recent resignation of senior personnel had on operations at NBN Co?
- b. Has NBN Co replaced the relevant personnel?

Answer:

- a. Departure of personnel is a normal part of operation for any business, and NBN Co has appropriate processes in place to ensure that business continuity is maintained.
- b. NBN Co has filled some positions and has recruitment processes underway to fill others.

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NBN Co Limited

Question No: 372

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

We note that the Government is paying advertising agency BBDO Clemenger \$550,000 to produce a HQ video showing the benefits of the NBN at the household level. The contract period is from 5 May – 30 June 2011.

- a. Was this amount budgeted for in 2010-11?
- b. What is the budgeted annual advertising and marketing expenditure for NBN Co and what areas are the funds spent on, or intended to be spent on?

Answer:

a. Yes. The video was commissioned and paid for by the Department of Broadband, Communications and the Digital Economy and the Department has advised that it did budget for the production of this video in 2010-11.

b. The budget for 2011-12 and future years has not been finalised as the public information on migration activities (arising from the Government's agreement with Telstra) need to be scoped and agreed upon.

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Question No: 373

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

In NBN Co's response to QoN 321 from February Estimates, I asked whether NBN Co had prepared any contingency plans to put in place in the event that Telstra shareholders vote against separation. NBN Co responded that it has modelled alternative scenarios to a Telstra deal.

- a. How many alternative modelling scenarios have been formulated?
- b. Are all of the alternative modelling scenarios commercially viable i.e. produce a sufficient rate of return?
- c. Would an alternative involve public private partnership arrangements?
- d. Would an alternative result in higher costs for the Australian taxpayer?
- e. Would an alternative result in further delays in the roll-out of the NBN?
- f. Would an alternative involve other existing telecommunication companies in Australia?
- g. Would an alternative involve a reduction in the scale of the NBN project?

Answer:

a.) NBN Co has considered a "no-deal" scenario in the case of both the Telstra and Optus agreements.

b), c), f), g) These scenarios are highly dependent on policy and regulatory arrangements, which are outside NBN Co's remit. In all cases the "no-deal" scenarios lead to outcomes considered less favourable than if the agreements with Telstra and Optus proceed.

d), e) NBN Co is of the view that a Telstra deal will result in a higher forecasted Internal Rate of Return (IRR) than any "no deal" alternatives, avoids significant upfront capex in the deployment of the network, spreads infrastructure usage charges over time and accelerates the rollout.

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Question No: 374

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

What are the likely compensation amounts payable to existing fibre or copper duct providers (in addition to Telstra) such as Optus and TransAct that have not been considered in costings provided to date?

Answer:

On 23 June 2011, NBN Co announced that it had signed a binding agreement with Optus, subject to regulatory approval, to migrate subscribers from fixed line networks to the NBN. Total payments over time are estimated by Optus to deliver a post-tax net present value of approximately \$800 million to Optus.

Other than the agreements with Telstra and Optus, no other such agreements have been entered into.

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Question No: 375

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

- a. Will existing subscribers to the maintained copper services beyond the fibre footprint be required to pay for two services?
- b. One from Telstra, the existing copper voice service and one from NBN Co for either the wireless or satellite service?

Answer:

a – b. Under the long-term satellite and fixed wireless products, end-users will have access to a VOIP (Voice Over Internet Protocol) phone service. This will provide end-users with the option to switch their phone service from the copper network.

If an end-user outside the fibre footprint wishes to keep their existing voice service provided over the copper network maintained by Telstra and also wishes to purchase a fixed wireless or a satellite service from a Retail Service Provider, then that end-user will have to pay for both services.

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Question No: 376

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

- a. Could you outline progress against the roll-out targets set out at Exhibit 1.2 of the NBN Corporate Plan?

Exhibit 1.2: Premises with Active Service (Incremental Year-on-Year)

	FTTP Brownfields	FTTP Greenfields Build	FTTP Greenfields Build Operate Transfer (BOT)	Satellite First Release	Wireless	Total
June 2011	-	-	35,000	-	-	35,000
June 2012	5,000	5,000	92,000	13,000	1,000	116,000
June 2013	255,000	55,000	64,000	20,000	25,000	419,000
Total	260,000	60,000	191,000	33,000	26,000	570,000

- b. Could you outline progress against those targets especially the Greenfield build operate transfers – how many Greenfield BOT's have been delivered?
- c. What problems have delayed the 'greenfields' services being delivered?
- d. How many satellite services are actually being delivered?

Answer:

- a. The following table outlines the progress against the active service targets:

	FTTP Brownfields	FTTP Greenfields Build	FTTP Greenfields Build Operate Transfer (BOT)	Satellite First Release	Wireless	Total
As at 29 Aug 2011	1,165	14	n/a (see Question (b))	423	0	1,602

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- b. & c. The 2010 Corporate Plan assumed that the greenfields policy would be implemented in part with a Build-Operate-Transfer (BOT) model. We are no longer using the BOT model. The Corporate Plan was also written while implementation details of the Government's policy were finalised. As a result the Corporate Plan assumed NBN Co would be responsible for a number of developments which ultimately was not the case. As well, the greenfields activity is driven by the demand of developers, which is inherently difficult to predict.
- d. As at 29 August 2011, there were 423 active services on the First Release Satellite.

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Question No: 377

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

Which years was Mr Beaufret a director of Alcatel Standard?

Answer:

See response to Question on Notice 327.

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Question No: 378

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

How many directors did Alcatel Standard have during his time on the board?

Answer:

That is a question you will need to direct to Alcatel-Lucent.

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Question No: 379

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

Was Mr Beaufret the chairman?

Answer:

No.

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Question No: 380

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

Was Mr Beaufret a member of any board sub-committee, and if so, which and for what periods of time?

Answer:

No.