

Senate Standing Committee on Environment and Communications
Answers to Senate Estimates Questions on Notice
Supplementary Budget Estimates Hearings October 2010
Broadband, Communications and the Digital Economy Portfolio
NBN Co Limited

Question No: 51

Program No. NBN Co Limited

Hansard Ref: EC 116-117

Topic: In-Home Monitoring Nursing Application

Senator Birmingham asked:

Can you provide some information on the in-home monitoring nursing application that was launched at the NBN in Tasmania?

Answer:

Once a patient is sufficiently stable to be discharged from hospital, this technology allows patients to be constantly monitored for vital signs, as if they were still in the hospital. Should a situation develop, an ambulance or rapid deployment team can be sent to the patient's residence immediately.

Another key advantage of the In-Home Nursing Application is to support "Aging in Place". As the "baby boomer" generation starts to enter retirement age, the demand for medium care facilities will dramatically increase.

The system which was demonstrated at the NBN launch in Tasmania was provided by Intel. It had three main components:

1. a home terminal (the Intel Health Guide) located at a residence in Scottsdale;
2. a home terminal located at the Midway Point community hall (the centre where the launch occurred) to demonstrate the functionality of the terminal to the attendees; and
3. a Windows based application (Intel® Health Care Management Suite) allowing clinicians to monitor patients in their homes and manage care remotely via an automated communication to each home terminal for collection and the storage of the vital statistics.

The home terminal enables the patient to measure their vital signs, respond to health assessment questions, receive educational information and motivational messages and complete surveys. Once the session is completed, the results are made available to authorized healthcare professionals who can use the latest recorded information to assess each patient's health status and to modify the patient's care plan accordingly. A key component of most Health Guide home terminals includes an integrated video camera, allowing healthcare professionals to arrange and conduct two-way video calls with their patients.

The Health Guide home terminals typically includes a variety of vital sign monitoring devices to capture key health measurements. They typically include blood pressure monitors, glucose meters,

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pulse oximeters, peak flow meters, weight scales, temperature and others – in effect, most of the things that would normally be monitored from within a hospital.

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Question No: 52

Program No. NBN Co Limited

Hansard Ref: EC121-122

Topic: NBN Consent Rates

Senator Barnett asked:

Can you provide the latest figures behind the consent rate percentages for Midway Point, Scottsdale and Smithton?

Can you provide the latest sign-up rates (in percentages and numbers) for orders and services being activated?

Answer:

(Figures as at 11 Feb 2011)

Consents to a fibre drop cable to the side of the premise

Midway Point	46 per cent or 535 premises
Scottsdale	62 per cent or 730 premises
Smithton	48 per cent or 780 premises

Sign Up

Premises	575 or 14.42 per cent of total premises
Services to premises	704 or 17.66 per cent of total premises

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Question No: 53

Program No. NBN Co Limited

Hansard Ref: EC 122

Topic: Cost of NBN Rollout in Tasmania

Senator Barnett asked:

What is the cost of the NBN roll-out in Tasmania to date?

Answer:

The cost for the NBN roll-out as at 30 September 2010, including the initial part of Stage 2, is \$30.6m. This is below the amount budgeted and includes much expenditure which will serve more than the three initial communities, for example the establishment of backhaul links.

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Question No: 54

Program No. NBN Co Limited

Hansard Ref: EC 122-123

Topic: Stage 1 of the NBN Rollout

Senator Barnett asked:

What is the budget for Stage 1 of the NBN rollout?

Answer:

The cash budget for Tasmania Stage 1 to 30 June 2011, including capital and ongoing operating costs is \$41.3m. This includes capital and operating costs that are attributable to both the three Stage 1 communities and later rollouts, such as the establishment of backhaul links.

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Question No: 55

Program No. NBN Co Limited

Hansard Ref: EC 123

Topic: Rollout of the NBN in Tasmania

Senator Barnett asked:

What are the funds invested in the rollout of the NBN in Tasmania by the federal government?

Answer:

The Government has made available \$100m for investment in NBN Tasmania and this was publicly announced by the Minister for Broadband, Communications and the Digital Economy on 1 March 2010.

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Question No: 56

Program No. NBN Co Limited

Hansard Ref: EC 124

Topic: Rollout of the NBN in Tasmania

Senator Barnett asked:

You have indicated in your opening statement that there are a number of lessons learned from the Tasmanian rollout. Can you advise the committee what lessons you have learned?

Answer:

The Stage 1 activities in Tasmania has provided NBN Co with the opportunity to focus on the operational learnings produced as a result of launching NBN based services in July 2010.

Some of the broader learnings are described below.

Health and Safety

From the start of all operations in Tasmania, Health and Safety was placed at the highest level of priority. With Aurora acting as NBN Tasmania's Agent and with their expertise in safe work practices when operating near power lines in an aerial construction environment, all the required safety processes were implemented.

Being able to work closely with Aurora has enabled NBN Co to further refine its planning, especially in areas like:

- Development of safety risk assessments and safety plans both internally and those of any contractors.
- Safety audits, especially of the contractors in terms of their safety plan compliance and accreditation audits.
- Briefing and communication methods of contractors to ensure the messages and requirements are fully understood.

Retail Service Provider (RSP) On-boarding

For the launch of services in Tasmania, the RSPs had to be operationally 'on-boarded' on a non discriminatory basis in order for them to operationally interact with the operations of NBN Tasmania.

This activity involved briefing each RSP on operational policy and processes, collating their feedback and then refining planned processes. The feedback obtained not only refined the initial processes to be used in Stage 1 Tasmania but has also been used by NBN Co for the development of the Operations Manual for use by all RSPs.

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Operational Processes

In order to launch the NBN in Tasmania, numerous operational processes (activation, assurance, billing etc) were developed in conjunction with Opticomm whilst leveraging their greenfields experience. These processes were tested both internally and with RSPs in order to streamline them considering that most of them are semi manual in nature.

These processes have been shared with the operational and business support systems and services (OSS/BSS) development teams as input to their development of the automated processes being developed for future Australia wide use.

Community Engagement

Over the months until the NBN launch in Tasmania, the amount of community engagement increased significantly and all the feedback, questions and concerns received from each of the three communities was shared with the teams developing similar activities to be used Australia wide going forward.

Other areas of learning include:

- Detailed Design – we worked closely with the power utility to ensure a clear understanding of each utility’s issues as they are not all the same. Key areas of focus are the utility’s access rights, access clearances, access policy (i.e. transformer and poles). These are critical due to the impact on business processes for Construction and Operations.
- Network Test Planning – work closely with the contractor to develop a seamless construction and detailed testing plans to be progressively used during the construction and handover phase. Developing and using both a detailed cable layout and splicing plan combined with a disciplined splice loss testing regime in order to achieve the defined standards. In Tasmania Stage 1, we tested various plans.
- Network Inventory Management – NBN Co is developing detailed network inventory management as part of its OSS/BSS systems. Working closely with Aurora enabled NBN Co to define what bi-directional data feeds are required between a power utility and NBN Co (pole IDs, NBN Co assets on the utilities poles, changes in detail during construction).
- Installation Practices – NBN Tasmania has been able to either validate or refine the work practices:
 - For both underground and aerial drop cables to the premises including refining how the drop cable is securely terminated at the premise.
 - Practices used by the installers to verify the strength of laser reaching each premise is within the right levels.
 - To streamline the collection and loading of data required post installation into the inventory database.
 - Development of work practice guides for use by the installers and aligned with their safety management plans.

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Question No: 57

Program No. NBN Co Limited

Hansard Ref: EC 124 - 125

Topic: Stage 1 – Rollout of the NBN in Tasmania (above ground cables)

Senator Barnett asked:

In the early documents that were released, I was advised that the cable would be distributed above ground and it would take up 520 kilometres of the 560 kilometres of cable to be rolled out throughout Tasmania. That is some 96 per cent. Is that accurate? If not, what is the accurate figure?

What percentage of the cable would be above ground for the roll-out in Tasmania?

Will the Backhaul be underground?

Answer:

The actual per cent of cable that will be aerial at this stage can only be an estimate due to two key factors:

- The final design for each fibre foot print. Stage 1 foot prints are final and constructed, Stage 2 foot print designs are near final and Stage 3 foot print designs have not yet commenced.
- The influence of a final agreement with Telstra enabling NBN Co to use available spare duct capacity.

Stage 1 - In the Stage 1 foot prints, 83 per cent of the Local and Distribution cable has been provided using an aerial construction.

Stage 2 – All of the Distribution network will be underground. All Local network will be aerial unless there is existing underground power in areas within each town of Stage 2.

There is no current ability to estimate for the Stages beyond Stage 2.

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Question No: 58

Program No. NBN Co Limited

Hansard Ref: EC 125

Topic: Rollout of the NBN in Tasmania

Senator Colbeck asked:

What is the capacity of the three cables across Bass Strait?

Answer:

We are not in a position to accurately answer this question because all three cables are owned and operated by other parties and accurate answers should be sought from the owners of those cables.

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Program No. NBN Co Limited

Question No: 59

Hansard Ref: EC 128

Topic: NBN Co Canberra Fitout

Senator Colbeck asked:

Can you confirm that there are chairs purchased for the fitout at NBN Co Canberra to the value of \$10,000 each?

Answer:

There are no chairs purchased for the Canberra office fitout worth \$10,000 each.

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Question No: 60

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Staffing, Consultancies, Contractors and Premises

Senator Birmingham asked:

1. How many employees have NBN Co engaged on salary packages in excess of:
 - a. \$100,000 per annum?
 - b. \$200,000 per annum?
 - c. \$300,000 per annum?
 - d. \$400,000 per annum?
 - e. \$500,000 per annum?
2. How many premises has NBN Co taken out leases on? How much floor space has been let by NBN Co? What are the costs associated with each lease agreement entered into by NBN Co?
3. How many consultancies unrelated to the actual building of the NBN has NBN Co engaged? Please detail the purpose of each consultancy, the total actual or anticipated cost, the means of selection and the companies undertaking the work.
4. How many sub contractors has NBN Co engaged in the building of the NBN? Please detail the purpose of each sub-contract, the total actual or anticipated cost, the means of selection and the companies undertaking the work.

Answer:

1. NBN Co's 2009-2010 Annual Report provides a breakdown by range of the remuneration packages of the 47 employees with remuneration packages in excess of \$300,000 as at 30 June 2010. As at the same date, there were also 159 employees with remuneration packages below the \$300,000 threshold. As is to be expected, a "start-up" company like NBN Co will put in place its senior management first. Since June 2010, NBN Co has hired an additional 144 staff of which 85 per cent earn less than \$200,000 per year. The employment of staff at the lower end of the pay scales has now substantially altered the overall staff/pay profile and this trend is likely to continue as recruitment at the senior levels flattens out.
2. NBN Co has in total taken out leases (annual gross rental in brackets) in five locations – Melbourne CBD (\$1.87m), North Sydney (\$3.37m), Canberra (\$0.1m), Hobart (\$0.05m) and the Docklands Centre in Melbourne (\$1.86m) for its Network Operations and Testing Facility. The leases in aggregate cover 13,549 sq metres.

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3. NBN Co's objectives as set by Government are to design, build and operate an open access, wholesale only, national broadband network (NBN) covering all premises. There are no contractors that are unrelated to the actual building of the NBN. Even financial or legal advisers are related to the building of the network.

4. NBN Co does not employ sub-contractors. We have engaged a number of main build contractors for our First Release sites on the mainland and in Tasmania. These are Electricity Trust of South Australia (ETSA) (power utility for rollout in Wilunga), Ergon Energy (Townsville), Transfield (Minnamurra), Silcar (Armidale), Telstra (Brunswick) and Aurora Energy (Tasmania). These main contractors may engage their own sub-contractors to assist with the build but they are not employed by NBN Co.

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Question No: 61

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Satellite Technology

Senator Fisher asked:

How will NBN Co invest in satellite technology to provide services to those Australians not serviced by fixed fibre or wireless?

- a. Which specific areas will be serviced by satellite?
- b. What geographical areas will this cover?
- c. How many satellites and land based gateways does NBN Co plan to build?
- d. What is the timeframe for completion of these satellites and gateways?
- e. Will there be a tender process for the contracts to build the satellites?

Answer:

- a. & b. The geographical areas to be covered were illustrated in NBN Co's Product Overview for Satellite Access Services released publicly in August 2010 and available on the company's website at www.nbnco.com.au under "Publications".
- c. The final satellite solution, known as the NBN Co Satellite Access Service (NSAS), will involve the launch of two next generation Ka-Band satellites supported by a network of about 10 transmitting and receiving stations or gateways. Exact details are subject to vendor Request For Tender responses.
- d. The NSAS solution is targeted to be in operation in 2014.
- e. Yes. In a public release dated 19 January 2010, NBN Co announced its procurement processes for the satellite services. A Request for Capability Statements was issued as the first step in an involved procurement process. Following an evaluation of Capability Statements the company has invited a number of suppliers to participate in a formal Request for Proposal process. Tenders for supply were released in late October 2010.

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Question No: 62

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Satellite Technology

Senator Fisher asked:

- a. Will the satellites built by NBN Co carry services from other government departments?
- b. If yes, will NBN Co charge government departments for use of the satellites?
- c. Which Departments have already been identified as being suitable to provide services through NBN satellites?
- d. Will commercial providers be able to use the satellites for their own broadcast?

Answer:

- a. It is unlikely that other payloads will be accommodated on the NBN Co satellites as the two satellites will be specifically configured for telecommunications services.
- b. Not applicable.
- c. None.
- d. NBN Co is providing an access product suite that will be available to a wide range of commercial users. The long term solution will include a Multicast capability suitable for video style delivery but not Broadcasting Satellite Services type broadcast services provided by operators today.

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Question No: 63

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Lease for access to ducts and other infrastructure

Senator Fisher asked:

What will the annual cost of maintaining the lease for access to ducts and other infrastructure be after it expires?

- a. Will NBN Co be responsible for maintaining that lease out of its own cashflows or will the Government pay?

Answer:

- a. NBN Co will be responsible for maintaining any ongoing lease costs.

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Question No: 64

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Heads of Agreement with Telstra

Senator Fisher asked:

Under the Heads of Agreement, will Telstra be able to lease infrastructure, such as pits, to other companies?

- a. What will happen if the lessee is a direct competitor to NBN Co?
- b. What proportion of Telstra's infrastructure is fit-for-use?
- c. Was an audit of Telstra's infrastructure conducted before proceeding with the Heads of Agreement?
- d. Who will be responsible for repairs and maintenance of the infrastructure?
- e. Who will be responsible for construction and other costs where the infrastructure is not fit-for-use?

Answer:

The answers to questions (a) to (e) are part of ongoing commercial discussions and are not available for public release.

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Question No: 65

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Heads of Agreement with Telstra

Senator Fisher asked:

- a. What is the cost Telstra will be paid for migrating each of its customers onto the NBN?
- b. Does the figure represent any work undertaken by NBN Co to model future revenues it will gain from securing those customers?
- c. Are there any restrictions on how Telstra behaves as it migrates its customers over to the NBN?
- d. Will Telstra be able to automatically sign those customers up to its retail services?
- e. If a customer terminates their connection on the Telstra copper network and then opts for a wireless connection, will Telstra still get paid?

Answer:

The answers to questions (a) to (e) are part of ongoing commercial discussions and are not available for public release.

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Question No: 66

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Heads of Agreement with Telstra

Senator Fisher asked:

What portion of the \$9 billion paid to Telstra is for leasing its infrastructure and what portion is for Telstra migrating its customers?

- a. Will that \$9 billion figure vary?
- b. If yes, what is the maximum and minimum payments you have negotiated with Telstra?
- c. What migration rates are those figures based on?

Answer:

The answers to questions (a) to (c) are part of ongoing commercial discussions and are not available for public release.

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Question No: 67

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Rollout of the NBN

Senator MacDonald asked:

1.
 - a. Is the technology used in the rollout of the NBN in Tasmania the same as is being used on the mainland?
 - b. Is there any incompatibility between the technology in Tasmania and at the 20-odd sites on the Mainland?
 - c. Is it true that in Tasmania NEC equipment is being used, while on the mainland Alcatel equipment is used?
 - d. Will Alcatel be the principle supplier of technology and equipment on the Mainland?
 - e. Can the NBN Co outline the measures taken to avoid any appearance or reality of a conflict of interest given Mr Quigley's previous employment as a senior executive at Alcatel?
 - f. How many non-Australian workers were engaged in the rollout or other work of NBN Co in Tasmania?
 - g. Were these workers specifically brought in for that work? In what way were they remunerated?
 - h. Is Alcatel a supplier of technology and equipment to any Singapore telecommunications company involved in rolling out a fibre broadband network in Singapore?
 - i. If so, is it true that Alcatel is unable to maintain timely supply to that company?
 - j. Did Leighton's win a contract from NBN Co through its offshoot Nextgen Networks to provide backhaul links in regional Australia? Or was that contract directly from the Government? What was its value?

Answer:

- a. The pre-release sites in Tasmania were installed using NEC "active" equipment prior to tenders being let for the NBN first release sites.
- b. All the active equipment is built to international standards and it will provide the pre release customers in Tasmania with the same initial services as the Alcatel Lucent equipment being

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used for the mainland. As new products and features are developed, the active equipment will be replaced and upgraded throughout the network.

- c. Refer to answer (b).
- d. Alcatel will be the principal supplier of 'active' equipment on the mainland. On 24 June 2010, NBN Co announced that it had selected Alcatel-Lucent as the initial strategic supplier for the Gigabit Passive Optical Network (GPON) and Ethernet Aggregation equipment needed to operate the fibre access network. Once NBN Co achieves full rollout scale, NBN Co intends to engage other GPON equipment suppliers who will interoperate with Alcatel-Lucent's GPON equipment.
- e. Strict Probity and Conflict of Interest procedures were adhered to in the consideration of the tender arrangements and decision making on the Alcatel-Lucent contract decision. Mr Quigley was absent from any discussions with potential tenderers, the evaluation process, management's decision-making process and the Board discussions about the procurement decision proposed.
- f. All work was achieved using Australian based suppliers and Australian based contractors. Further specific information is not readily available.
- g. Refer answer (f).
- h. We have no specific information on Alcatel-Lucent's activities in Singapore.
- i. Refer answer (h).
- j. On 4 December 2009, the Government announced Nextgen Networks, a subsidiary of the Leighton Group, as the successful tenderer for the Regional Backbone Blackspots Program. The contract was awarded by the Government, not NBN Co.

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Question No: 68

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Private Investors

Senator Xenophon asked:

- a) Will private investors be able to build fibre optic networks in competition to NBN Co?
- b) Is NBN Co seeking or will be seeking an exemption from the Trade Practices Act or any provisions or parts of the Trade Practices Act?
- c) Will NBN Co offer wholesale services at the same price and on the same terms and conditions to all acquirers of wholesale services offered by NBN Co?
- d) Will NBN Co acquire or seek to acquire any of the 4G spectrum?
- e) Has NBN Co done any economic modelling or business risk analysis regarding the impact or potential impact on NBN Co from potential private competitors, including wireless competitors, to NBN Co?

Answer:

- a) Yes, however, the Government has announced (Statement of Expectations released on 20 December 2010) that *“to create the Government’s intended industry structure, new fibre networks built after 1 January 2011 for residential and small business purposes will need to be Layer 2, wholesale only and open-access. NBN Co will retain the option of overbuilding infrastructure built after 1 January 2011....The Government will consider the introduction of a levy, if necessary, to prevent opportunistic cherrypicking”*.
- b) See section 577BA of the Telecommunications Legislation Amendment (Competition and Consumer Safeguards) Act which contains an authorisation for the purposes of section 51 of the Competition and Consumer Act of conduct relating to Telstra’s structural separation undertaking and migration plan engaged in by Telstra and NBN Co. See page 3 of the Explanatory Memorandum to the Bill – *“This authorisation is proposed in recognition that Telstra’s progressive migration of customers...to the new wholesale-only fibre network, in accordance with an undertaking accepted by the ACCC, is in the national interest and will promote structural reform of the telecommunications industry”*.

In its Corporate Plan, NBN Co indicates that it assumes the Government will provide any protections that it requires from Parts IV and X1B of the *Trade Practices Act 1974* (Competition and Consumer Act) in order to implement the Government’s decisions in relation to points of interconnection and uniform national wholesale pricing. The

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Government is exploring what legislative support is required to give effect to the Government's announced policy.

- c) NBN Co will offer services in compliance with the provisions of the NBN Companies Bill and the Competition and Consumer Act (as amended by the NBN Access Arrangements Bill). The proposed regime establishes NBN Co as a wholesale-only, open access carrier. NBN Co will be permitted to supply services to:
- Carriers; or
 - Service providers.

The regime will require NBN Co to offer services on a non-discriminatory basis, with discrimination only being permitted where it aids efficiency and in other very limited circumstance, and subject to ACCC oversight.

NBN Co will also be able to directly supply the following entities, but use tests apply:

- Transport authorities, where the sole use is to carry communications for the purposes of transport services;
 - Electricity, gas and water supply bodies, where the sole use is to carry communications for the purposes of supplying electricity, gas or water;
 - Sewage and water drainage services bodies, where the sole use is to carry communications for the purposes of supplying sewage or water drainage services;
 - State and Territory road authorities where the sole use is to carry communications for the purposes of managing or controlling road traffic.
- d) NBN has been instructed by the Government not to participate in the auction of 700 MHz spectrum.
- e) NBN has undertaken financial modelling to assess the risk of wireless competition, and has inherently included a valuation of this risk in the Corporate Plan by way of take-up assumptions.

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Question No: 69

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Contractors – NBN Co

Senator Birmingham asked:

- a. Has the department/agency ever employed Hawker Britton in any capacity or is it considering employing Hawker Britton? If yes, provide details.
- b. Has the department/agency ever employed Shannon's Way in any capacity or is it considering employing Shannon's Way? If yes, provide details.
- c. Has the department/agency ever employed John Utting & UMR Research Group in any capacity or is it considering employing John Utting & UMR Research Group? If yes, provide details.
- d. Has the department/agency ever employed McCann-Erickson in any capacity or is it considering employing McCann-Erickson? If yes, provide details.
- e. Has the department/agency ever employed Cutting Edge in any capacity or is it considering employing Cutting Edge? If yes, provide details.
- f. Has the department/agency ever employed Ikon Communications in any capacity or is it considering employing Ikon Communications? If yes, provide details.
- g. Has the department/agency ever employed CMAX Communications in any capacity or is it considering employing CMAX Communications? If yes, provide details.
- h. Has the department/agency ever employed Boston Consulting Group in any capacity or is it considering employing Boston Consulting Group? If yes, provide details.
- i. Has the department/agency ever employed McKinsey & Company in any capacity or is it considering employing McKinsey & Company? If yes, provide details.

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Answer:

In respect of the companies listed at (a) to (i), NBN Co has only employed UMR Research Group and McKinsey & Co:

1. UMR Research was paid \$38,940 (inc GST) for qualitative research for First Release Sites consultation as a component of NBN Co's community effort.

2. McKinsey & Co were paid \$3,268,600 (inc GST) for Negotiation Support and Construction Model Support services related to negotiations with Telstra.

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Question No: 70

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Media Subscriptions – NBN Co

Senator Birmingham asked:

- a) Does your department or agencies within your portfolio subscribe to pay TV (for example Foxtel)? If yes, please provide the reason why, the cost and what channels.
- b) Does your department or agencies within your portfolio subscribe to newspapers? If yes, please provide the reason why, the cost and what newspapers.
- c) Does your department or agencies within your portfolio subscribe to magazines? If yes, please provide the reason why, the cost and what magazines.

Answer:

- a) Yes. NBN Co has a basic information package from Foxtel in order for the company to stay informed of relevant public affairs and events. The total cost is \$604 per month for services across all our offices.
- b) Yes, NBN Co has subscriptions for the Sydney Morning Herald, Age, Australian, Australian Financial Review and Herald Sun newspapers. The subscriptions are to ensure the company can track relevant public developments, business news and industry commentary and the total annual cost is \$1,899.40 across all our offices.
- c) Yes, NBN Co subscribes to CommsDay newsletters (CommsDay and CommsDay International), a key telecommunications industry information outlet, at a total annual cost of \$12,353.00 across all our offices.

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Question No: 71

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Advertising and Marketing – NBN Co

Senator Birmingham asked:

- a) How much has the Department and portfolio agencies spent on advertising and marketing since Budget Estimates? Ask for justification of expenditure.
- b) Could the Department provide a complete list of current contracts. Please indicate the rationale for each service provided and its intended use.
- c) What communications programs has the Department and portfolio agencies undertaken since additional estimates and what communications programs are planned to be undertaken? For each program, what is the total spend?

Answer:

- a) Year to date to 31 January 2011 total advertising and marketing expenditure is approximately \$241,600. NBN Co recently incurred costs of approximately \$140,000 in relation to advertising of new requirements under the Government's Greenfields policy announcement of 9 December 2010.
- b) Refer table below:

Vendor	Description	Amount (\$)
MANIDIS ROBERTS PTY LTD	Provision of visual communication collateral and community engagement services in First Release Sites	43,997.03
UNIVERSAL McCANN	Provision of information to property developers regarding registration under new Greenfields policy.	140,000
INTEGRATED DESIGN AND ENGINEERING SOLUTIONS	Development of NBN Co educational display trailer	19,985.00
ZOO COMMUNICATIONS	Template/document design for NBN Co Style Guide	9,115.00
THE VERITAS GROUP PTY LTD	Adelaide International Visualisation Centre hire for customer forum	7,788.18
BIG N PTY LTD	N2N Communication - for public relation activities and media productions	5,000.00
LEFT HEMISPHERE PTY LIMITED	Foyer film production	4,421.00
MAX MEDIA & ENTERTAINMENT PTY LTD	Production of online monitoring report	4,275.00
ROCHFORD DESIGN MANAGEMENT	Production of documents for industry engagement	2,700.00

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CUSTARD PTY LTD	Documentary film shoot of NBN Scottsdale works	2,110.00
COMMUNICATORONE	Creating a comprehensive library of HD film and photographic imagery	1,620.00
ANDREW LUCAS PHOTOGRAPHY	Photo shoot for NBN Co at Innovation Centre, Melbourne	577.27
Grand Total		241,588.48

- c) On 20 June 2010, the Government announced that NBN Co would be responsible for the conduct of a national public information campaign explaining the responsibilities of NBN Co, retail service providers and end users in relation to migration of services from the existing copper network to the NBN. Leo Burnett and N2N Communications have been engaged to begin the work to implement such a campaign, the precise costs of which are yet to be determined. As well, NBN Co continues to contract with Media Monitors and Edit Media.

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Question No: 72

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Staffing Levels- NBN Co

Senator Birmingham asked:

- a. What is the total expenditure on staffing for the Department and for all portfolio agencies? What is the SES and non-SES breakdown?
- b. What are the current staffing levels for SES and non-SES officers?
- c. How many SES were employed in your Department and portfolio agencies on 10 May 2010?
- d. How many SES were employed in your Department and portfolio agencies as of today?
- e. What is the breakdown by each level (each SES band, each Executive Level band and each APS band)?
- f. What is the gender breakdown by each level (each SES band, each Executive Level band and each APS band)?
- g. What is the breakdown by location for each level (each SES band, each Executive Level band and each APS band)?
- h. What is the breakdown by each level of ongoing staff and non ongoing staff (each SES band, each Executive Level band and each APS band)?
- i. What has been the general staffing trend in your department and portfolio agencies since the 2007 election (for example SES numbers and recruitment has increased by X per cent because of Y).
- j. What have been the changes in staffing levels since Budget Estimates 2010? Why have these changes occurred? What have been the Budgetary implications? In the case of reductions in staff numbers, how have these reductions been absorbed by the Department? What functions these staff performed have been sacrificed and why?
- k. Are there expected changes to current staffing levels over the next 12 months? If yes, provide details including a breakdown of each level staff (each SES band, each Executive Level band and each APS band) detailing the changes. Will this be different to what was reported in the 2010-11 Budget?

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- l. Has there been a target for staff reductions to achieve savings? What is that target and what strategy is being implemented to achieve this? Will staff reductions be used to achieve the Government's election commitment to maintain the 1.25 per cent efficiency dividend?
- m. Have any voluntary or involuntary redundancies been offered to staff? If so, how have staff been identified for such offers? Are there such plans for the future?
- n. How many permanent staff recruited since Budget Estimates 2010? What level are these staff? Where is their location?
- o. Since Budget Estimates 2010, how many employees have been employed on contract and what is the average length of their employment period?
- p. Have staffing numbers been reduced as a result of the current efficiency dividend and/or other budget cuts since Budget Estimates 2010? If so, where and at what level?
- q. Are there any plans for staff reduction? If so, please advise details i.e. reduction target, how this will be achieved, services/programs to be cut etc.
- r. If your Department/agency has been identified in the 2010 election as delivering efficiencies (savings), how will these be delivered? (for example, savings commitments included reducing program funding, rationalising grants etc how will these impact the Department and staffing)
- s. What changes are underway or planned for graduate recruitment, cadetships or similar programs? If reductions or increases are envisaged please explain including reasons, target numbers etc.

Answer:

- a. Staff related expenditure for NBN Co as at 31 January 2011 was \$11.1m. NBN Co staff are not employed under the Public Service Act (PSA) and hence SES and non-SES break-up of expenditure is not relevant.
- b. to h. Questions (b) to (h) are not applicable for the reason referred to in (a) above.
- i. As a new company, NBN Co has been recruiting actively since its formation in April 2009. Initial recruitment was mainly focussed on the senior executive levels but has now shifted to the non-executive levels as the company is maturing and each business group is recruiting the necessary staff to support its business needs.
- j. NBN Co has grown from 236 employees and contractors/secondees at 31 May 2010 to 656 at 31 January 2011 as the company moves from developing our strategic direction into full scale delivery. This growth is in line with our Budget forecasts and has meant an increase in expenditure on staffing from \$5.8m in May to \$11.1m in January 2011.

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- k. NBN Co's staffing levels are expected to continue to grow and to reach a headcount of approximately 1,000 staff by 30 June 2011.
- l. NBN Co is currently not planning any staff reductions.
- m. There have been no offers of involuntary or voluntary redundancies and no such plans for the future.
- n. NBN Co has grown from 172 permanent resources at 31 May 2010 to 584 permanent resources at 31 January 2011. NBN Co does not have staff employed under the PSA. The additional 412 resources are located as follows: 179 in New South Wales, 217 in Victoria, 6 in Tasmania, 8 in South Australia and 2 in Queensland.
- o. NBN Co has reduced its contract resources from 59 at 31 May 2010 to 43 at 31 January 2011. The average length of their employment is between 6 and 9 months.
- p. NBN Co has not been reducing staff numbers.
- q. Refer answer (l).
- r. Not applicable.
- s. NBN Co will launch graduate recruitment and cadetship programs at the point in time when the appropriate roles are required in the NBN Co lifecycle.

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Question No: 73

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Government Payment of Accounts – NBN Co

Senator Birmingham asked:

- a. Has the department/agency paid its accounts to contractors/consultants etc in accordance with Government policy in terms of time for payment (i.e. within 30 days)? If not, why not, and what has been the timeframe for payment of accounts? Please provide a breakdown, average statistics etc as appropriate to give insight into how this issue is being approached.)
- b. For accounts not paid within 30 days, is interest being paid on overdue amounts and if so how much has been paid by the portfolio/department agency for the current financial year and the previous financial year?
- c. Where interest is being paid, what rate of interest is being paid and how is this rate determined?

Answer:

- a. NBN Co enters into commercial trading terms with its suppliers. Our standard terms are 30 days End of Month. Where an invoice is not in dispute, these are paid in accordance with the individually negotiated supplier terms.
- b. No.
- c. Not applicable.

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Question No: 74

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Workplace Agreement

Senator Fisher asked:

- a. Will the workplace agreement signed with the CEPU for the NBN's 425 employees be extended to full-time contractors and their employees?
- b. If yes, does that mean that the 25,000 people working on the NBN per year will be entitled to annual pay rises of 4 per cent and an extra 1 per cent in superannuation?
- c. Will NBN contractors and their workforce be entitled to 14 weeks' paid parental leave?
- d. Does the \$43 billion cost of the NBN take into account the 4 per cent increase in annual pay?

Answer:

- a. No.
- b. Not applicable.
- c. No. Each contractor will need to abide by their own industrial instruments and Human Resources policies.
- d. The NBN Corporate Plan takes into account the 4 per cent increase in annual pay.

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Question No: 75

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Union Membership

Senator Fisher asked:

Is union membership relevant to any NBN Co contractual or working arrangements, or at any workplaces at which part of the NBN is being or will be built?

Answer:

No.

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Question No: 76

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Installation Costs

Senator Fisher asked:

- a. What is provided when a household signs up to a free installation in terms of home wiring? For instance, will the installation include wiring beyond an installation of the ONT box?
- b. Is there an ADSL emulation port on the installed ONT? If there is no emulation port, will this not require residences to have at least a Category 5 wiring of the house in order to use the NBN?
- c. What proportions of homes are believed to require additional rewiring in order for that home to take full advantage of the NBN service?
- d. Will it cost NBN Co more to complete installations in regional areas when compared to metropolitan areas?

Answer:

- a. If a household signs up to a free installation from NBN Co, this will refer to the installation of an Optical Network Terminal (ONT) unit on the inside wall of the house at a location discussed with the owner of the premises. The ONT is then connected to a mains power supply. There is no additional wiring provided by NBN Co beyond the ONT.
- b. The ONT has an Analogue Telephone Adapter (ATA).
- c. There should be no rewiring required in order for the premise to take full advantage of the NBN service. Rewiring will largely be the result of an owner wanting to 'customise' their access to various services delivered on the NBN. Such a decision is at the owner's discretion.
- d. Generally, yes.

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Question No: 77

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Industry Connections and Pre-existing Fibre in Regional Areas

Senator Fisher asked:

- a. Will all businesses in Australia be eligible for a free installation of NBN services?
- b. What percentage of businesses, schools and hospitals around Australia will be connected to the NBN?
- c. What is the number of these businesses, schools and hospitals that already have fibre services?

Answer:

- a. Yes. Businesses are defined as premises.
- b. Businesses, schools and hospitals are included in the definition of a premise.
- c. NBN Co will assess existing services at the design stage of each area.

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Question No: 78

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Regional Wholesale Pricing

Senator Fisher asked:

- a. The McKinsey implementation study states that wholesale pricing should be structured for different regional areas because the costs involved with each technology platform are different. Will it be the case that ISP's offering limited services to consumers at lower speeds will be charged the same wholesale price as those offering a range of services at high speeds?
- b. Given that the implementation study suggests that FTTP is able to support a number of applications that satellite and wireless cannot, why will NBN Co charge the same wholesale price to ISPs who provide wireless at 12 mbps and those who provide fibre at 100 mbps?
- c. Which services will not be available to regional Australians accessing broadband services over wireless and satellite technologies when compared to FTTP?
- d. Will these services be adequate to meet demand and needs in areas that will be connected by satellite or wireless technology?
- e. Given the difference in service of satellite and wireless when compared to FTTP, will the take-up percentage in areas serviced by satellite and wireless be less than those serviced by FTTP? To what extent?
- f. Will NBN Co price access to transit backhaul separately to wholesale network access, as recommended by the implementation study? If so, won't this increase the price that retailers must pay to use the service in regional Australia?

Answer:

- a. Subject to final decisions by Government, advised by the Australian Competition and Consumer Commission, NBN Co will charge retailers the same wholesale price for its basic service offering across all platforms – fibre, wireless and satellite.
- b. It won't. Refer to answer at (a).
- c. All broadband services should be available across the three platforms. The main difference will be the interactive experience for the end user because of latency issues and bandwidth constraints which differ across the three platforms.
- d. The broadband services available should be more than adequate to meet most users demands and will be a significant improvement to those currently available in regional areas.

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- e. The behaviour of the market to future take-up of broadband services can only be modelled based on past experience in both Australia and overseas. The services to be offered to regional Australians will be a considerable improvement on what they are currently experiencing but take-up rates will be dependent not only on the quality of the service offering but also consumer behaviour.
- f. No.

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Question No: 79

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: USO

Senator Fisher asked:

Can you describe how the USO lifeline service – the capacity to call 000 from any telephone line, even one where other services are not available - will be provided over the ONT units installed in houses by NBN?

Answer:

NBN recognises for safety reasons the need for an uninterrupted fixed line service during times of emergency. As fibre cables are electrically inert, powering the Network Termination Unit (NTU or ONT) and end-user handset during mains power failures will be supported by an onsite battery. This will enable power to be supplied to the Analogue Telephone Adapter (ATA) port to allow normal operation of the telephone line. However, a cordless phone base-station normally requiring mains power will not operate in the event of a power outage.

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Question No: 80

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Travel Costs – NBN Co

Senator Birmingham asked:

- a. The 2009-10 Mid Year Economic and Fiscal Outlook detailed a whole-of-government coordinated procurement arrangements for travel and related services. How has this applied to your department and portfolio agencies? Please explain the changes that have occurred to your department and portfolio agencies in relation to its travel and related services.
- b. Is purchasing of travel and related services less expensive under the new arrangements?
- c. Is purchasing of travel and related services more efficient under the new arrangements?
- d. Have savings been achieved in your portfolio because of the new arrangements?
- e. How much did your department and portfolio agencies spend on travel in 2008-09, 2009-10 and to date this financial year.
- f. How have staff within your department and portfolio agencies found the new arrangements? For example is it more efficient to arrange travel?

Answer:

- a. NBN Co was excluded from the whole of Australian Government Travel Arrangements (WoAG) from 1 July 2010 as NBN Co is a Government Business Enterprises (GBE) and GBE's are excluded from WoAG travel arrangements.
- b. Not applicable.
- c. Not applicable.
- d. Not applicable.
- e. 2008-09 - \$NIL; 2009/10 - \$1.4m; YTD Oct 2010 - \$1.5m
- f. Not applicable.

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Question No: 81

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Training NBN Workers

Senator Fisher asked:

Last year the Government announced \$16.1 million in new facilities at the Central Gippsland Institute of TAFE to train workers to build the NBN.

- a. Will this kind of spending need to be replicated in other regions to ensure enough workers are trained to build the NBN?
- b. How much more money do you estimate will be needed for training workers?

Answer:

- a. NBN Co is working with industry skills councils to understand the capacity of registered training organisations to meet future demand for training workers who will be engaged on the construction and maintenance of the NBN. The training delivery model will depend on the number of individuals requiring training. This will be finalised in the first half of 2011.
- b. We have not finalised estimates for the cost of training workers directly engaged in the construction of the NBN. However, it is expected existing funding programs, including Productivity Placement Program, Australian Apprenticeships and User Choice program and Critical Skills Incentive, will satisfy a significant part of the training requirement.

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Question No: 82

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Shortages of Skilled Workers

Senator Fisher asked:

What impact will shortages of skilled workers in rural and regional areas have on NBN Co wage bills?

Answer:

NBN Co continues to evaluate the demand and supply workforce requirements across the 31 geographic areas where the company will construct the fibre and wireless networks. NBN Co will rely upon the contractors engaged to undertake construction. The contractor cost assumptions are being evaluated as part of the construction Request For Proposal review.

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Question No: 83

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Finances

Senator Birmingham asked:

- a) How much equity capital has the Commonwealth injected into NBN Co so far? Please detail what payments have been made and when. How much will be injected into the entity by the end of the current 2010/2011 financial year?
- b) How much cash on hand does the NBN Co have at the moment?
- c) How much equity has NBN Co provided to NBN Tas so far? Please detail what payments have been made and when. How much will be injected into the entity by the end of the current 2010/2011 financial year?
- d) How much cash on hand does NBN Tas have at the moment?
- e) What are the current liabilities of NBN Co and NBN Tas? Can you describe how these break down?
- f) What are the assets of NBN Co and NBN Tas? Can you describe how these break down?
- g) NBN Co has recently entered into (or discussed with a view to entering into) several large contracts – including arrangements for billing and operations computers systems and so on, according to press reports. Can you outline the major contracts which have so far been signed or offered for tender, the time periods involved, and the vendors chosen? Can you outline similar arrangements for NBN Tas?
- h) How much additional equity funding do you anticipate the Parliament will need to appropriate for NBN Co in the 2011/2012 financial year? Is this figure impacted upon by the changed roll-out priorities as a result of the Government's agreements with independent members of the House of Representatives?
- i) If the roll-out turns out to be running above or below budget, when will this become obvious to management, and how will this translate back into an adjustment of appropriations?

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Answer:

- a) As at 31 January 2011 the Commonwealth had injected \$1,012m in equity into NBN Co. This consists of \$10m in 2008-09, \$302m in 2009-10 (referenced at page 56 of the company's Annual Report) plus \$700m injected to-date in 2010-11 which was received in two equal tranches of \$350m each in July and December 2010. The forecast amount of equity to be injected by 30 June 2011 is detailed on page 140 of the publicly released Corporate Plan. .
- b) As at 31 January 2011, NBN Co had \$737,709,675 cash on hand.
- c) \$100m has been injected into NBN Tasmania by NBN Co, this occurred on 29 April 2010. At this stage management are not expecting a further investment of cash to be made into NBN Tasmania during the 2010/11 financial year.
- d) As at 31 January, 2011 NBN Tasmania had \$4,716,395 cash on hand and \$67,137,561 on deposit with NBN Co.
- e) As at 31 January, 2011 NBN Co had current liabilities of \$89,065,729 and NBN Tasmania had current liabilities of \$4,429,822 made up of Trade Creditors & Accruals, Payroll Taxes, GST Payables & FBT Accruals, and Employee entitlements Assets of NBN Co (\$889,986,016) and NBN Tas (\$102,862,963) made up of Cash, Receivables, Prepayments, Intercompany, Fixed Assets, Work in Progress, and investments.

f) Refer tables below:

NBN Co

Major Contracts signed or offered for Tender	Vendor/s Chosen	Time periods involved
Core business function - Infrastructure Hosting (servers, storage, operating systems)	IBM	Three years
Core business Function – software platform	Oracle	Three years
Core business function – implementation and ongoing support	Accenture	Three years
Active Network components for GPON and Ethernet Aggregation equipment	Alcatel-Lucent	Ten years initially
Construction contracts for five First Release Sites	Silcar Pty Ltd (Armidale), Transfield Services (Minnamurra/Kiama Downs), ETSA Utilities (Willunga), Ergon Energy (Townsville) and Telstra (Brunswick)	Approx one year
Optic equipment manufacture	Warren & Brown Technologies	Five years

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Fibre optic cabling	Corning	Five years
Fibre optic cabling	Prysmian	Five years
Optical Transmission Equipment	Nokia Siemens	Ten years initially
Primary Data Centre (Syd)	Global Switch	Three Years
Secondary Data Centre(Qld)	Polaris Data Centre	Five years
Data Centre equipment & infrastructure platforms	Cisco	Three years

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NBN Tasmania

Major Contracts signed	Vendor/s Chosen	Pre-Release Trial	
		Build Phase	Operations Phase
Wholesale service agreements with participating Retail Service Providers	iiNet, Internode, iPrimus, Exetel, Telstra		✓
Tasmania NBN Stage 1&2 Rollout Agreements	Aurora Energy	✓	
Supply, Commission and Operate Agreement (Active Equipment, Services, Network Operations Centre)	OptiComm Pty Ltd	✓	✓
Optical Fibre Cable Supply Agreement	Corning Systems	✓	
Supply, Installation and Site Construction of Equipment Shelters (Fibre Access Nodes)	Eaton Industries Pty Ltd	✓	
Optic Fibre Cable Installation (Backhaul Extensions)	John Holland Group	✓	
Optic Fibre Cable Installation (Local Access)	John Holland Group	✓	
Optic Fibre Cable Installation (Service Drops to Premises)	BSA Pty Ltd	✓	
Commercial Agreement (System Licence agreement and Backbone Capacity)	Aurora Energy		✓

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- g) Current forecasts of equity funding for the period 2011-2013 are set out on page 140 of the NBN Co Corporate Plan. These estimates take account of changed rollout priorities.
- h) Management have processes and procedures in place to continually monitor the ongoing progress of the project to the Board and Shareholder Ministers. Requests for equity injections from the Government are based upon the Corporate Plan, which will be adjusted every year. This is carefully scrutinised by our Shareholder Ministers' Departments, including the Department of Finance and Deregulation.