

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

Question No: 359

Program No. 1.1

Hansard Ref: Page 109 (18/10/2011)

Topic: ABG Audit Report

Senator Birmingham asked:

Ms Spence: I think it meant a number of households got access to the ABG subsidy, which otherwise they would not have, because there was an alternative ADSL product available in that area.

Senator BIRMINGHAM: What steps have been taken by the department to ensure that similar errors, particularly under Broadband Connect, are not made again?

Ms Spence: One issue is that the ABG does not exist anymore, but I would have to take on notice the arrangements that were put in place under the previous program to make sure—

Answer:

The department has put in place a regular update process to incorporate information received from Telstra and other industry sources on available services in to the Broadband Service Locator.

The ANAO and other audit firms have audited the Broadband Service Locator and determined that it has functioned as required.

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Question No: 360

Program No. 1.1

Hansard Ref: Page 110 (18/10/2011)

Topic: Definition of Metro-Comparability

Senator Birmingham asked:

Senator BIRMINGHAM: And the test for access to the NBN satellite?

Ms Grainger: It continues to be access to a metro-comparable service—

Senator BIRMINGHAM: Which is currently defined as?

Ms Grainger: I will take that on notice, Senator, with the full definition of metro-comparability.

Answer:

Metro-comparable broadband services are defined as those which meet at least the following criteria:

- Download speed of 512 kilobits per second
- Upload speed of 128 kilobits per second
- Data allowance of 3 gigabits
- A total cost to the customer of no more than \$2500 over three years (including installation and/or connection costs)

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Question No: 361

Program No. 1.1

Hansard Ref: Pages 117-118 (18/10/2011)

Topic: NBN Sites in Liberal Electorates

Senator Birmingham asked:

Senator BIRMINGHAM: Seeing as you are going there, Senator Conroy, can you tell us how many of the 28 sites are in Liberal electorates?

Senator Conroy: I do not have it handy, but following that embarrassing article by Paul Fletcher I think my office has done some work on that. I am sure they will be able to supply that....

Senator BIRMINGHAM: I am asking about the 28 that the Prime Minister went there and thumped her chest about today, and I would just like you to tell us: are 20 of them Labor held seats?

Senator Conroy: I do not actually have a full account. I think my office have done one, but I do not have it in front of me.

Answer:

According to the Australian Electoral Commission website at <http://apps.aec.gov.au/esearch>, the 28 new sites announced in NBN Co's 12-month national rollout plan are located as follows:

- 16 sites are in Australian Labor Party electorates
- 11 sites are in coalition electorates
- 1 site is in a Greens Party electorate

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Question No: 362

Program No. 1.1

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

Alcatel matters, it is stated the NBN Co spent a total \$273,000 in lawyers' fees "responding to the extensive enquiries from both the media and parliamentary committees," including \$15,000 on the preparation of Mr Quigley's opening statement to the previous Estimates hearing alone.

- a. Could any of these costs have been reduced or avoided if Mr Quigley or Mr Beaufret had fully and properly disclosed matters surrounding the Alcatel bribery scandal in a more complete and timely matter; or if Egon Zender had provided the Government with appropriate documentation about their previous employment, as one might have expected given they were paid \$268,000 to find and vet candidates?
- b. Does the Department intend to use Egon Zender's services again?

Answer:

- a. The department will not speculate on this hypothetical question.
- b. Any future use of Egon Zehnder's services will be subject to compliance with procurement practices.

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Question No: 363

Program No. 1.1

Hansard Ref: In Writing

Topic: Competition

Senator Birmingham asked:

Documents released by the Treasury under FOI show that in 2009, Treasury was advising that the NBN project should “promote infrastructure-based competition”. Was that a key goal of the DBCDE? If so, what changed since 2009 to the point where the Government introduced ‘cherry picking’ laws? Does the Department believe cherry picking laws will restrict infrastructure based competition?

Answer:

The Government’s policy objective is to promote competition in the telecommunications sector. Policies to promote facilities based competition have been successful in some market segments (such as the busier backhaul sectors, some CBD commercial services, mobile telephony and retail broadband), but have not succeeded in other markets, notably in the fixed line customer access network residential market, which has strong monopoly characteristics.

The key objective overall is effective competition to deliver consumer benefits. It is counter-productive to pursue facilities-based competition that does not emerge at the expense of effective retail competition.

The Government’s ‘cherry picking’ policy is designed to protect NBN Co’s capacity to support subsidised nationally uniform prices in rural and remote Australia. It also ensures that all Australians are able to access services similar to those supplied over the NBN.

The level playing field rules do not preclude infrastructure-based competition. However, there has been little evidence of such competition occurring in the fixed line residential market since Optus halted the deployment of its hybrid fibre coaxial network in the 1990s, signalling the failure of infrastructure-based competition in this market as a viable model for the Australian context.

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Question No: 364

Program No. 1.1

Hansard Ref: In Writing

Topic: Schools

Senator Birmingham asked:

Figures from the Department of Education in its 2010 School Broadband Connectivity survey show that the percentage of schools that have a fibre link have increased from 46 per cent in 2009 to 63 per cent in 2010. What is driving that increase? How many schools are connected to the NBN? What policies are in place to ensure that schools – that is, Government, private and independent – choose a fibre connection when the NBN is rolled out? Are there any incentives or subsidies in place to encourage take up?

Answer:

The Department of Education, Employment and Workplace Relations' (DEEWR) *School Broadband Connectivity Survey 2010* states that the education sector is already a major consumer of fibre to the premises technology. High-speed broadband offers real benefits to schools, such as enabling teachers and students to have better access to online curriculum content and services; supporting the use of interactive content; and enhancing remote learning opportunities. School fibre connections preceding the NBN rollout have generally been delivered with assistance from state and territory governments. Further questions on the survey should be directed to DEEWR.

Nine schools in mainland first release sites and Tasmania are already receiving NBN services:

- Cathedral School Townsville in Queensland;
- Presbyterian Ladies College Armidale in New South Wales;
- Willunga High School in South Australia; and
- St Peter Chanel Catholic Primary School, Circular Head Christian School, Smithton High School, Smithton Primary School, Scottsdale High School and Scottsdale Primary School in Tasmania.

Telecommunications services procured for state schools are generally managed by state government agencies. Over time, these agencies will be able to make informed choices regarding the benefits of connecting to the NBN as part of normal procurement processes. For example, on 8 August 2011, the Tasmanian Minister for Education and Skills the Hon Nick McKim announced that Aurora had been chosen to provide NBN services to the Tasmanian Government, including schools and polytechnic campuses.

The department and NBN Co are continuing to engage with DEEWR and state and territory governments to facilitate the transition of schools to the NBN.

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Question No: 365

Program No. 1.1

Hansard Ref: In Writing

Topic: OPEL

Senator Birmingham asked:

I refer to the Department of Broadband, Communications and the Digital Economy's answer to question 219 from previous hearings.

Did the Department become aware of a claim by OPEL that there were some premises which were covered by the OPEL network, and which OPEL contended were 'underserved premises' and the Department says were not 'underserved premises'?

If so, when did the Department first become aware of this?

Once the Department became aware of this, did it make any investigation to determine whether there was any possibility that it had made an error in failing to classify as underserved premises some or all of those premises which OPEL contended were 'underserved premises'. If not, why not?

Answer:

Information on under-served premises was contained in all applications for funding under the Broadband Connect Infrastructure Program, including OPEL's. This was then analysed and taken into account to the extent that the department considered it to correctly identify under-served premises in the department's final database.

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Question No: 366

Program No. 1.1

Hansard Ref: In Writing

Topic: OPEL

Senator Birmingham asked:

I refer to the Department of Broadband, Communications and the Digital Economy's answer to question 219 from previous hearings.

Please clarify what you mean by your statement that there were no 'disputed premises'. Were there premises which were covered by the OPEL network and which OPEL contended were 'underserved premises' and the Department says were not 'underserved premises'?

Answer:

The department included under-served premises in its database that satisfied the definition of under-served premises as set out in the Broadband Connect Infrastructure Program (BCIP) Guidelines, including in the clarification to the BCIP Guidelines issued on 3 November 2006.

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Question No: 367

Program No. 1.1

Hansard Ref: In Writing

Topic: Battery Backups

Senator Birmingham asked:

Can the Department advise how many residential customers will require battery back-ups? How many commercial customers?

Answer:

Refer to answer to Question on Notice 368.

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Question No: 368

Program No. 1.1

Hansard Ref: In Writing

Topic: Battery Backups

Senator Birmingham asked:

Are there circumstances in which customers will be expected to purchase their own battery back-up systems?

Answer:

NBN Co has factored the cost of providing battery backup to all premises within the fibre footprint in the Corporate Plan 2011-2013.

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Question No: 369

Program No. 1.1

Hansard Ref: In Writing

Topic: Battery Backups

Senator Birmingham asked:

Can the Department indicate how much it will cost in total to provide battery back-ups to residential customers? Commercial customers?

Answer:

Refer to answer for Question on Notice 368.

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Question No: 370

Program No. 1.1

Hansard Ref: In Writing

Topic: Battery Backups

Senator Birmingham asked:

Can the Department indicate how much it will cost per unit to provide battery back-ups to residential customers? Commercial customers?

Answer:

Refer to answer for Question on Notice 368.

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Question No: 371

Program No. 1.1

Hansard Ref: In Writing

Topic: NBN Fibre Footprint

Senator Nash asked:

In what circumstances will Telstra will be expected act as retailer of last resort within the NBN fibre footprint?

Answer:

Telstra will be required to act as the retailer of last resort for the provision of the standard telephone service over the NBN fibre network from 1 July 2012. This agreement is set for a term of 20 years.

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Question No: 372

Program No. 1.1

Hansard Ref: In Writing

Topic: Battery Backups

Senator Nash asked:

What is the estimated number of residential customers on the NBN Co fibre network that will require battery back-up units to ensure telephone access during power outages? How many commercial customers?

Answer:

Please refer to the response on Question on Notice 368.

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Question No: 373

Program No. 1.1

Hansard Ref: In Writing

Topic: Battery Back-up

Senator Nash asked:

With respect to question (16), are there circumstances in which customers will be expected to purchase their own battery back-up systems?

Answer:

Please refer to the response on Question on Notice 368.

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Question No: 374

Program No. 1.1

Hansard Ref: In Writing

Topic: Battery Back-up

Senator Nash asked:

What is the estimated cost in total to provide battery back-ups to residential customers on the NBN Co fibre network? What is the estimated cost in total to provide battery back-ups to commercial customers on the NBN Co fibre network?

Answer:

Please refer to the response on Question on Notice 368.

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Question No: 375

Program No. 1.1

Hansard Ref: In Writing

Topic: Battery Back-up

Senator Nash asked:

How much does it cost per unit to provide battery back-up units to residential customers?

Answer:

Please refer to the response on Question on Notice 368.

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Question No: 376

Program No. 1.1

Hansard Ref: In Writing

Topic: Universal Service Obligation

Senator Birmingham asked:

What consultation has taken place between the Department and telecommunications providers other than Telstra in relation to the universal service obligation?

Answer:

Chapter 4 of the discussion paper, *National Broadband Network: Regulatory reform for 21st Century Broadband* released in April 2009 invited submissions on universal access. The Department received a total of 141 submissions. Nine submissions from telecommunications providers other than Telstra were received on universal access issues.

In response to the discussion paper *Implementation of Universal Service Policy for the transition to the National Broadband Network environment* released in October 2010, the department received submissions from a range of stakeholders, telecommunication providers and their representatives.

In December 2010 the department had further discussions with the Competitive Carriers' Coalition in relation to the Government's universal service policy.

A further discussion paper, *Universal Service Obligation Legislative Reform for transition to the National Broadband Network*, was released in June 2011.

In July 2011, the department met with representatives from a variety of telecommunications providers to discuss issues raised in the discussion paper, *Universal Service Obligation Legislative Reform for transition to the National Broadband Network*.

In response to this discussion paper, the department received submissions from a range of stakeholders, including telecommunication providers.

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Question No: 377

Program No. 1.1

Hansard Ref: In Writing

Topic: Universal Service Obligation

Senator Birmingham asked:

Has the Department actively engaged with the industry in developing the new Telecommunications Universal Service Management Agency (TUSMA) model?

Answer:

Yes. See answer to Question on Notice 376.

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Question No: 378

Program No. 1.1

Hansard Ref: In Writing

Topic: Universal Service Obligation

Senator Birmingham asked:

Have any of the ideas or suggestions provided in responses to the discussion paper been incorporated into the TUSMA model? If not, why not?

Answer:

Yes.

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Question No: 379

Program No. 1.1

Hansard Ref: In Writing

Topic: Universal Service Obligation

Senator Birmingham asked:

The Government's own policy document claims the TUSMA model will "transition the delivery of universal services outcomes and other public interest services from the regulatory model...to an open and competitive contractual model". Will the contract between TUSMA and the Government be made public and available for scrutiny? At what point will USO delivery be subject to competition?

Answer:

The Government will review what should be made public once a structural separation undertaking given by Telstra to the Australian Competition and Consumer Commission is in force.

In relation to the second question, see the answer to question on notice 380.

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Question No: 380

Program No. 1.1

Hansard Ref: In Writing

Topic: Universal Service Obligation

Senator Birmingham asked:

What aspects of the USO will be opened to competition (eg payphones, standard service delivery, 000 calls)?

Answer:

On 2 November 2011, the Government introduced legislation into Parliament to reform the universal service arrangements and establish the Telecommunications Universal Service Management Agency (TUSMA). The Bills set out policy objectives for TUSMA, which it must take all reasonable steps to ensure are achieved. TUSMA will enter into contracts and/or grants to achieve the policy objectives.

Contracts or grants to support the continuity of supply of carriage services during the transition to the National Broadband Network will be open to competition immediately. The current contracts for the National Relay Service end on 30 June 2013, and tenders for new providers will be open and competitive.

Telstra will be responsible, under its agreement with TUSMA, for handling emergency call services for 20 years. However, the agreement requires there to be an open tender, before 23 June 2016, for the service.

Telstra will also be responsible, under its agreement with TUSMA, for delivering standard telephone services and payphones for 20 years. However, the Bills propose that there should be a review of legislative arrangements before 1 January 2018. The review must consider whether there should be any changes to arrangements for the provision of standard telephone services, payphones, emergency call services and the National Relay Service.

Furthermore, under the agreement with TUSMA, there will be a review of the technologies and systems used to deliver standard telephone services and payphones by the end of 2021. The review must consider whether there are alternative technologies or systems that can be implemented by Telstra or a third party for delivery of the relevant services that would achieve a net reduction in Telstra's costs.

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Question No: 381

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA

Senator Birmingham asked:

Why has the Government decided to create a new bureaucracy (the TUSMA) to implement the universal service obligation?

Answer:

Page 5 of the Explanatory Memorandum to the *Telecommunications Universal Service Management Agency (TUSMA) Bill 2011* states:

The establishment of a statutory agency dedicated to the implementation and effective administration of telecommunications service agreements and grants will promote high quality and efficient contract and grant management to maximise the benefit for consumers and manage risks appropriately, within a transparent and accountable legislative framework.

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Question No: 382

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA

Senator Birmingham asked:

ACMA currently administers the USO. Why was it not chosen to administer the USO in the NBN environment?

Answer:

The proposed arrangements separate regulatory responsibilities from service provision responsibilities. The Telecommunications Universal Service Management Agency (TUSMA) will be dedicated to administering contracts and/or grants for universal service and other public interest telecommunications services. By contrast, the Australian Communications and Media Authority is a regulatory agency and will remain responsible for industry levy arrangements and for enforcing regulatory obligations.

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Question No: 383

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA

Senator Birmingham asked:

If the National Broadband Network has been tasked with creating a network to reach all Australians, why is there a need to establish a separate USO agency?

Answer:

NBN Co is intended to operate as a wholesale-only telecommunications company. By contrast, the Universal Service Obligation (USO) is an obligation to supply a retail service.

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Question No: 384

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA

Senator Birmingham asked:

What is the budget for the TUSMA's annual administrative costs?

Answer:

As indicated in the Regulatory Impact Statement to the Explanatory Memorandum of the *Telecommunications Universal Service Management Authority (TUSMA) Bill 2011* the Government expects that TUSMA's administrative costs will be around \$5.0 million in its initial years.

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Question No: 385

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA

Senator Birmingham asked:

How many staff will the TUSMA have?

Answer:

See the response to Question on Notice 399.

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Question No: 386

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA funding

Senator Birmingham asked:

The TUSMA will receive \$50 million from the Government in its first two years, then \$100 million thereafter. When will this annual funding level be reviewed?

Answer:

Page 4 of the policy statement *Universal Service Policy in the National Broadband Network environment* released on 23 June 2011 states:

It is the Government's intention to review the industry levy arrangements and the need for any additional Budget funding, over and above the Government's committed base funding, during the course of the first two financial years of the Telecommunications Universal Service Management Agency's operation.

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Question No: 387

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA funding

Senator Birmingham asked:

Telstra's payment of \$270 million to provide standard telephone services and payphone services is fixed for ten years, and funding for the TUSMA will be \$100 million annually. Will the remaining \$170 million be funded through an industry levy similar to the current system? Have any other options to fund the USO been considered?

Answer:

Under the *Telecommunications Universal Service Management Authority (TUSMA) Bill 2011*, for each financial year, the level of TUSMA's funding recovered through the industry levy will be based on TUSMA's total costs for that year, less the funding it receives from the Government.

As part of the TUSMA Bill's Regulatory Impact Statement, several alternative options for funding TUSMA's residual costs were considered. See pages 11-26 of the Explanatory Memorandum to the TUSMA Bill for more details.

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Question No: 388

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA funding

Senator Birmingham asked:

Will the industry levy remain fixed at a total of \$170 million until the contract is renewed in 2022?

Answer:

Under the *Telecommunications Universal Service Management Authority (TUSMA) Bill 2011*, for each financial year, the level of TUSMA's funding recovered through the industry levy will be based on TUSMA's total costs for that year, less the funding it receives from the Government.

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Question No: 389

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA funding

Senator Birmingham asked:

Telstra received about \$145 million in 2010-11 to provide USO services. In 2012-13, Telstra will receive \$270 million. What additional services will Telstra provide in 2012-13 to justify an increase in payments of \$125 million?

Answer:

The \$145 million USO Subsidy in 2010-11 is based on an arbitrary figure determined by Senator the Hon Richard Alston in 1999, former Minister for Communications, Information and Technology and the Arts in the Howard Government, which has been subject to subsequent modifications, and bears no relation to Telstra's costs in delivering the USO.

The Australian Government sought independent advice from Castalia Advisers and payments to Telstra from 2012-13 are consistent with this advice.

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Question No: 390

Program No. 1.1

Hansard Ref: In Writing

Topic: Universal Service Obligation

Senator Nash asked:

What consultation has taken place between the Department and telecommunications providers other than Telstra in relation to the universal service obligation, with the exception of the discussion paper titled "Implementation of Universal Service Policy for the transition to the National Broadband Network environment"?

Answer:

See the answer to Question on Notice 376.

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Question No: 391

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA

Senator Nash asked:

Have any of the ideas or suggestions provided in responses to the *Implementation of Universal Service Policy for the transition to the National Broadband Network* discussion paper been incorporated into the TUSMA model? If not, why not?

Answer:

See the answer to Question on Notice 378.

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Question No: 392

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA

Senator Nash asked:

The Government's own policy document claims the TUSMA model will "*transition the delivery of universal services outcomes and other public interest services from the regulatory model...to an open and competitive contractual model*". Will contracts between TUSMA and service providers be made public and available for scrutiny?

Answer:

Refer to Question on Notice 379.

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Question No: 393

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA

Senator Nash asked:

TUSMA will have long-term contracts with Telstra to deliver almost all USO services. At what point will USO delivery be subject to competition?

Answer:

See the answer to Question on Notice 380.

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Question No: 394

Program No. 1.1

Hansard Ref: In Writing

Topic: Universal Service Obligation

Senator Nash asked:

What aspects of the USO will be opened to competition (eg payphones, standard service delivery, 000 calls)?

Answer:

See the answer to Question on Notice 380.

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Question No: 395

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA

Senator Nash asked:

With the exception of the TUSMA model, what other models were considered to manage the delivery of the USO in the NBN environment?

Answer:

The Government considers that the Telecommunications Universal Service Management Agency (TUSMA) model is the appropriate approach to the delivery of the USO in the NBN environment, given the definitive agreements between NBN Co and Telstra and Telstra's intention to give a structural separation undertaking to the Australian Competition and Consumer Commission. The TUSMA model best ensures continuity of services during the migration of Telstra's customer base to the National Broadband Network, while ensuring that both industry and Government contribute to the costs of providing the USO and other public interest telecommunications services.

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Question No: 396

Program No. 1.1

Hansard Ref: In Writing

Topic: Universal Service Obligation

Senator Nash asked:

ACMA currently administers the USO. Why was it not chosen to administer the USO in the NBN environment?

Answer:

See the answer to Question on Notice 382.

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Question No: 397

Program No. 1.1

Hansard Ref: In Writing

Topic: Universal Service Obligation

Senator Nash asked:

The Government's stated objective is to create a national, wholesale-only, open access broadband network, which reaches all Australians, with either fibre, wireless, or satellite. If the National Broadband Network has been tasked with creating a network to reach all Australians, why is there a need to establish a separate USO agency?

Answer:

See the answer to Question on Notice 383.

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Question No: 398

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA

Senator Nash asked:

What is the budget for the TUSMA's annual administrative costs?

Answer:

See the answer to Question on Notice 384.

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Question No: 399

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA

Senator Nash asked:

How many staff will the TUSMA employ? At what APS levels?

Answer:

It is anticipated that the Telecommunications Universal Service Management Agency (TUSMA) will be a small agency. The precise number of staff is yet to be determined. The APS levels of the staff will be a matter for the CEO of TUSMA to determine as part of that process.

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Question No: 400

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA

Senator Nash asked:

The TUSMA will receive \$50 million from the Government in its first two years, then \$100 million thereafter. When will this annual funding level be reviewed?

Answer:

See the answer to Question on Notice 386.

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Question No: 401

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA

Senator Nash asked:

Telstra's payment of \$270 million to provide standard telephone services and payphone services is fixed for ten years, and funding for the TUSMA will be \$100 million annually. Will the remaining \$170 million be funded through an industry levy similar to the current system? Have any other options to fund the USO been considered? Are there any circumstances in which the total annual levy amount may increase in the next ten years?

Answer:

See the answers to Question on Notice 387.

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Question No: 402

Program No. 1.1

Hansard Ref: In Writing

Topic: Universal Service Obligation

Senator Nash asked:

Will the industry levy remain fixed at a total of \$170 million until the contract is reviewed in 2022?

Answer:

See the answer to Question on Notice 388.

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Question No: 403

Program No. 1.1

Hansard Ref: In Writing

Topic: TUSMA

Senator Nash asked:

Telstra received about \$145 million in 2010-11 to provide USO services. In 2012-13, Telstra will receive \$270 million. What additional services will Telstra provide in 2012-12 to justify an increase in payments of \$125 million?

Answer:

See the answer to Question on Notice 389.