

**Senate Standing Committee on Environment, Communications and the Arts**  
**Answers to Senate Estimates Questions on Notice**  
**Supplementary Budget Estimates Hearings October 2009**  
**Broadband, Communications and the Digital Economy Portfolio**

**Question No: 1**

**Program No. 1.1**

**Hansard Ref: Written**

**Topic: LEGISLATION SURROUNDING TELSTRA & NBN - USO**

**Senator Birmingham asked:**

*In its submission on regulatory matters in mid year the South Australian government said “ in adopting a policy that the NBN will be a wholesale-only network, it will no longer be possible for any one single provider to accept responsibility for end-to-end service delivery of a USO service as is currently the practice with a single vertically integrated Universal Service Provider. So, who will have the ultimate USO responsibility? The NBN owner seems the logical option as the entity responsible for building the network. “*

Would you agree with that understanding of how the USO needs to work in a structurally separated environment and that NBNco would need a basic retail service, the equivalent of today's PSTN voice service and couldn't be wholesales only if universal service is to be guaranteed. If you don't agree how do you see the USO being delivered even in the shorter term if Telstra went down the structurally separated path given in that situation Telstra would no longer control a network and consequently could scarcely be made responsible at a retail level for the delivery of universal service?

**Answer:**

The Government will consider the broader range of issues associated with the delivery of universal access in an NBN environment once detailed operating arrangements for the NBN have been settled.

In the short term, functional or structural separation of Telstra will not impact on the way the existing Universal Service Obligation (USO) arrangements operate given the current legislative framework is not predicated on a provider's control of infrastructure. Under current arrangements it is open to Telstra purchase services from other providers, or to install facilities, sufficient to enable it to meet its USO obligations. In some cases Telstra already supplies USO services by onselling or reselling services it purchases at the wholesale level.

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**Question No: 2**

**Program No. 1.1**

**Hansard Ref: Written**

**LEGISLATION SURROUNDING TELSTRA & NBN—OFFICE OF BEST PRACTICE CONSULTATION AND GUIDELINES**

**Senator Birmingham asked:**

The Explanatory Memorandum to the legislation says: *“This regulation assessment has been prepared in consultation with the Department of Finance’s Office of Best Practice Regulation (OBPR) to provide an analysis of the regulatory impact of the Government’s decision to implement measures to address Telstra’s horizontal and vertical integration.”*

The Department obviously consulted with, and took guidance from the OBPR in determining the impact of the various options that might flow from the legislation and there are a number of quite complex scenarios. And you would naturally have followed any guidelines the OBPR has?

The OBPR’s objective —charter—is to ensure that regulation *“meets the dual goals of ‘effectiveness’ and ‘efficiency’ and the OBPR notes this “ requires a structured approach to policy development that systematically evaluates costs and benefits”*.

In outlining best practice regulation the OBPR requires that: *“An analysis of the likely economic, social and environmental consequences be undertaken”* and that *“The policy development process should at least ensure that the benefits to the community of any regulation actually outweigh the costs, and give some assurance that the option chosen will yield the greatest net benefits.”*

So in preparing the legislation you’ve followed the OBPR’s guidelines and complied with best practice? You’ve undertaken the necessary cost benefit analysis?

Given you would have complied with OBPR guidelines can you tell me what the comparative costs and benefits to the community—not just to the government or Telstra are of the various scenarios that could flow from the legislation?

**Answer:**

The legislation does not force Telstra to structurally separate. There are various scenarios open to Telstra under the legislation but these are matters for Telstra to decide.

If Telstra does not elect to structurally separate, functional separation is imposed by the legislation. Given that functional separation is mandated in this scenario, the Explanatory Memorandum includes the Government’s regulatory assessment, detailing the costs and benefits of implementing through legislation a functional separation regime.

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The regulation assessment provides a qualitative analysis of the impact on communities as well as the Government and Telstra. Specifically the analysis noted the resulting benefits to communities including greater innovation, lower prices and more choices for consumers.

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**Question No: 3**

**Program No. 1.1**

**Hansard Ref: Written**

**LEGISLATION SURROUNDING TELSTRA & NBN—POSSIBLE OUTCOMES AND COSTS AND BENEFITS OF EACH SCENARIO**

**Senator Birmingham asked:**

There appear to be a number of possible outcomes from the Government's legislation:

- Telstra sells its fixed and cable networks and Foxtel stake and gets spectrum
- Telstra sells just its fixed network down to a 15% holding and by ministerial discretion is allowed to keep the HFC network and Foxtel and gets spectrum.
- Telstra agrees to transfer its traffic to the NBN but loses its HFC network and Foxtel Stake and gets spectrum
- Telstra agrees to transfer its traffic to the NBN but keeps The HFC network and Foxtel whilst getting spectrum or
- Telstra doesn't voluntarily structurally separate and is subject to functional separation.

Each of those scenarios implies radically different costs and benefits, what analysis of the comparative costs and benefits of each of these scenarios has been undertaken?

Can I take it that in the absence of any understanding of the costs and benefits that flow from the very complex scenarios that might unwind/ you still maintain consumers will enjoy lower prices?

In the absence of any cost benefit analysis how do you form that view?

**Answer:**

A regulation assessment was prepared to provide an analysis of the regulatory impact of the Government's decision to implement measures to address Telstra's horizontal and vertical integration.

The legislation enables Telstra to voluntarily structurally separate or, if Telstra elects not to structurally separate, functional separation will be imposed. There are various scenarios open to Telstra under the legislation, but these are matters for Telstra to decide.

The only form of separation that is mandated by this legislation is functional separation with the Government's regulatory assessment in the Explanatory Memorandum detailing the costs and benefits of implementing a functional separation regime.

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**Question No: 4**

**Program No. 1.1**

**Hansard Ref: Written**

**LEGISLATION SURROUNDING TELSTRA & NBN—SPECTRUM AUCTIONS**

**Senator Birmingham asked:**

Given the most contentious element of the package is the possible exclusion of Telstra from spectrum auctions do you know what the cost to the community at large and indeed to the government, in the revenue foregone from auctions, that would flow from excluding Telstra from future auctions?

You implied on Wednesday that there were underlying efficiency gains from possibly excluding Telstra from future wireless allocations, competitive gains that would be expressed in innovation and new services - do you believe that there might be efficiency gains from the policy of excluding Telstra from auctions if it chooses not to voluntarily separate?

The ACCC in its 'regulatory' submission said at page 83 "*there is benefit in allowing the market to determine how available spectrum should be used. If spectrum rights are allocated efficiently (for example, through an efficient auction process) a market approach will generally ensure that spectrum is put to its highest and best use among competing technologies.*"

Isn't there a real danger that excluding Telstra will mean that efficient auctions can't be conducted and this in turn may lead not just to lower revenues for the government but from auctions might lead to inefficient allocation of spectrum?

If Telstra were excluded from any auctions do you feel there's real chance a fourth or even more players might enter the market?

**Answer:**

The Department will not speculate on any cost to the Government if Telstra chose not to participate in spectrum auctions as it will depend on future decisions about the frequencies to be made available and how they are packaged, the range of interested market participants and general economic conditions at the time.

The Government considers that any loss of revenue to the Commonwealth will be outweighed by the benefits to consumers and the economy from preventing Telstra's ongoing level of integration across multiple telecommunications platforms.

Governments have long regulated spectrum allocation in the national interest. Competition limits on acquiring spectrum have been imposed on existing carriers in Australia five times in the past.

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Limits on acquiring spectrum promote its efficient use by increasing competition in the market. The ACCC stated in its submission to the regulatory reform discussion paper that ‘[a]lthough Telstra has voiced concerns over the use of competition limits (most recently in relation to the 3.4 GHz auction), the ACCC considers they can be an effective mechanism to promote competition’.<sup>1</sup>

It would not be appropriate for the Department to speculate on whether new entrants may or may not enter the market as result of Telstra choosing not to participate in future spectrum auctions.

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<sup>1</sup>Australian Competition and Consumer Commission, *Submission to the Department of Broadband, Communications and the Digital Economy “National Broadband Network: Regulatory Reform for 21<sup>st</sup> Century Broadband”*, June 2009, pp.83-84.

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**Question No: 5**

**Program No. 1.1**

**Hansard Ref: Written**

**LEGISLATION SURROUNDING TELSTRA & NBN—MOBILE LICENCES**

**Senator Birmingham asked:**

You noted last week you'd been involved in the introduction of mobile in Australia – with competition three licences were granted -Telstra - Optus - Vodafone. Could you outline what's happened in Australia when an additional player has entered the market. Could you outline what happened to OneTel and Hutchison?

**Answer:**

One.Tel was launched in 1995, and was listed on the Australian Stock Exchange in 1997. In May 2001, One.Tel was placed into administration.

Hutchison listed on the Australian Stock Exchange in 1999, and launched Australia's first 3G network in 2003. Hutchison was one of the first carriers to introduce capped or 'bucket' pricing plans in Australia, a move that the ACCC has identified as key to driving down average prices for mobile services:<sup>1</sup>

*'The fall in mobile prices was mainly due to the introduction of so called 'capped' or 'bucket' plans by carriers which resulted in large falls in prices paid by consumers for post paid services...'*

Vodafone and Hutchison merged in 2009. Both Vodafone and Hutchison have an equal ownership in the merged company, Vodafone Hutchison Australia (VHA), which markets its products and services under the Vodafone brand.

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<sup>1</sup> Graeme Samuel, Letter to the Minister accompanying *ACCC Telecommunications reports 2004-05*, ACCC, p.3.

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**Question No: 6**

**Program No. 1.1**

**Hansard Ref: Written**

**LEGISLATION SURROUNDING TELSTRA & NBN—WIRELESS MARKET**

**Senator Birmingham asked:**

In its regulatory submission the ACCC made the following recommendation at para **2.5.1. on page 85**

*“The ACCC considers that no specific legislative changes are required to address competition concerns in relation to the allocation of spectrum.”*

Why, given that expert advice, is this legislation built around the possible legislated exclusion of Telstra from the wireless market given that the ACCC believes there are absolutely no competition concerns in that market segment that need to be addressed by legislation?

**Answer:**

The measures in the Bill prevent Telstra from being in a position to exercise control of designated spectrum unless the ACCC has accepted undertakings about structural separation, hybrid fibre-coaxial cable and subscription television broadcasting licences. The legislation provides scope for the Minister to remove the requirements around the hybrid fibre-coaxial cable network and subscription television broadcasting licences if he is satisfied that Telstra’s structural separation undertaking is sufficient to address concerns about the degree of Telstra’s power in telecommunications markets.

These measures are designed to address fundamental concerns about Telstra’s level of integration across multiple platforms.

In its regulatory submission, ‘[t]he ACCC agrees that the availability of spectrum is essential to encouraging competition between different technologies, especially with regard to mobile and wireless broadband services’. In the same submission, the ACCC states that: ‘[a]lthough Telstra has voiced concerns over the use of competition limits (most recently in relation to the 3.4 GHz auction), the ACCC considers they can be an effective mechanism to promote competition’.<sup>1</sup>

The OECD has concluded in its 2008 economic survey of Australia that Telstra’s horizontal integration has reduced the development of facilities-based competition in Australia in comparison to other countries and has contributed to Telstra’s dominance in the market. The

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<sup>1</sup> Australian Competition and Consumer Commission, *Submission to the Department of Broadband, Communications and the Digital Economy “National Broadband Network: Regulatory Reform for 21<sup>st</sup> Century Broadband”*, June 2009, pp.83-84.



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OECD has acknowledged the resultant negative affects on competition that Telstra's high-level of integration can have:

*'The broadband sector, which is regulated by the ACCC, is dominated by the incumbent, Telstra, which was privatised at the end of 2006. This company has more than two-thirds of the market and plays a major role on all platforms for access to these services. Telstra controls over 80% of the sector that uses digital subscriber line (DSL) technology, and it owns the copper telecommunications network. It also owns more than 50% of cable-related infrastructure and has a strong presence in mobile services that use wireless technologies. This impedes competition between technologies, yet such competition is fruitful as it encourages product differentiation. Indeed, Telstra has little incentive to develop new services for each of these platforms, which would tend to lower the value of its current assets (i.e. copper network) and reduce income earned on other networks.'*<sup>2</sup>

The Government shares the OECD's view that Telstra's high-level of integration has contributed to Australia continually lagging behind other developed economies on the availability, price and quality of telecommunications services.

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<sup>2</sup> Organisation for Economic Co-operation and Development, *OECD Economic Surveys: Australia*, 2008, pp.116–117.

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**Question No: 7**

**Program No. 1.1**

**Hansard Ref: Written**

**LEGISLATION SURROUNDING TELSTRA & NBN – DISCRETE MARKETS IN THE TELECOMMUNICATIONS SECTOR**

**Senator Birmingham asked:**

How many discrete markets are there for regulatory purposes in the telecommunications sector in Australia?

Is there any precedent in Australian in the telecommunications sector for a regulator limiting an operator's participation in a discrete such as wireless because of its alleged conduct in another market or indeed its overall structure?

Can you give me any international precedent from the telecoms sector where a regulator has imposed restrictions on a vertically integrated operator's access to spectrum because of its overall structure or concerns about its market share in the fixed line market?

**Answer:**

The ACCC has advised that it takes a purposive approach to market definition, which means that the definition of a relevant market cannot be separated from the particular issue under consideration. Market definition always depends on the specific facts and circumstances of the relevant issue and current evidence from market participants will often be critical. Therefore, it is not possible to determine how many discrete markets there are in the telecommunications sector in Australia at any point in time.

*Recent ACCC decisions can provide some guidance on the types of issues the ACCC takes into account in identifying markets and provides some examples of the broad markets that the ACCC has identified for particular regulatory purposes. For example, as part of the ACCC's recent review of fixed service declarations, the ACCC broadly identified the relevant markets for this purpose to be national markets for:*

- *the retail and wholesale provision of fixed voice services*
- *the retail and wholesale provision of fixed broadband services*
- *the retail and wholesale provision of bundled fixed voice and fixed broadband services.*

It is possible that competition concerns could necessitate regulatory intervention to limit a company's participation in a related but distinct telecommunications market to that in which it usually operates. This is due to the fact that, in certain circumstances, it may be possible for a firm with market power in one market to leverage that power into another market, thereby harming or foreclosing competition in that market. The firm's overall structure may be one factor that contributes to its degree of market power.

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Restrictions on a firm's participation in telecommunications markets can be applied through various mechanisms such as:

- prohibitions on a merger or acquisition under s.50 of the *Trade Practices Act 1974* (the TPA);
- acceptance of an undertaking from a party to address competition concerns under Part IV of the TPA; and
- competition limits on the allocation of spectrum licences under the *Radiocommunications Act 1992*.

Competition limits, for example, have been used to promote competition in certain spectrum auctions, including the 3.4 GHz spectrum auction in 2000. These limits assisted Unwired to enter the market to provide wireless broadband services. These limits prevented:

- Telstra from obtaining 3.4 GHz spectrum in major population centres;
- Telstra from obtaining more than 22 MHz of 3.4 GHz spectrum in each of the 3442.5 - 3475 MHz band and the 3542.5 - 3575 MHz band for each auction lot area outside the major population areas; and
- all other bidders from acquiring more than 67.5 MHz in each auction lot area in a major population area.

In relation to these limits, the former Minister for Communications, Information Technology and the Arts, Senator Richard Alston, noted that:<sup>1</sup>

*'The competition limits are designed to ensure that no one player dominates the provision of telecommunications services in the 3.4GHz band, especially in the provision of wireless local loop services. Telstra has a number of existing and proposed technologies capable of delivering high speed internet and traditional voice services to consumers and therefore Telstra has been excluded from bidding for 3.4 GHz spectrum in major population centres.'*

Spectrum competition limits have in the past been, or are currently being imposed on existing carriers in other jurisdictions to promote competition and to encourage new entrants into their respective mobile communications markets including in Canada, Argentina, Brazil, Chile, Columbia and Mexico.

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<sup>1</sup> Senator Richard Alston, *Increased competition from 3.4 Ghz spectrum band*, Media release, 14 July 2000.

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**Question No: 8**

**Program No. 1.1**

**Hansard Ref: Written**

**Topic: LEGISLATION SURROUNDING TELSTRA & NBN—STRUCTURAL SEPARATION**

**Senator Birmingham asked:**

Are you aware the Productivity Commission in its 2005 report on the effectiveness of competition policy noted that the costs of structural separation would outweigh the gains – do you have other more recent advice from the PC?

Are you aware EU Competition Commissioner Neelie Kroes has maintained that whilst structural separation is appropriate in the utilities it should not be applied to the Telecoms sector? Are you aware that is also the long standing view of the OECD?

Given that no regulator has mandated structural separation is there any precedent in the telecoms industry where an incumbent has voluntarily structurally separated?

Do you know what happened with the voluntary separation of eircom – was it abandoned? Do you know why it was abandoned.

Evidence given to the committee considering the legislation suggests it was abandoned because the markets wouldn't buy the idea of a wholesale only network – that the markets wouldn't deem a telecoms to be a low risk utility like other industry?

**Answer:**

The Productivity Commission's 2005 report is based on the concept of mandated structural separation. It notes that:<sup>1</sup>

*'...were full vertical structural separation to be pursued, it could be very difficult to determine precisely where the split should be made. Consequently, the scope for regulatory error, and its attendant costs, would be high.'*

In comparison, the *Telecommunications Legislation Amendment (Competition and Consumer Safeguards) Bill 2009* establishes a framework for Telstra to voluntarily submit an undertaking to structurally separate. It permits Telstra to structurally separate if it sees that the benefits outweigh the costs and by allowing Telstra to develop an undertaking, reduces the risk of regulatory error in determining where the split should be made.

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<sup>1</sup> Productivity Commission, *Review of National Competition Policy Reforms—Productivity Commission Inquiry Report—No. 33*, 28 February 2005, p.241.

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The member of the European Commission responsible for Information Society and Media, Viviane Reding, is of the opinion that stronger separation measures should be made available to regulators. In June 2006, Ms Reding stated that:<sup>2</sup>

*'I believe that the policy option of structural separation could answer many competition problems that Europe's telecom markets are still facing today.'*

Structural separation is not only a policy objective of Australia's wholesale-only National Broadband Network, Singapore's National Broadband Network will also be regulated according to a strict separation requirement relating to network ownership, the wholesale operator and retail service providers. These strict separation measures are aimed at providing equivalence and non-discriminatory access to the network for all retail service providers.

Structural separation is not without precedent, for example:

- in 2001, BT divested itself of its mobile business;<sup>3</sup>
- in 2008, Time Warner Inc announced that it would structurally separate from the second largest cable operator in the US, Time Warner Cable Inc;<sup>4</sup>
- as a condition of the merger between Telia (the former Swedish incumbent) and Sonera (a Finish Telecommunications company), TeliaSonera was directed to sell ComHem, Sweden's largest cable television network. The sale was announced in 2003;<sup>5</sup> and
- as a result of the introduction of the European Commission's Directive (99/64/EC) in 1999 that called for at least an organisational separation of cable and telecommunication activities of incumbent operators, Deutsche Telecom decided to sell its cable TV activities.<sup>6</sup>

The Department is not in a position to know the commercial reasons why Eircom did not proceed with its voluntary separation. Media reports in Reuters identified the Global Financial Crisis as the reason that prompted Eircom to not go ahead with its voluntary structural separation.

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<sup>2</sup> Viviane Reding, *The Review 2006 of EU Telecom rules: Strengthening Competition and Completing the Internal Market* [speech to the Annual Meeting of BITKOM], Brussels, Bibliothèque Solvay, 27 June 2006, p.10.

<sup>3</sup> BT Group, *Business review: Restructuring*, Accessed online at [http://www.btplc.com/report/business\\_restructure.shtml](http://www.btplc.com/report/business_restructure.shtml) on 13 November 2009.

<sup>4</sup> Australian Competition and Consumer Commission, *Submission to the Department of Broadband, Communications and the Digital Economy "National Broadband Network: Regulatory Reform for 21<sup>st</sup> Century Broadband"*, June 2009, p.32

<sup>5</sup> Organisation for Economic Co-operation and Development, *Broadband and Telephony Services Over Cable Television Network*, 7 November 2003, p. 49.

<sup>6</sup> WIK-Consult, *Separation of Telstra: Economic considerations, international experience*, 2 June 2009, p.27.

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**Question No: 9**

**Program No. 1.1**

**Hansard Ref: Written**

**FINANCIAL SUPPORT TO INDUSTRY FOR ADVANCED CONTROL SYSTEM SECURITY TRAINING**

**Senator Minchin asked:**

In relation to grants approved between 5 May 2009 and 28 September 2009, what circumstances surround the Department's provision of financial support to send a number of utility companies to the Control Systems Cyber Security Advanced Training Idaho National Laboratory in Idaho Falls from 12-16 October?

What benefit is the Department getting from this sponsorship of these companies to attend the Laboratory?

How many Department officials attended the same event?

**Answer:**

The Department supports the Trusted Information Sharing Network for critical infrastructure protection (TISN), which is led by the Attorney-General's Department (AGD). The TISN provides a trusted environment for industry and government to foster collaboration and information sharing to enhance critical infrastructure protection.

The Department's main role in supporting the TISN is by providing the secretariat to the Communications Sector Infrastructure Assurance Advisory Group and the IT Security Expert Advisory Group (ITSEAG) – which the Department chairs - and the ITSEAG's working group, the SCADA Community of Interest (CoI).

While the AGD manages the selection of Australian critical infrastructure owners and operators to participate in the Training Program, the Department provides partial funding to 12 members of the SCADA CoI. This funding, tied to a formal funding agreement with the member's employer, is formally acquitted against appropriate expenses in attending the training program.

The International Training Program provides the opportunity for Australian practitioners to undertake unique, advanced cyber security training at a 'secure' centre of excellence for process control security (Idaho National Laboratory), which has test bed, research and infrastructure facilities, providing a controlled and safe learning environment under the tuition and supervision of leading cyber security experts.

The Training Program is a key initiative under the forward work program of the SCADA CoI. It is strongly supported by the ITSEAG given the feedback from participants at past programs indicating implementation of improved security processes in their organisations following attendance at the training.

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In terms of the benefits to the Department, the Training Program is a key element in the Department's strategy for ongoing awareness raising of Australian process control security industry practitioners. The Department, in conjunction with the AGD, is conducting a series of half day workshops in five cities to allow participants in the 2009 training to present to the broader Australian SCADA community their learnings from the training and any organisational actions to improve their security of SCADA systems. The training also informs the forward work program of the SCADA CoI and enhances international collaboration within the specialised control systems field.

No Department officials attended the October 2009 Training Program. However, officers from AGD attended the training.

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**Question No: 10**

**Program No. 1.1**

**Hansard Ref: ECA 98**

**TASMANIAN NBN ROLLOUT**

**Senator Parry asked:**

So from mid-July next year those three towns should be operational. What is the time frame for the rest of Tasmania, in particular Hobart, Launceston, Burnie and the greater north-west? I am happy for any of these to be taken on notice.

**Answer:**

The Government has announced that under the first stage of the NBN rollout in Tasmania that the communities of Smithton, Scottsdale and Midway Point would be the first to receive super fast broadband.

For the second stage, the communities of Sorell, Deloraine, George Town, St Helens, Triabunna, Kingston Beach, and South Hobart will receive FTTP.

These ten locations are the start of a full state-wide rollout of FTTP to 200,000 premises across Tasmania over the next four to five years. Announcements on other rollout locations will be made in due course.



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**Question No: 11**

**Program No. 1.1**

**Hansard Ref: ECA 99**

**TASMANIAN NBN ROLLOUT – COMMUNITY CONSULTATION**

**Senator Parry asked:**

There is opposition to overhead cabling in Tasmania, and I can speak, as a Tasmanian senator. Recently, you may be aware, we had some severe storms and we were subjected to strong winds, Antarctic and otherwise, that knocked out power connections for up to four days. In some areas we had some severe disruptions, and they were overhead power cables. I just place that on the record—that is, that there be consideration given to having as much underground cabling as possible. You mentioned a consultation, and I will be interested to know from Mr Quigley about that. Has the consultation process been undertaken with the first three communities that I mentioned? Has consultation commenced?

Can that be provided to the committee on notice?

Has consultation commenced with the three communities involved in the rollout process?

Thank you. If that could be provided on notice, that would be good. What is the process for consultation? Is it by going to all householders? Is it by way of letter? Is it by way of just consulting with the local government authority? Do you have any idea of the method to take place?

**Answer:**

Consultation with the communities of Midway Point, Scottsdale and Smithton has commenced. The three councils responsible for these communities (Dorset, Circular Head and Sorell) were briefed and provided with an opportunity to raise issues of concern or interest.

The Tasmanian NBN project team and Aurora have addressed forums in Scottsdale and Smithton, where community representatives also attended, and met with Sorell Council officers to discuss the Cambridge to Midway Point extension

The NBN project team and Aurora also attended the Local Government Association of Tasmania General Managers forum in Launceston on 16 September 2009.

Community information has been made available via an NBN Tasmania website - currently hosted on the Aurora Energy website - providing an extensive range of information including all public announcements, map details of the first Stage rollout, a range of questions and answers, and an email contact address for questions.

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Additional discussions have occurred with the three local councils and representatives of NBN Tasmania and the Department of Broadband, Communication and the Digital Economic to ensure a co-ordinated approach that meets the specific needs of each community.

The communication with householders is the subject of careful planning and will be centred on local community briefings, public notices in local newspapers and the property owner consent letter to obtain permission for the service drop to the house. The letter will contain a full explanation encouraging householders to participate and supported by links to the NBN Tasmania website and a contact number for enquiries.

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**Question No: 12**

**Program No. 1.1**

**Hansard Ref: ECA 99 & 100**

**TASMANIAN NBN ROLLOUT – SMALL BUSINESS AND SCHOOLS CONSULTATION**

**Senator Parry asked:**

Have small business operators and schools been consulted independently of the broad consultation or will they be consulted independently?

Yes, please take that on notice. It appears, though, that whilst it has commenced there is not really much detail at this point in time.

**Answer:**

The consultation program for the Tasmanian NBN rollout has included a series of forums hosted by the relevant Councils. The Councils invited representatives of business, education and health services to the forums.

The consultation during the Tasmanian NBN rollout will embrace small business forums and schools in addition to the local community briefings and these will be co-ordinated with the relevant Councils.

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**Question No: 13**

**Program No. 1.1**

**Hansard Ref: ECA 100**

**TASMANIAN NBN ROLLOUT – CABLING AND TRENCHES DUG**

**Senator Parry asked:**

Could you provide on notice what cabling has been undertaken and what trenches have been dug.

**Answer:**

The trenching and laying of cable from Cambridge to Midway Point route is complete with final testing to coincide with the establishment of Cambridge as the Point of Interconnect. The largely aerial deployment of backhaul fibre to Scottsdale and Smithton is currently underway.

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**Question No: 14**

**Program No. 1.1**

**Hansard Ref: ECA100**

**TASMANIAN NBN ROLLOUT – COST OF CURRENT THREE ROLLOUTS**

**Senator Birmingham asked:**

Can you confirm whether the \$37 million covers 100 per cent of the three towns?

**Answer:**

Under the State One Rollout Agreement, NBN Tasmania Limited is providing \$37.3 million for the NBN rollout to the communities of Smithton, Scottsdale and Midway Point, and construction of five key backbone fibre routes to support the rollout to those three communities.

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Question No: 15

**Program No. 1.1**

**Hansard Ref: Written**

**Topic: National Broadband Network – Reconciliation of All Expenses**

**Senator Birmingham asked:**

Please provide a reconciliation of all expenses to date associated with the National Broadband Network (NBN) Request for Proposals (RFP) process, the establishment of the NBN Co, the Implementation Study into the NBN and any other expenses related to either the FTTN NBN or FTTP NBN proposals. Please include details of all payments made to consultants or external advisers, broken down for each of the aforementioned processes.

**Answer:**

The National Broadband Network RFP process incurred expenses of \$17,010,024 (exclusive of GST). This includes:

Panel of Experts	\$ 604,918
Consultants/Advisers	\$11,219,942
Evaluation facilities	\$ 696,392
Employee expenses	\$ 4,488,772

Consultants

Consultant and adviser costs include:

Frontier Economics	\$1,312,389
KPMG Pty Ltd	\$2,846,262
GQ-AAS Pty Ltd	\$1,342,293
Adelaide Research	\$ 13,636
Corrs Chambers Westgarth	\$3,379,947
Australian Government Solicitor	\$2,315,660
Strategic Adviser (John Wylie)	\$ 9,755

**National Broadband Network Process (1 May 2009 to 31 October 2009)**

Expenses associated with the National Broadband Network total \$18,677,260 (exclusive of GST and including payments accrued for services rendered but not yet paid) for the period 1 May 2009 to 31 October 2009. This includes:

Consultants/Advisers	\$13,874,578
Employee and other administration costs	\$ 4,802,682

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Payments made to consultants and advisers were:

NBN Tasmania Implementation	<b>Amount</b>
Consultel IT&T Pty Ltd	\$277,623
KPMG	\$266,554
Minter Ellison Lawyers	\$510,962
Australian Government Solicitor	\$21,129
<b>NBN Implementation Study</b>	
McKinsey Pacific Rim Inc*	\$10,537,484
Blake Dawson Waldron	\$338,079
Australian Government Solicitor	\$3,845
<b>NBN Co Establishment</b>	
Australian Government Solicitor	\$102,297
Egon Zehnder International	\$234,697
<b>Regional Backbone Blackspots Program</b>	
Ericson Australia	\$496,429
KPMG	\$453,272
Coffey Projects Australia	\$8,500
Clayton Utz	\$506,320
Capital Works Consulting	\$7,680
<b>Other NBN</b>	
Peter McCarthy-Ward	\$50,000
Eckermann and Associates	\$6,875
DLA Phillips Fox	\$52,832
<b>TOTAL</b>	<b>\$13,874,578</b>

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\* McKinsey/KPMG consortium

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**Question No: 16**

**Program No. 1.1**

**Hansard Ref: Written**

**Topic: NATIONAL BROADBAND NETWORK – GIBSON QUAI CONSULTANCIES**

**Senator Birmingham asked:**

- a) What consultancies have Gibson Quai been engaged to provide since the 2007 election? How much have they been paid for each of those consultancies? What were the key deliverables of each of those consultancies?
- b) Was Gibson Quai engaged specifically to advise the Government on the costs and details of the proposed FTTP NBN? What role did Gibson Quai play in advising the Government prior to the decision to proceed with the FTTP NBN?
- c) Did Gibson Quai cite \$43 billion as the cost of building the FTTP NBN in any of their work for the Government?
- d) What other expert advisers (referred to by the Minister at ECA 111) did the Government have informing its decision to undertake the FTTP NBN?

**Answer:**

- a) Since the 2007 election, Gibson Quai – AAS Pty Ltd (Gibson Quai) has been engaged to undertake three consultancies for the Department as follows:
  - On 18 March 2008, Gibson Quai was engaged to investigate the impact of policy and regulation on the take-up of VoIP (Voice over Internet Protocol) services in Australia and overseas selected markets. The final report was accepted on 17 July 2008. The total cost of the consultancy was \$64,182 (excluding GST).
  - On 20 March 2008 Gibson Quai was contracted to provide technical advice for the National Broadband Network Request for Proposals (RFP) process and was paid \$1,342,293 (excluding GST).
  - On 10 October 2008, Gibson Quai was engaged to undertake an independent cost assessment of community phones maintenance. Gibson Quai was paid \$10,036 (excluding GST).
- b) Gibson Quai was engaged to provide specialist technical advice on the NBN RFP process. As part of that process, Gibson Quai assisted with the development of the RFP and the technical assessment of proposals, provided technical advice on broadband technologies and undertook cost modelling work in relation to costs associated with rolling out a fibre to the premises network.



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- c) Gibson Quai provided advice on aspects of the National Broadband Network and this advice contributed to the development of the \$43 billion cost estimate.
- d) In informing its decision on the NBN fibre to the premises (FTTP) initiative the Government received expert advice from KPMG, Gibson Quai, the Panel of Experts, the Australian Competition and Consumer Commission (ACCC), the Australian Communications and Media Authority (ACMA), the Commonwealth Scientific and Industrial Research Organisation (CSIRO), NICTA – Australia’s ICT Research Centre of Excellence, the Defence Signals Directorate (DSD) and the Defence Science and Technology Organisation (DSTO).