

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

Question No: 470

Program No. NBN Co

Hansard Ref: Pages124-125 (18/10/2011)

Topic: NBN Co Salary Ranges

Senator MacDonald asked:

Senator IAN MACDONALD: In the way we ask about Australia Post and other business corporations, we will get from you at some time a range of salary payments.

Mr Quigley: Yes.

Senator IAN MACDONALD: Perhaps I could put that on notice now. Could you do that for us, the way Australia Post does?

Mr Quigley: Yes.

Answer:

Please see answer to Question on Notice 524.

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Question No: 471

Program No. NBN Co Limited

Hansard Ref: Page 126 (18/10/2011)

Topic: STI Program Cash Pool

Senator MacDonald asked:

Senator IAN MACDONALD: What, is everyone part of the short-term incentive plan?

Mr Quigley: No, there are a number of people in the management team—this is in the annual report; it is very common in companies to have a short-term incentive scheme—and Mr Kaiser will be one of those individuals.

Senator IAN MACDONALD: How many others will be part of this scheme?

Mr Quigley: I do not know the numbers off the top of my head. It is almost certainly in the annual report.

Senator Conroy: It is ultimately for the board to decide.

Mr Quigley: It is ultimately for the board to decide, yes.

Senator IAN MACDONALD: Have they decided yet?

Mr Quigley: There is a short-term incentive plan operating in the company.

Senator IAN MACDONALD: How many are participating?

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

Senator IAN MACDONALD: Would it be in the tens? In the hundreds?

Mr Quigley: I should take it on notice rather than estimating off the top of my head.

Answer:

There were 16 eligible participants in the 2010/11 short-term incentive program.

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Question No: 472

Program No. NBN Co Limited

Hansard Ref: Page 127 (18/10/2011)

Topic: STI Program Cash Pool

Senator MacDonald asked:

Senator IAN MACDONALD: Can you tell us what the pool is in cash terms?

Senator Conroy: I thought I saw a report that it had been reduced by 20 per cent.

Mr Quigley: Yes.

Senator IAN MACDONALD: Reduced by 20 per cent does not tell me what it is in actual dollars.

Senator Conroy: No, I just remember that I saw a headline that it had been reduced by 20 per cent.

Mr Quigley: I believe the numbers are probably in the annual report.

Senator IAN MACDONALD: Are they? Good.

Senator Conroy: Ninety-seven, just in case you're wondering.

Senator IAN MACDONALD: Mr Quigley, if you don't know, excuse me for not knowing exactly what is in the annual report. Can you elaborate? Is it in the millions of dollars?

Mr Quigley: Yes, it is in the millions of dollars—of course.

Senator IAN MACDONALD: So it is to be shared among, what, 12 or so people?

Senator Conroy: I think Mr Quigley said he would take that on notice.

Senator IAN MACDONALD: He did, but—

Senator Conroy: He wanted to give you the exact numbers.

Mr Quigley: It's just that in these areas it's much better I give you the exact numbers.

Senator IAN MACDONALD: It puts off the committee's ability to know how many are sharing in it and what the pool is.

Senator Conroy: Mr Quigley has taken it on notice. He has said he will get you the answer.

Answer:

The total STI pool paid out was \$1.279 million.

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Question No: 473

Program No. NBN Co Limited

Hansard Ref: Page 132 (18/10/2011)

Topic: Risk Profile/Risk Allocation Changes

Senator Birmingham asked:

Senator BIRMINGHAM: If you are able to—and you will decide the limitations on this because you provide the answer—can you provide on notice some element of briefing as to how the approach has changed, how the terms would have changed in a generic sense? Obviously you cannot go into the detail of it. In particular, if you could explain how the risk profile or the risk allocation changed between those two processes, I would appreciate it.

Mr Quigley: I will take that on notice, but I cannot promise. I will have to talk to the probity people and the legal people about what I can and cannot say.

Answer:

Please refer to answer to Question on Notice 348 from the 2011 Budget Estimates hearing. Further, as a result of market feedback, NBN Co was able to achieve reduced prices for agreed volumes of work (refer NBN Co press releases on the various construction packages). This allowed our construction partners to obtain long run economies and to reduce the risks associated with the necessary upfront capital investments required.

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Question No: 474

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Launches

Senator Birmingham asked:

Please provide a full breakdown on the costs involved with all of the NBN launches held to date?
(Armidale, Willunga, Kiama, Brunswick, Townsville)

Answer:

(Figures are excluding GST)

Kiama	\$78,539
Brunswick	\$83,711
Townsville	\$90,763
Willunga	\$101,823

Armidale: please see answer to Senate Estimates Questions on Notice 328 from the Budget Estimates Hearings, June 2011.

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Question No: 475

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Launches

Senator Birmingham asked:

Does NBN Co believe it is a reasonable business expense to publicly launch wholesale service infrastructure which will not directly seek public customers?

Answer:

Yes. NBN Co has an interest in raising awareness among end-users.

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Question No: 476

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Take Up

Senator Birmingham asked:

Senator Conroy is quoted in the Australian on 5 August 2011 stating that he hopes to have, by October 200 customers in each of the NBN trial sites. How many customers are being served by the NBN in each of the trial sites?

Answer:

As at 30 November 2011, there was an average of 230 premises activated per NBN trial site.

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Question No: 477

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Launches

Senator Birmingham asked:

In that same article, Senator Conroy is quoted saying in regards to the 14 residents being served by the NBN in Brunswick “we didn’t want any more in the first few days”. Is NBN Co able to explain why having customers would be bad for the NBN?

Answer:

The trial sites were chosen in order to test the network construction processes and system architecture under a variety of conditions including population density, terrain and climate. This allows the testing of equipment and development of processes so that the lessons learned could inform the full-scale rollout.

The number of customers was deliberately managed by NBN Co in order to optimise this testing.

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Question No: 478

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Launches

Senator Birmingham asked:

What proportion of houses in the Brunswick trial area opted not to be connected to the NBN?

Answer:

No one specifically opted not to be connected. Once the build drop is in place, residents in the trial sites are able to get connection to the NBN through a participating Retail Service Provider when they so choose.

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Question No: 479

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Community Hubs

Senator Birmingham asked:

Are community hubs operating in all trial sites? How much has this cost? What is the purpose of these hubs? How many people have used the services of these hubs?

Answer:

This question should be directed to the Department of Broadband, Communications and the Digital Economy, which runs the digital hubs initiative.

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Question No: 480

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: SA Contract

Senator Birmingham asked:

When will a contract for the roll out of the NBN in South Australia be signed?

Answer:

On 14 November, NBN Co announced that Syntheo, a joint venture between Lend Lease Group and telecommunications and utilities builder and manager Service Stream, had secured the contract to build the National Broadband Network in South Australia and the Northern Territory.

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Question No: 481

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: SA Contract

Senator Birmingham asked:

Why did negotiations with ETSA break down?

- a. If there is no agreement and no expected agreement finalisation date, how can Mr Quigley claim that “we might have started a little later, but we won’t be finishing any later”?

Answer:

We were pleased with the work ETSA did in Willunga, but in the end we could not reach mutually agreed terms.

- a. Please see the answer to Question on Notice 480.

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Question No: 482

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: SA Contract

Senator Birmingham asked:

Will NBN Co now have to pay more to ensure an expedited roll out in SA or will more of SA be covered by fixed wireless or satellite in order to meet original rollout targets?

Answer:

The completion dates were not affected. We have been able to keep the initial stages of work going, which involve detailed survey and design, by working under interim contract arrangements. This can now be integrated into the ongoing work now contracted.

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Question No: 483

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Asbestos

Senator Birmingham asked:

What provision is being made for instances where contractors rolling out the NBN may encounter asbestos?

Answer:

NBN Co takes potential asbestos exposure seriously. We have identified potential exposure in our risk profile. NBN Co screens contractors to ensure they have appropriate processes in place, via a documented safety plan, compliant with legislative requirements to work safely with asbestos.

Once engaged, contractors are audited against their documented safety plan to ensure compliance with these procedures. All work is conducted as per the *Code of Practice for the Management and Control of Asbestos in Workplaces*.

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Question No: 484

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Asbestos

Senator Birmingham asked:

- a. How many premises does NBN Co anticipate installing fibre in where asbestos may be present?
- b. Will such installations proceed?
- c. How much more are such implications expected to cost?
- d. What oversight will NBN Co have over these installations?

Answer:

- a. We anticipate that premises built before 1986 may contain asbestos. It is difficult for any authority to provide the number of premises that contain asbestos as asbestos was a building material of choice before 1980.
- b. Yes. Contractors performing work that may involve exposure to asbestos must have appropriate procedures in place supported by instruction, training and supervision.
- c. NBN Co has defined a standard installation process and cost. This standard process has a number of work practices that may be adopted depending on the technology and the characteristics of the installation and premise in question. These include:
 - o drilling and affixing;
 - o the use of silicon;
 - o alternate cable runs; and
 - o alternate locations of NBN equipment.

Use of any of these specific practices is considered a standard installation.

- d. Contractors engaged by NBN Co to perform this work have been screened to ensure they have the appropriate processes in place to work safely. NBN Co establishes an audit regime with each of our contractors. We then implement scheduled audits and then monitor the resolution of any non-conformances.

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Question No: 485

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Asbestos

Senator Birmingham asked:

Will the standard fibre installation contractor be used where asbestos is present or will a separate contractor be used in such circumstances?

Answer:

Contractors performing fibre installation work may identify asbestos; however, they must have appropriate procedures in place supported by instruction, training and supervision to deal with the asbestos. They will stop work until the situation is made safe or until they can safely proceed.

In some cases specialist asbestos removal contractors are engaged to remove asbestos and they have appropriate licensing and training. Asbestos is removed and disposed of as per the Code of Practice. Notification of the finding of the asbestos is done at a State and Federal level as per the regulations.

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Question No: 486

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Contracts - gags

Senator Birmingham asked:

- a. Does NBN Co accept that its contract provisions with Telstra and Optus requiring that they not criticise the NBN when marketing their own wireless services are anti-competitive?
- b. How would the absence of this provision affect the commercial viability of NBN Co?

Answer:

(a. and b.) There are no such provisions in the agreements with Telstra and Optus. Mr Quigley said to the Joint Committee on the NBN on 24 October 2011: "I do not think anywhere in the clause there is the word 'criticism'. It says that the wireless services are not substitutable for fibre. That is what we are trying to make clear: that they are not substitutable."

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Question No: 487

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Contracts - gags

Senator Birmingham asked:

Is NBN Co concerned that without such a competition gag Telstra could seek to migrate its customers to its Next G wireless network – not NBN based services? How would this undermine the viability of the NBN?

Answer:

See answer to Question on Notice 486.

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Question No: 488

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Contracts - gags

Senator Birmingham asked:

What impact does NBN Co believe direct critical or contrasting competition from Optus or Telstra in regards to their wireless services would have on take up rates or customer retention of NBN based services?

Answer:

See answers to Question on Notice 486 and Question on Notice 489.

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Question No: 489

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Contracts - gags

Senator Birmingham asked:

Mr Thodey is quoted in The Australian on 27 June this year saying, “The only constraint, and it’s a very, very minor constraint, is to directly put a little pamphlet into someone’s house that says ‘do not buy the NBN fixed broadband, buy our wireless broadband instead.’”

- a. Does this mean in the view of NBN Co that a television ad that compared performance, price or other characteristics of wireless broadband to NBN fixed broadband which encouraged customers to opt for wireless broadband would breach these contract provisions?
- b. What about advertising materials that compared and contrasted wireless broadband to a commercial fixed broadband plan offered by a commercial service provider – that happened to be provided over the NBN – and suggested the wireless plan was a better option?

Answer:

- a. See answer to Question on Notice 486.
- b. See answer to Question on Notice 486.

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Question No: 490

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Contracts - gags

Senator Birmingham asked:

Does NBN Co agree with the ACCC chairman that these gags have the potential to undermine competition for wireless voice and broadband services?

Answer:

NBN Co is currently having discussions with the ACCC to clarify the intention of the wording around this issue.

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Question No: 491

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Contract - gags

Senator Birmingham asked:

On p.15 of the NBN corporate plan, it was estimated that the NBN would pass 223,000 homes by June 2011. How is the progress on meeting those targets?

Answer:

NBN Co has met the 'premises passed or covered' targets outlined on p.15 of the Corporate Plan except in the area of 'FTTP Greenfields BOT' (Build-Operate-Transfer). As has been widely publicised, a different model has been adopted in Greenfields sites.

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Question No: 492

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Contract - gags

Senator Birmingham asked:

By February 2012, the corporate plan states the NBN will be ready for its 'business as usual' rollout. How many households will you pass per day?

Answer:

At the JCNBN Hearing held on 20 September 2011, Mr Quigley said: "As I mentioned, we are gearing up for the challenge of volume rollout, which will mean passing some 6,000 homes a day when we are at full capacity."

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Question No: 493

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Telstra/Optus Deals

Senator Birmingham asked:

Is it correct that in comparing the \$11 billion Telstra deal and \$800 million Optus deal that the respective deals value the transfer of each Optus customer at \$1400 and the transfer of each Telstra customer at \$450 a head? Why is there such a considerable difference?

Answer:

It is not possible to compare the two deals in this manner. The per customer amounts stated in the question above are incorrect.

Firstly, the total valuations involved cannot be directly compared. Approximately \$2bn of the \$11bn figure mentioned above relates to elements outside of the NBN Co transaction and is covered in agreements Telstra has struck directly with the Government, whilst the \$9bn for the Telstra/NBN Co deal relates to the disconnection of Telstra premises, the acquisition of lead-in conduits and the long-term access to other Telstra infrastructure.

For clarity, it is also noted that both the \$9 billion and \$800 million amounts are after-tax NPV (net present value) valuations of payments over different time periods. The payment amounts made under both the Optus and Telstra transactions and their calculation are commercial in confidence.

Secondly, it is not possible to compare the subscriber agreements as the two transactions have a couple of distinct differences.

The Optus deal involves payments for each disconnection and migration of an Optus HFC customer onto the NBN, whereas the Telstra deal does not involve a 'migration' of customers, rather it involves network disconnection payments for each premises only. In addition, the Telstra deal involves the disconnection of both copper and HFC premises, whilst the Optus deal only relates to HFC customers.

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Question No: 494

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Telstra/Optus Deals

Senator Birmingham asked:

When is NBN Co's next corporate plan expected to be released? What impact does NBN Co expect the deal with Optus will have on this new corporate plan as compared to the current one?

Answer:

The public release of NBN Co's next Corporate Plan will be a matter for the Government. NBN Co is currently developing its next Corporate Plan, which will take into account a variety of factors, including the agreements with Telstra and Optus.

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Question No: 495

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Telstra/Optus Deals

Senator Birmingham asked:

Under what conditions will Telstra workers, when at a premises on behalf of NBN Co, be permitted to be also marketing Telstra services while at that premise?

Answer:

NBN Co is currently reviewing its equipment installation work practices and is looking at a number of options regarding the installation of NBN Co equipment for end-users.

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Question No: 496

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Wireless take-up

Senator Birmingham asked:

Please provide an update on the market share of wireless broadband. How does this compare with the assumptions for wireless market share in the NBN corporate plan?

Answer:

This information is publicly available on the Australian Bureau of Statistics website and in the NBN Co Corporate Plan.

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Question No: 497

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Wireless take-up

Senator Birmingham asked:

Do the projections take into account the rollout of 4G wireless broadband services which will deliver increased speeds?

Answer:

The projections in the December 2010 Corporate Plan take into account both the potential increases in the demand for bandwidth and the ability of future wireless platforms to meet these requirements.

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Question No: 498

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: User equipment eroding speeds

Senator Birmingham asked:

What research has NBN Co done on speed erosion caused by end-user's PC hardware and the settings with it? Has NBN Co done research on any factors which may erode speeds?

Answer:

Yes, NBN Co has investigated factors that may cause a reduction in the speed experienced by an end-user compared to the peak Layer 2 speed of the wholesale service offered by NBN Co.

Speed can be eroded due to a range of factors at the end user's premises.

Speed can be affected when the Service Provider "wraps" the NBN Co Layer 2 data in an additional (Layer 3) protocol so it can be sent and processed in their network, and

there may be a performance impact in the Service Provider's part of the network.

NBN Co has written a guide to assist Service Providers with maximising their end user's experience by outlining the reasons why an end user may not be able to obtain the full speed of their National Broadband Network service and remedies that may be applied.

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Question No: 499

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Rollout

Senator Birmingham asked:

When is the rollout expected to reach 20 per cent of premises?

Answer:

Please see page 134 of the NBN Co Corporate Plan 2011-2013, Exhibits 10.3 and 10.4.

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Question No: 500

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Rollout

Senator Birmingham asked:

Is the rollout termination amount the only form of compensation payable to Telstra if the NBN does not proceed to completion?

Answer:

The termination amount is a provision of the Subscriber Agreement and is the only payment provision for rollout cessation under that Agreement.

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Question No: 501

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Rollout

Senator Birmingham asked:

How many of the 35,000 premises in new housing developments that the NBN Corporate Plan stated would be connected to the NBN by June 30 this year were connected to the NBN by June 30 this year? How many have been connected as of today?

Answer:

As widely reported, NBN Co is no longer using the BOT (build operate transfer) model on which the figures in the Corporate Plan were based.

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Question No: 502

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Rollout

Senator Birmingham asked:

When will 35,000 premises in new housing developments be connected to the NBN?

Answer:

As widely reported, NBN Co is no longer using the BOT (build operate transfer) model on which the figures in the 2011-13 Corporate Plan were based. An updated Corporate Plan is currently in development.

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Question No: 503

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Rollout

Senator Birmingham asked:

Does NBN Co expect that as the provider of last resort in new housing developments it will face significant demand for this so-called last resort service? Please detail NBN Co expected demand for this service.

Answer:

NBN Co is currently developing the next version of the Corporate Plan, which will include demand assumptions for greenfields under a revised rollout model.

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Question No: 504

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: Rollout

Senator Birmingham asked:

Is the construction of the NBN proceeding based on construction regions? If so, please detail what areas each region comprises, how many premises in each region, how many premises are already connected and how many premises are expected to be connected in each region over each year NBN Co has such forward planning.

Answer:

NBN Co's construction model is detailed in section 6 of its Corporate Plan 2011-2013 (refer pages 77-83). Please also refer to the 12-month rollout schedule released in October 2011. A three-year rollout schedule will be released in early 2012.