Joint Committee on the National Broadband Network

Answers to Questions on Notice

Public Hearing 13 October 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 1

Hansard Ref: In writing

Topic: NBN Rollout Schedule

The Committee asked:

a) Is the NBN Rollout on schedule, if not, what is the extent of the delay in regard to:
   - Schedule
   - Cost

b) What are the causes of the delay in the NBN Rollout?

c) What is NBN Co doing to recover any lost time in the NBN Rollout?

d) Will costs associated with schedule blow-outs be able to be recovered, if so, over what period of time and how?

Answer:

a) - d)

At the time of writing the NBN Co Corporate Plan, there were a number of ongoing issues which—due to their complexity—had implications that could not fully be anticipated. These included issues such as Greenfields and the Points of Interconnect (POI) decision. As required by NBN Co shareholders, the Corporate Plan is being updated regularly and will take into account information acquired by NBN Co as it rolls out the network.

Other factors that contributed to delays include:

- the complex negotiations around the Telstra and Optus deals; and
- the suspension of the construction tender process.

These matters will be reflected by NBN Co in the next update of its Corporate Plan for provision to shareholder Ministers.

Joint Committee on the National Broadband Network

Answers to Questions on Notice

Public Hearing 13 October 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 2

Hansard Ref: In writing

Topic: Additional NBN Rollout Site Requests from Local Councils

The Committee asked:

a) How many additional requests for inclusions within the NBN footprint have been received from Local Councils?

b) Are the Local Councils making these requests suburban or regional?

c) How will NBN Co determine which areas are priorities for receiving fibre?

Answer:

a) As at early September, 284 Local Governments had engaged with NBN Co either as an individual council or as part of a collective (such as their local Region of Councils body or their relevant Regional Development Australia organisation).

b) NBN Co is receiving requests from both suburban and regional councils; however, they are primarily regional.

c) The NBN rollout schedule is based on a complex mix of factors including government requirements (e.g. regional focus), the availability of Telstra infrastructure, the path of the transit network, and the construction capability (e.g. workforce) in any given area.

Joint Committee on the National Broadband Network

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Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 3

Hansard Ref: In writing

Topic: Reporting on the NBN Rollout

The Committee asked:

a) Can you provide an overview of the process being undertaken to develop the current NBN rollout systems (i.e. project management systems) and reporting processes?
b) Under the Government's Statement of Expectations, the NBN Co is required to report to the Shareholder Ministers on determined KPIs and also report to the committee on these matters.
    i. How different is the information provided to the committee from that provided by NBN Co to the Shareholder Ministers?
    ii. Will the committee be provided with the opportunity to have input into determining which KPIs and measures on which it would like to receive information?
c) How were the KPI's included in the performance report determined?
d) Have these KPIs been benchmarked, if so, against what they been benchmarked?
e) Under the key financial results summarised in Figure 1 (p. 1), operating expenses for the period are $47 million over the expected estimate. An explanation for the overspend is provided.
    i. Can you provide more detail about the factors which contributed to the operating expenses, in particular:
        – $8 million in unbudgeted costs associated with the Telstra and Optus transactions and time taken for signing of the Telstra deal
        – Timeliness selection and evaluation of the Long Term Satellite solution
        – Limited investment in the rollout
f) As investment in the rollout has been limited, what was the estimated level of investment in the rollout and how much is it under invested at this point in time?
    i. What implications does this have for the overall rollout (a) timeframe and (b) associated cost?
    ii. Is NBN Co on track to meet its NBN rollout targets for June 2012, if not, why not?
g) What have been the changes to the approach to Greenfields for managed services?
h) Can you explain in more detail those components of stand-up Capital Expenditure which have contributed to the overspend?
i) Headcount under the key financial results (p. 1) is reported as 906 for the period, which is approximately 15 per cent below the estimated target included in the corporate plan.
    i. Can you explain what the measure 'headcount' includes and how the lower result will impact on the NBN rollout?

Answer:

a) Early in 2010, NBN Co selected IBM, Oracle and Accenture (three leading technology organisations) to deliver and operate several critical IT infrastructure platforms necessary to efficiently manage a large, complex and significant engineering project as the NBN. These systems are the Operational Support Systems (OSS), Billing Support System (BSS) and Enterprise Resource Planning (ERP) system. Together they provide our workforce with the tools to manage projects, source equipment and services, track our assets, control our finances and manage our documentation for reporting purposes.

b) In response to this question, the report provided to the JCNBN is based on information provided by NBN Co to Shareholder Ministers. Information that is commercially sensitive, which if disclosed may prejudice the interests of NBN Co and the Commonwealth, is removed prior to providing the report to JCNBN.

The JCNBN can write to Shareholder Ministers with suggestions on measures it would like to receive information on. Any suggestions will be considered by Shareholder Ministers as to whether it is appropriate to be included.

c) NBN Co's performance reporting framework was developed with input from Greenhill Caliburn and covers those Key Performance Indicators (KPIs) required in the *Commonwealth Government Business Enterprise Governance and Oversight Guidelines (October 2011)* as well as a number of additional KPIs specific to NBN Co.

d) The KPIs outlined in the half yearly performance report are benchmarked against the Corporate Plan targets. The review of the NBN Co's Corporate Plan, undertaken by Greenhill Caliburn, considered the targets were reasonable.

e) There were a number of factors that contributed; for example:

- Changes in greenfields policy [see (g) below]
- Protection of shareholder value in NBN Co deals with existing infrastructure owners also entailed additional advisor costs in FY2011 opex, which are reasonable considering the benefits of such actions.
- Capex has been lower than expected in FY2011, primarily due to the delays in Telstra/Optus agreements and also due to the deferral of the execution of Long Term Satellite contracts, both timing impacts being reasonably incurred to protect project returns.

f) Refer to the government's quarterly report (Figure 1, page 1) supplied to the Committee. The implications are currently being worked through in the revised NBN Co Corporate Plan being submitted to the government later this year.

g) Please refer to Mr Quigley's answer to this in the Hansard from the 13 October 2011 JCNBN hearing.

h) Please note that there was an *underspend* in capital expenditure. Refer to the government's quarterly report (Figure 1, page 1).

i) The rollout is linked to having contracts in place. Recruitment was slowed down while contracts were put in place to ensure efficient spend of taxpayers' money.

Joint Committee on the National Broadband Network

Answers to Questions on Notice

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Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 4

Hansard Ref: In writing

Topic: Consultation

The Committee asked:

a) The NBN Performance Report states that NBN Co ‘engaged with’ local government and regional interest groups through Regional Development Australia, ‘presenting to a wide range of audiences in regional Australia’ (page 3).

   – Could details be given of the number of places involved, approximate numbers of attendees at each session and the subjects covered?

b) The NBN Performance Report also notes that ‘Community information sessions were held... at Triabunna, Sorrel and Kingston Beach’ in Tasmania (page 3).

   – Could details be given of the number sessions, approximate numbers of those who attended these sessions, and what issues were raised?

c) Is a national information campaign via television or radio planned to raise awareness of the NBN in the general community?

Answer:

a) NBN Co employees have visited or talked with representatives from hundreds of communities across Australia. This has included small meetings in Indigenous communities right through to large national conferences. NBN Co has also consulted with national peak bodies such as the National Farmers Federation, the Australian Local Government Association, and the Broadband Today Alliance. Discussions have covered all aspects of the rollout and what it can mean for communities.

b) Community information sessions in Tasmania:

   Triabunna: 14th May 2011
   Sorell: 15th May 2011
   Deloraine: 6th August 2011
   Kingston Beach: 2nd July 2011
   George Town: 24th September 2011
   South Hobart: 29th October 2011

   Attendance at these sessions varied, but ranged from approximately 200 to 350 people for most sessions. Discussion covered a range of issues relating to the timing and other aspects of the rollout and the capabilities of broadband more generally.

(c) A public education activity is planned to provide information to ensure, to the greatest practical extent, that Australians maintain the continuity of their telecommunication services during the move to the NBN.

The public education activity will:

- provide advance notice of service rollout;
- explain the actions people need to take to connect to the NBN; and
- encourage people to start the migration process onto the NBN before their old service is retired.

Joint Committee on the National Broadband Network

Answers to Questions on Notice

Public Hearing 13 October 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 5

Hansard Ref: In writing

Topic: Wholesale Broadband Agreement

The Committee asked:

The NBN Performance Report states that, on 19 May 2011, NBN Co began its second public consultation process on its Wholesale Broadband Agreement (WBA) (page 3).

a) Why has NBN Co undertaken this additional consultation process?
b) Could details be given of this consultation process?
c) With whom does it take place?
d) What has emerged from it?
e) For how long is it planned to continue?
f) How has the ACCC been involved in the process?

Answer:

a) NBN Co's May 2011 public consultation was a continuation of an ongoing consultation process commenced in October 2010 aimed at assisting the development of NBN Co's proposed terms and conditions of supply.

   NBN Co's dialogue with the industry was designed to provide its prospective customers with information on NBN Co's approach to developing its terms and conditions, to facilitate early engagement with its prospective customers and to gain important industry insights through customer feedback.

b) Thus far, the consultative approach has included:

   - October 2010: Industry consultation. A consultation paper was released explaining the key design parameters of the WBA which were intended to deliver efficient and effective contractual arrangements. These key design parameters were, and remain, non-discrimination and transparency, developed utilising extensive consultation. Developing terms and conditions that enable NBN Co's customers to acquire NBN Co's services efficiently and with a commercially reasonable allocation of risk and responsibility were also key design considerations.

   - April 2011: Public workshops held to assist interested parties to understand both NBN Co's approach to the drafting of the WBA and the regulatory framework underpinning the WBA. These workshops presented NBN Co with the opportunity to engage directly with the industry and obtain further feedback and were very well attended, with over 100 people attending at the venues. A webcast of one of the workshops was also used to ensure that customers headquartered elsewhere in Australia had an opportunity to attend "virtually" and ask questions.

- May 2011: Second discussion draft of the WBA released. Version 2 represented an update to the WBA modules released in October 2010, together with WBA modules not available at that time. Submissions were sought from the industry and 9 formal submissions, representing 12 organisations, were received during June 2011.

- June 2011: In addition to this formal written commentary by industry, a series of “Deep Dive” bilateral meetings were held with representatives from a broad cross section of customer organisations.

- July 2011: Third discussion draft of the WBA released which contained material revisions addressing customer feedback. Commentary was invited from industry and additional formal and informal feedback was received by NBN Co.

- Between 28 July and 5 September 2011: Further “Deep Dive” meetings were held with a range of prospective customers to discuss any further comments or concerns regarding the WBA. This process gave rise to constructive feedback which has been incorporated into further changes to the WBA.

- 29 September onwards: A fourth public version of the WBA has been published on NBN Co’s website together with an accompanying Information Paper. A series of meeting and further “Deep Dives” have been offered to prospective customers.

c) The consultation process was made available through NBN Co’s public website and is open to all interested parties to participate. Those who registered to receive general NBN Co mailing information also received notices for each stage of the consultation process.

The interest NBN Co has received in the process has primarily come from the traditional telecommunications sector encompassing Carriers and Carriage Service Providers. Formal submissions received by NBN Co have been published and are available on NBN Co’s website.

d) As mentioned previously, NBN Co has received formal submissions from 22 organisations, and in response to those submissions has completed in excess of 150 hours of face to face to discussions with those customers wishing to further discuss the content of their submissions. The output of this process has been the evolution of the terms of the WBA over 4 separate versions and the establishment of what NBN Co believes is the most balanced set of wholesale terms and conditions available in the Australian telecommunications market place today.

e) NBN Co will formally continue its consultation process in the lead up to publication of the WBA as its Standard Terms (a Standard Form of Access Agreement). NBN Co also anticipates that the discussion around the terms and conditions of supply will form part of the normal set of interactions NBN Co will have with its customers into the future.

f) NBN Co has been involved in extensive discussions with the ACCC on the development of the Special Access Undertaking (SAU), including the relationship between the SAU and any WBA. NBN Co has also provided regular briefings to the ACCC on the development of the WBA's terms. The ACCC has also been offered opportunities to participate in "Deep Dive" sessions (like those offered to NBN Co's prospective customers) and has been provided with the consultation drafts.

Joint Committee on the National Broadband Network

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Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 6

Hansard Ref: In writing

Topic: NBN Health and Education Applications

The Committee asked:

The first switch on event on mainland Australia in Armidale featured 'demonstrations of education, health and business applications' that will be enabled by the NBN (page 4).

a) Could details be given of what was involved in the various demonstrations: their content, length and community involvement?

b) What feedback has been received from the first Armidale customers connected to the network?

Answer:

a) NBN Co demonstrated high definition video conferencing between two school choirs in Tasmania and Armidale.

- Our Retail Service Provider and university partners (Telstra, Internode, iPrimus, iiNET, and the University of New England) demonstrated education activities (Google Art Project), multi-way business video conferencing, high speed broadband entertainment through T-Hub and Fetch TV, and remote medical training through the University of New England. They were responsible for the set up and conduct of these demonstrations.

b) Feedback has been positive.

Joint Committee on the National Broadband Network

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Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 7

Hansard Ref: In writing

Topic: Eligibility Criteria for Interim Satellite Service

The Committee asked:

On 26 May 2011, NBN Co released more detailed eligibility criteria for potential rural and remote users of its Interim Satellite Service (ISS). Where high demand exists, first priority will be given to those who have no access to alternate broadband services, subject to a service qualification process (page 6).

a) Can you provide details about the Interim Satellite Service?
b) What area does it cover?
c) How many potential users are there likely to be?
d) What will be involved in a 'service qualification process'?
e) Will users have to pay for this service?
f) If it is an Interim service, for how long is it planned to last?

Answer:

a) See the NBN Co website **www.nbnco.com.au**, in particular the December 2010 Product Overview, and 1 July 2011 retail service provider launch contract product descriptions.

b) The ISS covers 100% of the Australian land mass.

c) The NBN Co Corporate Plan forecasts 33,000 connected end users in the first two years of launch. There are approximately 250,000 eligible end users based on current eligibility criteria.

d) See NBN Co website **www.nbnco.com.au** for service qualification rules and process. Users access the NBN Co contact centre for a phone registration or online via a registration tool.

e) Pricing is set by retail providers. NBN Co wholesale pricing is documented on the NBN Co website **www.nbnco.com.au**, and is in line with uniform national wholesale pricing: $24 per Access Virtual Circuit (AVC), and $20/Mbps for the Connectivity Virtual Circuit (CVC).

f) The operational life will depend on the NBN launch schedule for the Long Term Satellite Solution (due 2015), subject to contract dates.

Joint Committee on the National Broadband Network

Answers to Questions on Notice

Public Hearing 13 October 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 8

Hansard Ref: In writing

Topic: Call centre and data centre

The Committee asked:

a) An outsourced contact call centre was launched on 19 April 2011 (page 7).
   - Has the existence of this call centre been advertised?
   - If so, where and how often?
   - How many calls have been received from the public?
   - Is it possible to establish the number of calls that have been received from regional and remote Australia seeking information about the NBN, particularly on its rollout?

b) The submission notes that 'security remediation' work at Sydney and Brisbane data centres continues (page 9).
   - What security work needed to be carried out at these premises

c) The performance report (page 4) states that the construction of Tasmania Stage Two is organised on a rolling schedule which makes the most efficient use of the workforce given the geographic spread of the locations.
   - Can you provide more information about how the rolling schedule works and how it is efficient?

Answer:

a) The 1800 number for the NBN Co Solutions Centre is widely displayed on the NBN Co website and business cards that field staff, contractors and management hand out to end-users. This number is also on all case studies, Community Information documents and all documentation that goes out to members of the public alerting them of any work in their area.

   Since commencing on 19April 2011, the call centre has received 11,348 calls from the public, of which 1474 were from regional and remote areas.

b) Following a review and recommendations by the Attorney General's Department, NBN Co engaged a Security Construction and Equipment Committee (SCEC) approved consultant to design and implement the recommendations to comply with the Protective Security Policy Framework. Works included Access Control, Surveillance, Alarms and wall construction.

c) A rolling schedule provides NBN Co and its principal contractor with flexibility in the ongoing management of its workforce across a number of geographically disperse work sites resulting in significant deployment efficiencies. It allows for a staggered approach to the construction process with workforce able to be moved from one site to another at the conclusion of their respective activities. If you were to look at a simplistic view of a current standard NBN construction site, currently you will see the following basic activities being undertaken in a staged fashion:

1. STEP 1 - civil construction crews undertaking pit and pipe installation activities supported by a traffic management workforce for an underground build or make-ready works being undertake on poles to prepare them for the installation of aerial fibre cable.
2. STEP 2 - cable haulers installing fibre in underground conduit or linesmen installing overhead cable to existing or new power poles, again supported by traffic management.
3. STEP 3 - Installation of Fibre Distribution Hubs (FDH) cabinets with cable splicing undertaken at this juncture.
4. STEP 4 - Restoration of footpaths, nature strips, crossovers etc. associated primarily with underground build.

Given the rolling schedule allows for a staggered approach to workforce utilisation it means that there is continuity of employment by the principal contractor of its subcontractor workforce as they conclude activities at one site and move to another. This will result in retention of a highly skilled staff working on the rollout of the NBN. It will also result in a highly skilled workforce base and a learning culture derived through their knowledge of the NBN infrastructure and its deployment requirements.

Joint Committee on the National Broadband Network

Answers to Questions on Notice

Public Hearing 13 October 2011

Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 9

Hansard Ref: In writing

Topic: Construction contracts

The Committee asked:

a) In an answer to a question taken on notice NBN Co has previously stated that the risk management arrangements under the contracts between NBN Co and Silcar are confidential. Can you provide a general overview of the types of items that such a contract would include?

b) How is NBN Co undertaking its tender evaluations? Is there an open process? How is value for money ensured through this process?

c) Can you provide more information about the process being undertaken for the awarding of Construction contracts for Victoria, Western Australia, South Australia and the Northern Territory?

Answer:

a) The contract includes provisions relating to term, scope of works, basis of fees and pricing methodology, timing of payments including any retentions, warranties, indemnities, intellectual property protections, liability limitations and framework, liquidated damages, OH&S provisions, guarantees, insurance provisions, and security requirements.

b) Tender evaluation is undertaken in accordance with NBN Co's standard processes. This includes ranking of responses from respondents on key aspects of the work such as quality of project management plans, OH&S plans, quality and safety plans and processes, contractor's experience, pricing analysis, and contract compliance.

   Value for money is ensured through competitive processes, transparent and proven procurement methodologies, flexible approach and significant interest from the industry for this work.

c) The contracts for construction work in Victoria and Western Australia have already been awarded. NBN Co expects to announce a successful contractor/s for South Australia and the Northern Territory shortly.

Joint Committee on the National Broadband Network

Answers to Questions on Notice

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Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 10

Hansard Ref: In writing

Topic: Greenfields

The Committee asked:

a) Can you provide more detail about the delays experienced for the NBN rollout in Greenfield sites?

b) How far below the estimated target is rollout in greenfield sites?

Answer:

a) There are no delays in the rollout of fibre in new developments. NBN Co provides a wholesale network in new developments to precede occupants moving into premises. Where a developer does not complete the infrastructure (e.g. pit and pipe network) in time for occupancy, NBN Co will schedule completion of the network build once that infrastructure is in place. NBN Co notifies the USO holder, Telstra, in such circumstances to ensure residents have an interim service.

b) Greenfields is a demand-driven business; that is, developers are required to provide three-months notice of the need to install the network in their new developments. NBN Co has previously made estimates of the expected network build activity based on industry forecasts; currently the actual level of development activity is below these industry forecasts.

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Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 11

Hansard Ref: In writing

Topic: NBN Co Employees/Industrial Relations

The Committee asked:

a) Why is the average tenure of the workforce only 7.6 months (page 8)?

b) Why do employees need to undertake drug and alcohol training? Is this required under legislation or is it an NBN Co requirement for employment with the company?

c) Can you provide more information about the proposed Certificate II in cable installation and maintenance? How has the course been developed? Who is required to undertake the course?

Answer:

a) As a start up, the tenure at NBN Co is not comparable to long-term businesses. The 7.6 months is a function of the large number of new starters since the business was created in July 2009. The workforce has grown steadily each month and the new starters reduce the average.

b) NBN Co is committed to the well-being of its employees to enable work to be performed in a productive manner that does not jeopardise their own safety or the safety of others. NBN Co is concerned that employees and/or contractors under the influence of drugs or alcohol may injure themselves or others. Therefore, NBN Co seeks to foster an attitude amongst our employees and contractors that it is unacceptable to come to work under the influence of alcohol or drugs.

c) Certificate II in National Broadband Network Cabling (Electricity Supply Industry Assets) (UET20511) was an initiative of the industry skills council that has coverage for the electricity supply industry (EE-Oz). The qualification could provide a pathway to becoming an electrical linesworker and is targeted at workers who perform NBN cabling on electricity poles, although it is not the only training program or qualification that could be undertaken to enable NBN cabling on electricity poles.

Joint Committee on the National Broadband Network

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NBN Co Limited

Question No: 13

Hansard Ref: In writing

Topic: Regulatory and Legal issues

The Committee asked:

What stage is discussion with Australian Communications and Media Authority (ACMA) about the spectrum requirements for the Long Term Satellite (page 10)?

Answer:

NBN Co is holding regular monthly meetings with ACMA in connection with spectrum requirements. Details about ACMA's decision-making and other processes in regard to spectrum allocation should be directed to ACMA.

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NBN Co Limited

Question No: 14

Hansard Ref: In writing

Topic: Financial performance

The Committee asked:

NBN Co reported that it has made a $323 million loss over the period (page 11).

a) Was this an expected loss, if so, when does NBN Co estimate the NBN will start to return a profit?

b) Can you provide more detail about the equity arrangements between the Government and the NBN Co?

Answer:

a) Yes, this was expected. The NBN Co Corporate Plan clearly states on page 134 that NBN Co will not return a profit before tax until 2021.

b) Please refer the NBN Co Annual Report disclosures on page 32 under *Funding*, and at *Note 19 – Equity Funding* on page 72.

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NBN Co Limited

Question No: 16

Hansard Ref: Page 7

Topic: Greenfields

Ms Rowland MP asked:

Can you provide the Committee with advice on the footprint and timing of the proposed rollout as soon as the design phase is known for the suburb of Kellyville Ridge?

Answer:

NBN Co’s recent announcement of the 12-month national rollout plan will be updated on a quarterly basis to include additional locations. As sites are rolled out, it is planned to generally move out to adjoining areas and to continue the ‘modular’ construction design. This is to enable efficiencies in the build design and to minimise costs given the available workforce is already mobilised in the area. Given additional modules in Riverstone (NSW) were announced as having construction commence in July 2012, those adjoining areas like The Ponds and Kellyville (NSW) could be expected to feature in upcoming updates. Precise dates and footprints/maps are not available at this stage, but will be provided once an announcement on construction start dates is available.

Joint Committee on the National Broadband Network

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NBN Co Limited

Question No: 17

Hansard Ref: Pages 15 and 16

Topic: Construction tenders/contracts

Senator Xenophon asked:

With regard to the tender process for the construction of the NBN:

a) Can you advise how many rounds NBN Co had undertaken in the tender process when it was suspended?

b) Whether there was a procurement committee, what it was called and how it was structured?

c) Whether the committee that was charged with undertaking the tender process gave advice to senior management, that they should either continue the process or move to a different process?

d) How close NBN Co is to achieving the outcomes anticipated in the Corporate Plan in terms of pricing and cost structures?

e) What time frame NBN Co is working to in light of the suspension of the tender process?

Answer:

a) Four rounds.

b) The Construction Steering Committee consisted of the NBN Co Chief Executive Officer, Chief Finance Officer, and the Heads of Construction, Operations, Network Technology and Corporate Services together with the Chief Legal Counsel and Chief Procurement Officer.

c) The Committee consisted of NBN Co senior management and made its decision on the process based on all relevant facts provided by the negotiation/tender team. The Board was updated at critical points in the process.

d) The outcomes are broadly consistent with the NBN Co Corporate Plan, and this is expected to improve in the medium term.

e) The tender process was terminated once the model was agreed with the first contractor (Silcar) for Qld, NSW and ACT. Further work packages covering Victoria and WA have now been agreed with Transfield and Syntheo (joint venture). NBN Co expects to announce further awards for SA and the NT in the near future.

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NBN Co Limited

Question No: 18

Hansard Ref: Page 17

Topic: Take-up in South Australia

Senator Xenophon asked:

Can you advise what the early take-up rates are in the first-release sites, particularly in Aldinga and Willunga in South Australia?

Answer:

As at mid-October 2011, the premises in the first release sites activated as a proportion of premises passed in those sites was: Midway Point, Tas (25%), Smithton, Tas (14%), Scottsdale, Tas (12%), Armidale, NSW (2%), Willunga, SA (18.5%), Brunswick, Vic (5.5%), Minnamurra, NSW (9%) and Townsville, Qld (5%).

The first release sites were part of a trial by NBN Co, to assist in future planning. The number of premises activated was deliberately limited during this trial and NBN Co achieved the number of activations it predicted.

Joint Committee on the National Broadband Network

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NBN Co Limited

Question No: 19

Hansard Ref: Page 19

Topic: Existing infrastructure and wireless services

Senator Ludlam asked:

a) Can NBN Co provide a 'yes or no' answer on the question of whether it would be possible to look at utilising the Central Australian backbone cable running from Western Australia to the east coast?

b) What it would cost in resources and staff time to look at providing wireless services?

Answer:

a) The decision to utilise such a cable would be one for the government as NBN Co's shareholders, given the likely significant additional investment required to do so.

b) The cost in resources to examine this technical option would involve a substantial diversion of resources for the company and NBN Co would need to be directed by government to look at this option as it is a policy decision.

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Broadband, Communications and the Digital Economy Portfolio

NBN Co Limited

Question No: 21

Hansard Ref: Page 17

Topic: Consultancy costs

Senator Xenophon asked:

Are the figures on NBN Co's expenditure on contractors, lawyers and IT contractors mentioned in an article by Kevin Morgan in *The Australian* on 13 October 2011 accurate and is there any basis to the assertions made?

Answer:

Mr Morgan is reported as saying that "in the 12 months to June, NBN Co spent $60 million on consultants and a whopping $42 million on legal costs...". These figures have been sourced from the Government Report to the Joint Committee on the NBN at page 18 in a table explaining the breakdown in FY2011 Operating Expenses. They are incorrect and are in fact references to the forecasts made in NBN Co's Corporate Plan; not actual results for the 2010-11 financial year.

Page 18 of the Government's Report to the Joint Committee on the NBN shows that consultants' costs for 2010-11 were $43 million, of which the main components related to the establishment of NBN Co's Operational Support Systems (OSS), Billing Support Systems (BSS) ($21 million) and its Technology Product Development ($10 million) program. Pages 13 and 18 of the Report show that Legal and Negotiation costs for 2010-11 were $54 million.

These costs will naturally be significant one-offs due to the establishment in FY2011 of the company's key operating systems and the Telstra and Optus Deals.