

## Introduction

### Background

- 1.1 The Shareholder Minister's<sup>1</sup> Fourth Performance Report (the Performance Report) on the rollout of the National Broadband Network (NBN) details performance information relating to progress of the NBN rollout for the six month period from 1 July to 31 December 2012.<sup>2</sup> Issues arising from recent NBN rollout events which cover the four-month period after the Performance Report are also included in this review report.
- 1.2 While the Performance Report was received by the committee on 28 March 2013, the statistical NBN rollout data contained in the Performance Report was earlier publicly released by the NBN Co Limited (NBN Co) on 29 January 2013.<sup>3</sup> This data revised down the combined target for satellite and fixed wireless, which represents a further revision of targets since the release of NBN Co's 2012-2015 Corporate Plan. In addition, at its 19 April 2013 public hearing, the committee received an update on the NBN rollout financial and rollout data already provided in the Performance Report.<sup>4</sup>
- 1.3 On 21 March 2013, the NBN Co announced an approximate three-month delay in the NBN rollout (fibre network) which meant that the newly

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1 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.

2 Shareholder Ministers, 'Performance Report to 31 December 2012', *Submission 3*, covering letter.

3 NBN Co, 2013, 34 500 Australian homes and businesses now using the NBN, media release, 29 January.

4 NBN Co, *Submission 13*.

revised NBN rollout targets for its fibre network were unlikely to be met and so were subsequently revised down to reflect the time delay. For its volume fibre rollout the NBN Co stated that its 'public projections have been underpinned by commitments from ... four construction contractors that they would meet the June 30 target.'<sup>5</sup> The NBN Co has stated that it has 'taken immediate action' to remedy the issues causing the delay.<sup>6</sup>

- 1.4 In regard to regulatory matters, the NBN Co Special Access Undertaking (SAU) was withdrawn and replaced with a new version. The new SAU was lodged with the Australian Competition and Consumer Commission (ACCC) for consideration in December 2012. In early April 2013, the ACCC issued a draft decision 'proposing a number of changes, and consulting on the precise form of those changes' to the NBN Co SAU.<sup>7</sup> The statutory deadline by which the ACCC is required to make a final decision on the SAU is currently 19 July 2013.<sup>8</sup>

## Committee's Role

- 1.5 Pursuant to its Resolution of Appointment and in accordance with its terms of reference, the committee is required to report to the Parliament and the NBN Shareholder Ministers every six months 'until the NBN is complete and operational'.
- 1.6 The committee is primarily enabled to examine and report on matters relating to the NBN Co objective to connect Australian premises to the NBN which includes:
- the achievement of take-up targets as outlined in the NBN Co Corporate Plan
  - Progress of the NBN rollout and performance matters relating to the NBN Co such as consumer engagement, complaint handling, risk management and
  - 'any other matter pertaining to the NBN rollout that the committee considers relevant.'

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5 NBN Co, 2013, NBN Co updates short-term fibre rollout timeline, media release, 21 March, p. 1.

6 NBN Co, 2013, NBN Co updates short-term fibre rollout timeline, media release, 21 March, p. 1.

7 ACCC, 2013, ACCC Issues Draft Decision on NBN Co Special Access Undertaking, media release, 4 April, p. 1.

8 ACCC, *Submission 5*, p. 1.

- 1.7 To date, the committee has reviewed and reported on a number of significant and ongoing issues associated with the NBN rollout which include:
- progress of the NBN rollout across the three technologies of fibre, fixed wireless and satellite
  - issues raised and faced by regional and remote areas, including extension of the fibre and fixed wireless networks and the scope of mobile telephony
  - regulatory issues and events associated with establishment of the NBN
  - affordability and pricing issues for consumers
  - E-readiness of small business, communities, governments and individuals, and associated consultation by the NBN Co
  - connecting multi-dwelling units to the NBN
  - medical alarms
  - funding arrangements directly and indirectly associated with the NBN
  - Workforce issues associated with the NBN rollout including the Telstra Retraining Funding Deed under the Binding Definitive Agreement between the NBN Co and Telstra Corporation.
- 1.8 The committee has in its First, Second, Third and Fourth reports commented on:
- specific key performance indicators (KPIs) to be included in future Shareholder Minister's reports, and
  - the delay in receiving answers to questions placed on notice with the NBN Co and the Department of Broadband, Communications and the Digital Economy (DBCDE).
- 1.9 The committee has continued its commentary on a number of these matters in this report.

## Reporting Timeframe

- 1.10 Following the committee's establishment in March 2011, its first report was presented to the Parliament in August 2011 and a second report was presented in November 2011. This enabled the committee, with agreement from the Shareholder Ministers, to alter its reporting timeframe so that it

reported biannually in June and December. This alteration in reporting timeframe by practice did not prevent the committee from reporting later in line with its original reporting dates.

## **Previous Reviews**

- 1.11 In line with reporting requirements, the committee previously reported (Fourth Report) in February 2013 on the progress of the six monthly NBN rollout period from 1 July to 31 December 2011. This report, similarly to previous review reports, where relevant includes examination and comment on a number of issues and events which took place outside the six month timeframe reported on in the Performance Report.
- 1.12 This is the committee's sixth report on NBN related matters and the fifth and final NBN rollout review report for the 43<sup>rd</sup> Parliament. The Fifth Report includes continuing examination and commentary on the progress of the NBN rollout and associated regulatory matters, initially reported on in the First Report and continued through to the committee's Second, Third and Fourth reports.
- 1.13 Information contained in the Performance Report forms the basis of the committee's six-monthly review, and is supplemented with submissions, published reports, hearings and answers to questions placed on notice which are part of the formal parliamentary committee inquiry and review process.

## **About the Review**

### **Objectives and Scope**

- 1.14 As part of its Fifth Review, the committee examined and provided comment on:
- The NBN rollout through the fibre, satellite and fixed wireless networks and associated issues;
  - KPIs included in the Shareholder Ministers' six monthly performance report and Corporate Plan targets; and
  - ongoing regulatory issues

- 1.15 The committee has also continued its examination of:
- The potential of private equity to fund the NBN and
  - Workforce issues associated with the NBN rollout, including the Telstra Retraining Funding Deed under the Telstra Agreement.

## Conduct

- 1.16 A media release issued on 1 March 2013 announced the commencement of the Fifth Review and called for submissions to be received by 12 April 2013. A similar advertisement also appeared in *The Australian* on 20 March 2013.
- 1.17 A total of 20 submissions were received as part of the Fifth Review and are listed at Appendix A.
- 1.18 The committee subsequently held a public hearing in Sydney on 19 April 2013. Witnesses who gave evidence at this public hearing are listed at Appendix B. A transcript of the public hearing is available at [www.aph.gov.au/jcnbn](http://www.aph.gov.au/jcnbn).

## Information Provided to the Committee

### Timing of Shareholder Ministers' Performance Report

- 1.19 In its First Report (August 2011) the committee recommended that it receive the Performance Report no less than three months before it was due to report to the Parliament.
- 1.20 This recommendation was made as the First Report could not include current NBN rollout information, as the Performance Report was delayed until late September 2011, which was a month after the committee's required reporting date.
- 1.21 The committee's Second Review (December 2011) then reported on NBN rollout information provided in the first Shareholder Minister's Performance Report.
- 1.22 The Shareholder Ministers' Second Performance Report was received on 10 April 2012, which was six days before the scheduled public hearing with the NBN Co and the DBCDE on 16 April 2012.

- 1.23 In its Fourth Report (February 2013), the committee again recommended a timeframe for receiving the Performance Report, but reduced the timeframe from three months to one month prior to a scheduled hearing with the NBN Co and the DBCDE.
- 1.24 In regard to its Fifth Review, the Shareholder Ministers' Performance Report was received at the end of March 2013, which provided the committee three weeks to review the information contained in it. As the statistical information contained in the report had earlier been publicly released on 29 January 2013, the committee had previously been aware of this information.

### **Answers to Questions on Notice**

- 1.25 For the committee's previous reviews, the timeframes for receiving answers to questions on notice from the DBCDE were extended as a courtesy and to enable the committee's report to be drafted.
- 1.26 Following extensions, on most occasions answers to questions on notice were received either late in the report drafting process or after the draft report had been completed. The committee has previously commented on the importance placed on information provided by the DBCDE and NBN Co in assisting the committee to undertake its reporting role to the Parliament.
- 1.27 Following the committee's hearing on 19 April, it placed a large number of questions on notice to the DBCDE and the NBN Co. In response to the volume of questions received, the DBCDE advised that it would 'endeavour to meet the committee's timeframe for lodging responses', but that 'due to a large number of complex questions, and a range of competing priorities in the lead-up to the 2013-14 Budget it is unlikely the department and NBN Co will have finalised all the responses by the 3 May and 13 May 2013 deadlines.'<sup>9</sup>
- 1.28 The DBCDE also stated:

We acknowledge that a number of the responses relate to questions around NBN Co's financial information, corporate plan and contractual arrangements and come at a time when NBN Co is finalising a number of other priorities and reports, including the preparation of responses to 81 questions on notice from the Additional Estimates hearings held in February 2013 and finalising the 2013-2016 Corporate Plan.

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9 Correspondence from the DBCDE dated 1 May 2013, p. 1.

To assist the committee in preparing its fifth report on the Review of the NBN Rollout, NBN Co and the department will prioritise the questions that are relevant to the performance of the NBN in the current review period.<sup>10</sup>

- 1.29 The committee has in all its previous review reports commented on the lateness of answers to questions placed on notice by members, in addition to the limited information contained within responses.

## Report Outline

- 1.30 Chapter 2 examines the Shareholder Ministers' latest six monthly NBN rollout performance report and associated issues. This includes discussion about: KPIs and NBN rollout targets contained in the NBN Co Corporate Plan; and the NBN Co financial result for the period. The status of outstanding regulatory matters in reference to the NBN Co SAU and Wholesale Broadband Agreement is outlined. Additional NBN rollout issues include discussion about costing alternative network models and connecting multi-dwelling units to the NBN.
- 1.31 Chapter 3 continues the examination of the NBN rollout of fibre, fixed wireless and satellite to regional and remote Australia. Network extensions and improving mobile networks are also discussed.
- 1.32 Chapter 4 continues the committee's ongoing examination of private equity funding of the NBN and workforce issues associated with the NBN rollout, including the Telstra Retraining Funding Deed.

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<sup>10</sup> Correspondence from the DBCDE dated 1 May 2013, p. 1-2.