

Introduction

Background

- 1.1 The Shareholder Minister's Second Report on the rollout of the National Broadband Network (NBN) details performance information relating to progress of the NBN rollout for the period ended on 31 December 2011.
- 1.2 Since receiving the previous performance report, construction of the NBN is entering into its next phase and progressing to rollout in second release sites across Australia.
- 1.3 In addition, the Regional Backbone Blackspots Program which has established new transmission links to regional centres was completed in December 2011.
- 1.4 Regulatory matters have progressed, with the Australian Competition and Consumer Commission (ACCC) approval of Telstra's¹ Structural Separation Undertaking (SSU) and draft (customer) migration plan. This process has enabled the Binding Definitive Agreement between the NBN Co and Telstra (the Telstra Agreement) to come into force. In turn, the Telstra Agreement will allow for existing Telstra telecommunications infrastructure to be used for the NBN rollout and Telstra customers to be migrated to the NBN.
- 1.5 The Binding Definitive Agreement between the NBN Co and Singtel Optus (the Optus Agreement), has also received ACCC approval. The Optus Agreement, similarly to the Telstra Agreement will enable

1 Telstra Corporation

decommissioning of the Optus Hybrid Fibre Coaxial (HFC) network and migration of its customers to the NBN.

- 1.6 While the ACCC's consideration of the NBN Co's Special Access Undertaking (SAU) is yet to be completed, 40 Retail Service Providers (RSPs) have signed a 12-month Wholesale Broadband Agreement (WBA) with the NBN Co and around 26 of these RSPs are offering internet services through the NBN.²
- 1.7 Matters such as the timeframe for receiving the NBN, and requests for the extension of the fibre footprint were raised during the previous review period. These issues and associated community consultation, as well as the adequacy of NBN rollout reporting remain topical for the Third Review.

Committee's Role

- 1.8 Pursuant to its Resolution of Appointment (RoA) and in accordance with its terms of reference, the committee is required to report to the Parliament and the NBN Shareholder Ministers³ every six months 'until the NBN is complete and operational'.
- 1.9 The committee is primarily enabled to examine and report on matters relating to the NBN Co's objective to connect Australian premises to the NBN which includes:
- The achievement of take-up targets as outlined in the NBN Co Corporate Plan.
 - NBN Rollout performance and matters relating to the NBN Co such as consumer engagement, complaint handling, risk management.
 - 'Any other matter pertaining to the NBN rollout that the committee considers relevant.'
- 1.10 As part of the review process, the committee has previously commented on the type of performance information it would like to receive NBN rollout data on. This includes key performance indicators that it considers would provide an accurate 'snap shot' of NBN rollout progress.
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2 This figure is correct as of 16 April 2012. Mr Mike Quigley, Chief Executive Officer, NBN Co, Transcript of Evidence, Sydney, 16 April 2012, p. 45.

3 The 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.

- 1.11 The performance information provided in the Shareholder Ministers' report forms the basis for the committee's six-monthly review of the NBN rollout. This information is further examined and supplemented by submissions, published reports, hearings and questions placed on notice which are part of the usual parliamentary committee inquiry process.
- 1.12 The Shareholder Ministers' performance report provides an overview of the NBN Co's progress in managing the NBN rollout and covers the six month period from 1 July to 31 December 2011, as well as an update on matters progressed until 31 March 2012. As a result, the committee is able to follow and report on matters that have been progressed and also on issues that are current and may be deemed to require future action.
- 1.13 To date, the committee has reviewed and reported on a number of significant and ongoing issues associated with the rollout of the NBN. These issues include:
- NBN rollout across the three technologies of fibre, wireless and satellite
 - issues raised and faced by regional and remote areas
 - regulatory issues associated with establishment of the NBN
 - e-readiness of communities, governments and individuals and associated consultation by the NBN Co.

Reporting Timetable

- 1.14 The committee's First Report⁴ was presented to the Parliament to meet its 31 August 2011 reporting date and included discussion about the role of the committee, the conduct of future reviews and an overview of the NBN rollout program. The committee again reported to the Parliament on 24 November 2011 through its Second Report. The Second Report included additional comment on issues raised in the First Report as well as introducing a number of new areas of review.
- 1.15 By presenting its Second Report before the end of the first reporting period, the committee adjusted its reporting timetable from the six month period starting in August and ending in February (as provided for in its RoA) to the period which commences in June and ends in December.

4 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.

- 1.16 The change in reporting timetable was supported by the Shareholder Ministers who agreed to provide a six-monthly report to the NBN rollout review process no later than three months before the expected reporting date.
- 1.17 After initial delay, the committee received the Shareholder Minister's first six-monthly performance report on 23 September 2011. The performance report included information relevant to the progress of the NBN rollout for the six-month period ended on 30 June 2011. The Shareholder Minister's second report, received on 9 April 2012 provides similar information on the progress of the NBN rollout and covers the six-month period ended on 31 December 2011.
- 1.18 During the Third Review period, the Government also formally responded to the committee's First and Second Reports.

About the Review

Objectives and Scope

- 1.19 As part of its Third Review of the six-monthly rollout of the NBN, the committee examined and provided comment on the:
- NBN rollout, through the fibre, wireless and satellite networks
 - Shareholder Ministers' six monthly performance report
 - ongoing regulatory and pricing matters
 - e-readiness of small and medium-sized enterprises (SMEs).
- 1.20 Through a working-group approach, the committee has also continued its examination of the following:
- The potential of private equity to fund the NBN; and
 - Telstra workforce issues associated with the Retraining Funding Deed under the Telstra Agreement.
- 1.21 In addition to these matters, the committee has continued to examine issues raised during the First and Second Reviews and broader issues arising from the NBN rollout. These issues include the regulatory framework underpinning the NBN rollout, and the NBN rollout schedule in regard to community expectations and consultation.

Conduct

- 1.22 The review was announced and submissions called for through the issue of media releases on 29 February and 5 March 2012 and an advertisement in *The Australian* on 7 March 2012. Submissions were requested to be received by 5 April 2012.
- 1.23 Appendix A lists the 22 submissions and two exhibits received as part of the committee's Third Review.
- 1.24 The committee subsequently held two public hearings on 16 and 30 April 2012 in Sydney and Willunga⁵, respectively. The committee also conducted an inspection in Willunga on 30 April 2012.
- 1.25 Witnesses who gave evidence at public hearings are listed at Appendix B. Transcripts of the public hearings are available at www.aph.gov.au/jcnbn.

Inspection

- 1.26 On 30 April 2012, as part of its Third Review the committee conducted an inspection of various NBN rollout sites in the first release location of Willunga. The NBN infrastructure seen at the Willunga inspection expanded on similar information received and infrastructure visited at the Broken Hill and Melbourne inspections in relation to the committee's Second Review.
- 1.27 As part of the inspection, the committee: viewed NBN street infrastructure which forms part of the NBN fibre network. In addition, the committee inspected the types of products and applications an NBN connection can provide for research and learning by visiting the Community Library and Willunga High School. The committee also visited a local business which is connected to the NBN, viewed the premise connecting devices and discussed the business' experience of the NBN.
- 1.28 The inspection is discussed in more detail in Chapter 5.

Report Outline

- 1.29 Chapter 2 examines the NBN rollout performance information and associated issues. This includes discussion about the revision of targets and key performance indicators contained in the NBN Co Corporate Plan,

5 Willunga is located 46 kilometres south of Adelaide (South Australia) with a population of approximately 2300.

in the context of the changed regulatory environment and the release of the 3-year NBN rollout schedule.

- 1.30 Chapter 3 contains an overview of the regulatory and pricing issues associated with the rollout of the NBN. Matters discussed include: the coming into force of the Telstra and Optus Agreements, the ACCC review of the NBN Co SAU and developments relating to the WBA. This chapter also includes discussion about improving the e-readiness of SMEs.
- 1.31 Chapter 4 outlines the issues associated with the construction contracts awarded by the NBN Co for First Release sites. More broadly, network security considerations in awarding contracts and the possible impact on the NBN rollout is also discussed.
- 1.32 Chapter 5 builds on the findings from the First and Second Reports in regard to the advantages and challenges presented by the NBN rollout in regional and remote areas of Australia.
- 1.33 Chapter 6 examines issues associated with private equity engagement in funding the NBN. It also considers Telstra workforce issues associated with the Retraining Funding Deed under the Telstra Agreement.