

# Labor Senators' Dissenting Report

1.1 The intent of the National Broadband Network Companies Amendment (Tasmania) Bill 2014 is to legislate for the fulfilment of the promise Tasmanians believed was made to them prior to the 2013 election. Nothing in the Chair's Report addresses this fundamental issue.

1.2 Australians generally may already be immune to the ongoing saga of the Coalition's broken promises. Not least of these was the promise made by the Minister for Communications and the Prime Minister in April 2013 that all premises would have access to download speeds of 25 Mbps by 2016<sup>1</sup>.

1.3 So confident was the Prime Minister in this promise that on the night of the election in his "letter to the people of Australia" he wrote:

We will deliver a new business plan for the NBN so that we can deliver faster broadband sooner and at less cost. I want our NBN rolled out within three years and Malcolm Turnbull is the right person to make this happen.<sup>2</sup>

1.4 The promise that all premises would have access to download speeds of 25 Mbps by 2016 was unashamedly broken by Minister Turnbull only three months after the election.<sup>3</sup>

1.5 The specifics of the promise made to Tasmanians were outlined in Senator Urquhart's second reading speech. Key issues raised in the second reading speech are as follows.

1.6 The statement by TasICT Executive Officer Dean Winter on 27 May 2013 saying he was confident that the that the rollout would occur as planned because Mr Turnbull had written to assure him that the Coalition intended to honour existing fibre to the premises (FTTP) contracts.<sup>4</sup>

1.7 The issue came to the fore again on 15 August 2013 when the now Prime Minister released the 'Economic Growth Plan for Tasmania' that announced that the Coalition would only honour contracts "underway." Mr Turnbull, aided by Senator Bushby, again reassured Tasmanians that the NBN would be completed under the original contract to roll out FTTP across Tasmania.<sup>5</sup>

---

1 Hon Malcolm Turnbull MP, *Launch of the Coalition Broadband Policy*, 9 April 2013, <http://www.malcolmturnbull.com.au/media/launch-of-the-coalition-broadband-policy>

2 Hon Tony Abbott MP, 'Tony Abbott's letter to the people of Australia', published in News Corp newspapers, and online at 9:11PM on 7 September 2013, <http://www.news.com.au/national/tony-abbott8217s-letter-to-the-people-of-australia/story-fnho52ip-1226714464454>

3 Hon Malcolm Turnbull MP, *Strategic Review of the National Broadband Network*, 12 December 2013, <http://www.malcolmturnbull.com.au/media/strategic-review-of-the-national-broadband-network>

4 Senator Anne Urquhart, *Senate Hansard*, 5 March 2014, p. 906.

5 Senator Anne Urquhart, *Senate Hansard*, 5 March 2014, p. 906.

1.8 The farce continued into March 2014 following statements by NBN Co Executive Chairman Ziggy Switkowski that the contracts had been amended to deploy the so-called multi-technology mix (MTM). Mr Turnbull met the renewed political storm by offering then Tasmanian Liberal Opposition Leader Will Hodgman the promise of a new aerial deployment trial with the hope this could see the original all fibre vision fulfilled.<sup>6</sup>

1.9 Tasmanians have expressed their frustration by disengaging from the policy, as reflected in the low levels of submissions to the inquiry. This does not represent a lack of community concern, but it does reflect the concerns as expressed by TasICT in its submission that the NBN issue has become overly politicised:

While TASICT remains supportive of the full FTTP NBN rollout to around 190,000 premises originally earmarked for the technology, but only once the current rollout issues are resolved. The Bill in question appears to be politically motivated and will not provide any solution to the ongoing issues being felt in Tasmania.<sup>7</sup>

The NBN project has been used as a political tool by all major political parties at a state and federal level. It has been frustrating to see the real issues skimmed over or ignored, as evidenced by the Bill being assessed by this Senate Committee.<sup>8</sup>

1.10 These comments by TasICT reflect all that is wrong with modern politics, where an Opposition will say virtually anything to get elected, and the repudiate it once elected.

1.11 The Bill is unashamedly politically motivated, it is motivated by the desire to have Minister Turnbull fulfil the commitments he made to the people of Tasmania.

### **The Stalled Roll-out**

1.12 TasICT also noted in its submission the fact that the NBN roll-out in Tasmania was stalled before the election. TasICT's claim that the rollout issues in Tasmania were "never dealt with by the Government of the day"<sup>9</sup> are incorrect; to a degree they were caused by the Government.

1.13 As TasICT notes a major contribution to this was the suspension of remediation activity by Telstra as they revised and improved their management of the handling of potential asbestos related material. The Labor Party was not prepared to put the safety of Australian workers and households at risk merely for the sake of achieving roll-out metrics.

---

6 Senator Anne Urquhart, *Senate Hansard*, 5 March 2014, p. 907.

7 TASICT, *Submission 1*, p. 2.

8 TASICT, *Submission 1*, p. 3.

9 TASICT, *Submission 1*, p. 1.

1.14 The fact that the workflow to Visionstream was no longer consistent meant that Visionstream and its sub-contractors had not reached a standard roll-out schedule that was sufficient to achieve the economies expected from roll-out experience at the point envisioned in contracts.

1.15 All these issues would have been able to be dealt with by NBN Co immediately following the election, as Telstra remediation work recommenced. Instead, the turmoil created at NBN Co by management changes and the conduct of a Strategic Review to “prove in” the Coalition Policy meant that recommencing the roll-out in Tasmania did not receive the priority it required.

### **Tasmanian Roll-out since the Federal Election and the Aerial Trial Sham**

1.16 In February 2014, Minister Turnbull said “work on the NBN rollout in Tasmania is back on track.”<sup>10</sup>

1.17 However, since the Federal Election, the Coalition Government has overseen a dramatic slow-down in the rollout with only 5,500 premises passed in six months, no design contract instructions issued and only 3 build contract instructions issued;<sup>11</sup> potential connection delays for consumers of 140 days;<sup>12</sup> and legal action being brought against NBN Co's principal delivery partner, and potentially NBN Co, from its contractors.<sup>13</sup>

1.18 The decision to abandon FTTP NBN in Tasmania not only impacts consumers but the contractors who had scaled up their business on the basis of the supposed bipartisan commitment to the full rollout.<sup>14</sup> Labor Senators are deeply concerned that Minister Turnbull's broken promise has negatively impacted on Tasmanian small business owners.

---

10 Hon Malcolm Turnbull MP, *Statement on the Tasmanian Rollout*, 4 February 2014, <http://www.malcolmtturnbull.com.au/media/statement-on-the-tasmanian-rollout>

11 NBN Select Committee, *Committee Hansard*, 10 July 2014, pp 29,30.

12 NBN Select Committee, *Committee Hansard*, 10 July 2014, p 36.

13 Bruce Mounster, *The Hobart Mercury*, *NBN private contractors plan to sue Federal Government*, 4 April 2014, <http://www.themercury.com.au/news/tasmania/nbn-private-contractors-plan-to-sue-federal-government/story-fnj4f7k1-1226873966576>

14 Anne Mather, *The Hobart Mercury*, *Tassie contractors hold Hobart rally to tell of their NBN nightmare*, 26 February 2014, <http://www.themercury.com.au/news/tasmania/tassie-contractors-hold-hobart-rally-to-tell-of-their-nbn-nightmare/story-fnj4f7k1-1226838283673>, Anne Mather, *The Hobart Mercury*, *Labor backs angry NBN contractors*, 8 March 2014, <http://www.themercury.com.au/news/tasmania/labor-backs-angry-nbn-contractors/story-fnj4f7k1-1226848674691>,

Nick Clark and Matt Smith, *The Hobart Mercury*, *NBN firms angry over lost millions from changes to rollout plans*, 19 February 2014, <http://www.themercury.com.au/news/tasmania/nbn-firms-angry-over-lost-millions-from-changes-to-rollout-plans/story-fnj4f7k1-1226830977548>

1.19 The Turnbull/Hodgman aerial NBN FTTP trial is a short term cost savings measure and is unlikely to lead to a full FTTP rollout across the state. NBN Co officials confirmed at the May 2014 Senate Estimates that the trial is "business as usual" and not a significant factor in the NBN rollout in Tasmania.<sup>15</sup> On the contrary, the State Liberal Government has continued to pretend in public statements that the Tasmanian FTTP rollout will be completed.<sup>16</sup>

### **The Significance of the Access Technology**

1.20 The submission from TASICT identifies the importance to the Tasmanian economy of broadband, saying:

TASICT has historically been very supportive of the National Broadband Network (NBN) rollout in Tasmania. It supported the original NBN plan and believed wholeheartedly in its ability to reduce Tasmania's primary historical economic disadvantage: its remote location.

By upgrading Tasmania's existing communications infrastructure, the NBN can change the way Tasmanians interact with each other, mainland Australia and the rest of the world. For the few already using the technology, it is fundamentally changing the way they do business.<sup>17</sup>

1.21 While TASICT has expressed a degree of resignation about broadband and would like to see anything happen rather than the best thing happen, real users like Advanced Computer Fix show the real significance of the technology choice. The submission noted:

Fibre is faster than copper, today and will meet the infrastructure requirements of Australia for the next century. The likelihood is copper will need to be replaced in the next ten years with fibre as the demand for internet services increases.

Not everyone requires fibre today. Most people are quite satisfied with the speed of their internet currently. Not everyone has to update their computer, or wants to share files or use tele-health and education. But just because not everyone wants to use these services shouldn't mean everyone should have no access to these services.<sup>18</sup>

1.22 These comments have recently been echoed in the UK which is well advanced in implementing the "Fibre to the Node" elements of the MTM<sup>19</sup>. The Federation of

---

15 Mr Greg Adcock, NBN Co, Budget Estimates 2014–15, *Committee Hansard*, 29 May 2014, p. 125.

16 Hon Will Hodgman MP & Hon Michael Ferguson MP, *Welcome Progress Delivering the NBN*, 23 May 2014, [http://www.premier.tas.gov.au/releases/welcome\\_progress\\_delivering\\_the\\_nbn](http://www.premier.tas.gov.au/releases/welcome_progress_delivering_the_nbn)

17 TASICT, *Submission 1*, p. 1.

18 Advanced Computer Fix, *Submission 4*, p. 3.

19 Note, as there is no HFC network in Tasmania there will only be Fibre to the node or basement and any fibre to the premises that is built.

---

Small Businesses says that the UK's broadband target is simply not ambitious enough, and it is calling on the government to commit to delivering a minimum of 10Mbps (megabits per second) for all homes and businesses by 2018/19, and 100Mbps by 2030.<sup>20</sup>

### **Costs to Complete a FTTP NBN and User Prices**

1.23 The Chair's Report asserts that the completion of a FTTP network would cost \$29 billion more than the optimised technology mix and that prices would need to rise.

1.24 As has been detailed in the First Interim Report of the Senate Select Committee on the National Broadband Network these claims are simply false.

1.25 The Strategic Review modelled two all fibre scenarios under the pejorative labels "Revised Outlook" and "Radically Redesigned." As was outlined in the First Interim Report a number of technical design changes, entirely consistent with the Statement of Expectations then applied to NBN Co, had been identified by the previous management of NBN Co. These were, however, excluded from the Revised Outlook and only included in the Radically Redesigned Scenario.<sup>21</sup>

1.26 The Radically Redesigned Scenario was a more accurate representation of the cost of the NBN under an all fibre model, and that reduces the peak funding for an all fibre model by \$10 billion.<sup>22</sup>

1.27 The First Interim Report also noted that the Strategic Review assumed away most of the revenue differential accruing by the availability of higher speed services over fibre. Correcting for that reduces the cost differential substantially.<sup>23</sup>

1.28 Further, the difference in the two costs stated does not include the cost of a future upgrade to FTTP despite the Strategic Review acknowledging that the MTM will need to be upgraded.<sup>24</sup>

1.29 More strikingly, the Chair's Report repeats the fantasy that prices would need to rise under the fibre model to recover costs, but it does so only after having already assumed lower prices than already included in the Corporate Plan.

1.30 The most egregious piece of misrepresentation occurs in NBN Co's submission to the Committee. The NBN Co submission states:

---

20 Jane Wakefield, BBC, *UK broadband not fit for purpose, says business group*, 14 July 2014, <http://www.bbc.com/news/technology-28232142>

21 NBN Select Committee, *First Interim Report*, March 2014, p 34.

22 NBN Co, *Strategic Review*, Exhibit p 4-6, p. 102.

23 NBN Select Committee, *First Interim Report*, March 2014, p 58.

24 NBN Select Committee, *First Interim Report*, March 2014, p viii.

It is also important to remember that a significant proportion of end-users choose lower speed tiers such as those based on NBN Co's layer 2 12/1 or 25/5 Mbps services.<sup>25</sup>

1.31 In fact, about 75% of customers are on these two speeds.<sup>26</sup> But later in the submission NBN Co, in reporting the hypothetical price increases referred to above, states:

The retail price of internet access would have to increase by up to 80 percent – a price rise of \$43/month for a **typical household** on a 50 Mbps plan.<sup>27</sup> (Emphasis added)

1.32 This is the standard of political “debate” the Abbott Coalition Government and Minister Turnbull has reduced the country to – to argue that few users want a service faster than 25/5, but to quote (inflated hypothetical) price increases for a 50 Mbps service and call it “typical.”

### **Departmental Concerns with the Bill**

1.33 The Labor Senators concur with the Department view that legislating the technology requirements for a specific geography is not an ideal way of progressing. However, it is the only means available to the Parliament to make the Minister fulfil the promise he made to the people of Tasmania.

1.34 Much of the rest of the Department's concerns are spurious at best. To suggest that the Parliament exercising its right as the representatives of the true shareholders of NBN Co are somehow conflicting with the Corporations Act or the directives provided by NBN Co by shareholding Ministers is simply to confuse the roles and responsibilities of the relevant parties.

1.35 It is also inconsistent to claim that legislating for the prioritisation of Tasmania is now disadvantaging the rest of Australia is inconsistent with the fact that this was the position as announced in March 2012 when the initial three year rollout plan was released.

1.36 If there is an implication for the cost of the rollout for the rest of Australia that is an issue the Minister needs to deal with. It was the Minister who was at pains to convince Tasmanians that they were not part of the plans to change the technology mix for the NBN.

---

25 NBN Co, *Submission 3*, p. 1.

26 NBN Co, *Half Yearly Results Presentation*, “Incremental Fibre Connect Orders by Speed Tier” 21 February 2014.

27 NBN Co, *Submission 3*, p. 2.

## **Conclusion**

1.37 The Chair's Report has resorted to a continuation of the distortion of facts that was presented in the NBN Co Strategic Review.

1.38 Nothing in the submissions by NBN Co or the Department of Communications provides a reason why Minister Turnbull's commitment to the people of Tasmania to rollout the FTTP NBN as contracted cannot be fulfilled.

## **Recommendation 1**

**Labor Senators recommend that the National Broadband Network Companies Amendment (Tasmania) Bill 2014 be passed.**

**Senator Anne Urquhart  
Senator for Tasmania  
Deputy Chair**

