

Introduction

Background

- 1.1 The Joint Committee on the National Broadband Network¹ (the committee) was established by a resolution of appointment in March 2011² and appointed to inquire into and report every six months on the rollout of the National Broadband Network (NBN)³ and the Government's objectives for the NBN Co Limited (NBN Co) in the design, build and operation of the NBN.
- 1.2 In its First Report, the committee included comment on the following issues which arose during the course of its initial review:
- The delay in receipt of the Shareholder Ministers'⁴ NBN rollout performance report, including a brief discussion about the development

1 The Joint Committee on the National Broadband Network (JCNBN) is a new committee. Consecutive committees are expected to be established for the rollout period of the National Broadband Network (NBN).

2 The Resolution of Appointment of the JCNBN was passed by the House of Representatives on 1 March 2011 and the Senate on 3 March 2011.

3 The NBN is a Government policy initiative announced in April 2009 to provide a super-fast broadband service to all premises across Australia at an estimated total expenditure (as at 20 December 2010) of \$35.9 billion, with the Government expected to invest \$27.5 billion in the project. In addition to providing a super-fast broadband service to connect Australia's cities and regional centres, more broadly the NBN is also intended to drive national productivity, improve education and health service delivery and improve Australia's international competitiveness. See: Hon Kevin Rudd MP, Prime Minister and Senator the Hon Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, 'New National Broadband Network', *Joint Media Release*, 7 April 2009.

4 The NBN Shareholder Ministers are Senator the Hon Stephen Conroy, Minister for Broadband, Communications and the Digital Economy and Senator the Hon Penny Wong, Minister for Finance and Deregulation.

of Key Performance Indicators (KPIs) and measures and reporting intervals and the impact on the committee's reporting timeframe.

- The impediments which may be caused to the committee's future reviews because of delays in receiving answers to questions on notice from the Department of Broadband, Communications and the Digital Economy (DBCDE) and the NBN Co, and withholding information from the committee on commercial-in-confidence grounds.
- Competition issues associated with the uniform wholesale national pricing approach, Access Virtual Circuit pricing and the impact of the Australian Competition and Consumer Commission (ACCC) decision to increase the Points of Interconnect from 14 to 121.
- Timing of the completion of the NBN Co's Binding Definitive Agreements with Telstra Pty Ltd and Singtel Optus Pty Ltd, including their review by the ACCC.
- Timing and broader competition impact of Telstra's Structural Separation Undertaking (SSU).
- Timing for development of the NBN Co's Special Access Undertaking (SAU) and Wholesale Broadband Agreement (WBA).
- Regional and remote access to broadband to assist in the delivery of education and health services and support economic development.

1.3 As the committee was required to report to the Parliament by 31 August 2011 and did not receive information relevant to its review within the review period, it has agreed to present a second report to the Parliament and the NBN Shareholder Ministers before the end of 2011. The committee's second report includes additional information on matters reported on in the first review period, and also introduces a number of new issues which arose during the second review period.

Reporting Timeframe

1.4 Pursuant to its Resolution of Appointment (RoA), the committee is to report to the Parliament and the NBN Shareholder Ministers every six months 'until the NBN is complete and operational'. The committee met

its first reporting date⁵, and presented its report to the Parliament on 31 August 2011.⁶

- 1.5 In its First Report, the committee stated that it would present its second report on the NBN rollout by the end of 2011 and, as a result, proposed to adjust its reporting timetable from August/February (as provided for in its RoA) to June/December.
- 1.6 On 18 August 2011, the committee wrote to Shareholder Ministers to propose amendment to its reporting dates (as outlined above) to enable it to include information received from the NBN Rollout Performance report, which was expected to be received by mid September 2011.
- 1.7 Subsequently, on 23 September 2011, in addition to providing the committee with the Government's first NBN performance report, the Shareholder Ministers concurred with the changed reporting timetable as proposed by the committee from August/February to June/December.

Objectives and Scope of the Review

- 1.8 In this second review period, the committee has aimed to present the issues it identified in the Government's NBN rollout performance report in a timeframe that enables the Government to respond to early in the next reporting period. Further, the extended timeframe could enable the Government to develop its performance report in areas where the committee has asked for additional material or clarification.
- 1.9 The committee also aimed to receive information to allow it to provide an update on matters in the First Report which relate to:
 - the NBN rollout in regional and remote areas, covering technology type and access to broadband challenges and benefits, and
 - further discussion on competition concerns continuing to be raised by smaller internet service providers which are premised on gaining affordable access to and pricing of the NBN product.
- 1.10 Further, the review includes information about the process undertaken thus far in finalising the Binding Definitive Agreements between the NBN Co and Telstra and the NBN Co and Optus, ACCC consideration of

5 The committee's first reporting period included the six months from its establishment in early March 2011 to its reporting date of 31 August 2011.

6 The committee presented its report out of session on 31 August 2011.

Telstra's SSU and Customer Migration Plan, issues arising from the development and ACCC consideration of the NBN Co's SAU and WBA, and earlier than planned private sector engagement in funding the NBN.

- 1.11 Finally, the committee endeavoured to include information from Telstra following its shareholder approval of the Binding Definitive Agreement between the NBN Co and Telstra in the lead up to ACCC consideration of the Telstra SSU and Customer Migration Plan.
- 1.12 The committee's findings and conclusions reached on these matters are limited to information it received from a number of telecommunications companies, the NBN Co and the DBCDE. While the committee provided Telstra with an opportunity to present information to the committee at a public hearing, Telstra declined to appear.

Areas of Possible Future Review

- 1.13 Since its First Report in August 2011, and taking into consideration the matters reviewed in this report, the committee has identified various areas which may be the subject of future review. In addition to the committee's ongoing review of the NBN's rollout performance, further areas of review are likely to include:
- The impact of the NBN rollout on competition policy and the ongoing regulatory review of NBN-related matters by the ACCC
 - Telstra's SSU and Migration Plan
 - The NBN Co's procurement policy and tender processes
 - Regional and remote access to broadband services and the quality of fixed wireless and satellite services
 - Impact on competition for retail service providers
 - Government readiness to use and deliver services via the NBN.
 - Regulatory issues
 - Workforce participation and training
 - Network security and integrity
 - Private sector investment in the NBN.
- 1.14 Further, as outlined in the Prime Minister's letter to Senator Xenophon on 23 November 2010, the committee may also 'draw on any relevant

material from the [House of Representatives] Standing Committee on Infrastructure and Communications' report presented in August 2011, entitled *Broadening the Debate: Inquiry into the role and potential of the National Broadband Network*.⁷

Conduct of the Review

- 1.15 On 21 September 2011, a media release invited submissions to the committee's ongoing six-monthly review of the rollout of the NBN. The review was also advertised and submissions called for in the *Australian Financial Review* on 24 September 2011 and *The Australian* on 28 September 2011. The invitation to receive submissions closed on 20 October 2011.
- 1.16 The 38 submissions and 11 exhibits received in relation to the review are listed at Appendix A.
- 1.17 In addition, the committee held four public hearings on 20 September 2011, 13, 24 and 25 October 2011, each of which were publicised by media releases.
- 1.18 Witnesses who gave evidence at these public hearings are listed at Appendix B. Transcripts of the public hearings are available at www.aph.gov.au/jcnbn.

Report Outline

- 1.19 Chapter 2 provides an overview of the progress of the NBN rollout in comparison to the NBN Co's targets. The content, format and timeframe for receiving the Shareholder Ministers' first NBN rollout Performance Report to the committee, as well as the type of information that could be provided by Shareholder Ministers in their future reports is also discussed.
- 1.20 Chapter 3 outlines the main issues associated with: the NBN Co's agreements with Telstra and Optus, development of the NBN Co's SAU and WBA, Universal Service Obligations, affordability, private equity engagement in funding the NBN, pricing for RSPs and competition issues raised by small RSPs.

7 Hon Julia Gillard MP, Prime Minister, to Senator Nick Xenophon, Senator for South Australia, 23 November 2010.

- 1.21 Chapter 4 continues discussion on issues raised in the First Report on the benefits and challenges of gaining access to the NBN in regional and remote areas, and Government readiness for receiving the NBN. In addition, social, economic and geographic factors impacting on access to the NBN is discussed.