

Joint Committee on the National Broadband Network
Answers to Questions on Notice
Public Hearing 20 September 2011
Broadband, Communications and the Digital Economy Portfolio
Department of Broadband, Communications and the Digital Economy

Question No: 4

Hansard Ref: Page 16

Topic: Government Report to the Joint Committee on the NBN

Senator MacDonald asked:

What date did the department send the NBN Co report to the Minister? Explain why the Committee did not get the report on 19 September. Explain how the department knew the audited financials were coming on 20 September. What was the sequence of events for the preparation of this report?

Answer:

NBN Co Limited provided the Government with a progress report on the rollout of the NBN on 19 August 2011. The Department of Broadband, Communications and the Digital Economy and the Department of Finance and Deregulation analysed this report and provided a preliminary briefing to Shareholder Ministers on 23 August 2011. Working to the reporting framework agreed by Shareholder Ministers, Shareholder Departments prepared a report for the Committee based on the information provided by NBN Co. Consistent with the advice from Shareholder Ministers in their letter to the Chair of the Joint Committee on the National Broadband Network dated 7 July 2011, this report was subsequently considered by the Government.

On 20 September 2011 the Government received NBN Co's audited 2010-11 financial statements. Shareholder departments amended the report to ensure the most up to date information was included. The finalised government report was provided to the Committee on 23 September 2011.

Joint Committee on the National Broadband Network
Answers to Questions on Notice
Public Hearing 20 September 2011
Broadband, Communications and the Digital Economy Portfolio
Department of Broadband, Communications and the Digital Economy

Question No: 6.3-6.4

Hansard Ref: In writing

Topic: Private Equity

The Committee asked:

6.3. Would it be in the national interest to bring this date forward, if not, why not?

6.4. What would be the cost/benefit to the economy of bringing this date forward?

Answer:

6.3 and 6.4. The Implementation Study undertaken by McKinsey & Company/KPMG examined the issue of how to fund NBN Co in detail, recognising the pros and cons of government versus private equity and debt funding. On balance, the Implementation Study recommended that the government should fund NBN Co with equity investments until NBN Co can raise its own investment-grade debt and pay interest from its own cash flow.

The NBN Implementation Study concluded that the Government should retain full ownership of NBN Co until rollout is complete (Chapter 8 of the Implementation Study refers). This will give the Government greater flexibility to pursue its objectives in the rollout of the NBN, including to regional and rural communities.

McKinsey & Company noted that private equity should not be introduced before privatisation as it will be too expensive and constrain Government's ability to get its policy and regulatory settings right before allowing private ownership. It will also lead to a substantial distraction for management both for any initial transactions and on an ongoing basis. This applies to both cash and any proposals to vend in assets in return for equity.

In terms of looking at a cost/benefit of bringing this forward the Implementation Study noted in its conclusions that private equity will be more expensive than government equity, because of government's ability to better manage the relevant risk, and the distraction to management involved in serving private and government equity, it is unlikely to generate a net benefit.

Joint Committee on the National Broadband Network
Answers to Questions on Notice
Public Hearing 20 September 2011
Broadband, Communications and the Digital Economy Portfolio
Department of Broadband, Communications and the Digital Economy

Question No: 6.5

Hansard Ref: In writing

Topic: Private Equity

The Committee asked:

The Government's Statement of Expectations states that 'following the completion of rollout, the Government will consider the optimum capital structure for the company following which private sector debt should be applied to repaying the Government, consistent with that structure.'

Can you explain what determining the 'optimum capital structure for the company' would entail, and how this process could be undertaken?

Answer:

In accordance with the Governance Arrangements for Commonwealth Government Business Enterprises (GBE) (June 1997), in relation to financial governance, each GBE should have a target optimal capital structure (the combination of financial liabilities and equity used to fund the assets of the GBE) that is agreed annually between the directors and the Shareholder Ministers in the corporate plan consultation process.

An optimal capital structure is one that, in light of economic, industry and firm specific factors, would provide for an investment grade credit rating, whilst at the same time imposing a discipline on the GBE to optimise efficiency.

Joint Committee on the National Broadband Network
Answers to Questions on Notice
Public Hearing 20 September 2011
Broadband, Communications and the Digital Economy Portfolio
Department of Broadband, Communications and the Digital Economy

Question No: 6.6

Hansard Ref: In writing

Topic: Private Equity

The Committee asked:

Under the Statement of Expectations, the equity agreement between the Government and the NBN Co for the rollout period will be reviewed annually. Has this review taken place yet, if so, what was found to require revision and why? How many variations to equity requirements have there been since the formation of the NBN Co, and for what purposes?

Answer:

Review of the provision of funding for NBN Co is to occur on an annual basis as part of the corporate plan process. As a result of a review, the Commonwealth may either terminate the equity funding agreement or vary its annual or total equity funding commitment to NBN Co in accordance with the most recently submitted and endorsed Corporate Plan.

The next NBN Co. Corporate Plan 2013 - 2015 will provide the basis of NBN Co. equity requirements.

The first NBN Co Corporate Plan was released on 20 December 2010. The NBN Co 2011-13 Corporate Plan has set the basis of NBN Co's equity requirements, and provides that the total capital expenditure for the project is estimated to be \$35.9 billion, less than the government's original \$43 billion estimate, in part due to the agreement between NBN Co and Telstra.

Joint Committee on the National Broadband Network
Answers to Questions on Notice
Public Hearing 20 September 2011
Broadband, Communications and the Digital Economy Portfolio
Department of Broadband, Communications and the Digital Economy

Question No: 7.1

Hansard Ref: In writing

Topic: Government agency readiness to receive the NBN

The Committee asked:

Under the NBN, what measures will be in place for business continuity of emergency services in a 'black-out' scenario, where there is fibre connected?

Answer:

The government recognises that the NBN will be a significant piece of Australia's critical infrastructure that will underpin the provision of a range of essential services to the Australian community.

NBN Co has been requested to consult with security and law enforcement agencies to ensure the national security and resilience considerations are taken into account in the design and ongoing operation of the network.

In building the network, NBN Co is providing appropriate redundancy in the network core and transmission links to maintain service in the event of an accident or power loss. For example, in the event a fibre transmission link is cut, network traffic can be diverted via a redundant link to maintain services.

NBN Co's Points of Interconnect, the majority of which will be located within existing Telstra exchange facilities, are secure locations with appropriate backup power to support the continued operation of services from the points of interconnect to premises in the event of a power 'black out'.

In terms of maintaining home users and small business access to phone services during a power blackout, the government intends to undertake consultation with stakeholders, including emergency services, on the appropriate way of ensuring access to battery backup services for those who need them. In the interim, NBN Co is deploying a mandatory battery backup unit and initial battery that supports the continued provision of voice services via the voice port on the network termination device during a power outage. The battery is expected to last for approximately five hours, based on a high level of talk time during those five hours, to support the provision of voice services for those who need them.

Joint Committee on the National Broadband Network
Answers to Questions on Notice
Public Hearing 20 September 2011
Broadband, Communications and the Digital Economy Portfolio
Department of Broadband, Communications and the Digital Economy

Question No: 7.2

Hansard Ref: In writing

Topic: Government agency readiness to receive the NBN

The Committee asked:

In the absence of copper lines, will the current emergency alert system which is in use across Australia be able to be used to inform people of an emergency?

Answer:

The national telephone-based emergency warning system, Emergency Alert, enables participating States and Territories to issue warnings to telephones linked to the addresses (properties and houses) within a geographical area affected by an emergency. Whether emergency service organisations decide to issue warnings in response to an incident will depend on the nature of the emergency.

Warnings to landline (voice) and mobile (text) telephones are sent using service/customer address information that is drawn from the Integrated Public Number Database (IPND). The Emergency Alert Service will continue to operate over the NBN to warn people of an emergency.

The Government is continuing to work to ensure that the national Emergency Alert system remains fully effective, including information provided from the IPND. At the Commonwealth Government level, questions about the implementation and operation of the national Emergency Alert system should be directed to the Attorney-General.

Joint Committee on the National Broadband Network
Answers to Questions on Notice
Public Hearing 20 September 2011
Broadband, Communications and the Digital Economy Portfolio
Department of Broadband, Communications and the Digital Economy

Question No: 7.3

Hansard Ref: In writing

Topic: Government agency readiness to receive the NBN

The Committee asked:

Is there a broad policy underpinning a requirement for Government agencies to take measures to become NBN ready, if so, what is involved in this process?

Answer:

The Department of Broadband, Communications and the Digital Economy (DBCDE) and the Department of the Prime Minister and Cabinet (PMC) are working closely with all the agencies responsible for Digital Productivity Initiatives, as well as with a range of other agencies on other programs and initiatives, to ensure that Australian Public Service departments and agencies are prepared for the rollout of the NBN.

A number of government departments are already working in collaboration on a number of key digital productivity initiatives. Some examples of recent cooperation between departments include:

- DBCDE is working closely with Department of Education, Employment and Workplace Relations NBN-enabled education and skills services program.
- DBCDE has also participated in three scoping workshops held by the Department of Sustainability, Environment, Water, Population and Communities for the Suburban Jobs initiative, which will be a competitive grants program, one aim of which is to showcase innovative ways to use the NBN to reduce travel times.

Joint Committee on the National Broadband Network
Answers to Questions on Notice
Public Hearing 20 September 2011
Broadband, Communications and the Digital Economy Portfolio
Department of Broadband, Communications and the Digital Economy

Question No: 7.4

Hansard Ref: In writing

Topic: Government agency readiness to receive the NBN

The Committee asked:

The committee received information that there are a number of regional post offices that service small communities that do not offer electronic point of sale or funds transfers required for banking services.

- a) Can you explain if these operators would be able to be connected to the NBN?
- b) What postal and banking services would then be offered in these remote communities?

Answer:

- a) The connection of postal outlets to the NBN and provision of Electronic Point of Sale (EPOS) facilities within postal outlets are separate issues, each of which is influenced by commercial factors. The connection of a postal outlet to the NBN would be a commercial decision for the outlet operator.
- b) Australia Post's policy for the installation of EPOS facilities at any licensed postal outlet (LPO), including those in regional and remote regions, is that EPOS equipment will be installed at any LPO with at least 12,000 eligible transactions per annum. At this level of business Australia Post provides a subsidy to the LPO for the technology. With EPOS equipment installed the postal outlet would be able to offer Bank@Post banking services for 70 financial institutions, and bill payment services for 700 agency participants. However, EPOS equipment is not installed at manual post offices because there is no compelling commercial reason for it to do so, given the small number of transactions each year. This is irrespective of any internet access issues.

Joint Committee on the National Broadband Network
Answers to Questions on Notice
Public Hearing 20 September 2011
Broadband, Communications and the Digital Economy Portfolio
Department of Broadband, Communications and the Digital Economy

Question No: 8.1-8.2

Hansard Ref: In writing

Topic: Regional and Remote Issues

The Committee asked:

8.1 At the hearing in Broken Hill, Ninti One argued that rural and remote Australia needs low cost, effective Information Communication Technology solutions. In particular, there is a need for Government assistance programs to provide Internet access to WiFi networks for remote aboriginal and Torrens Strait Islander communities. Would NBN Co and DBCDE outline what measures are planned to introduce low cost, effective ICT solutions to remote communities?

8.2 Ninti One also argued that there is a need for bandwidth and speed, delivered by WiFi to community hubs. It said that the NBN's delivery by satellite will be too expensive and, if delivered to houses, will mean that residents are humbugged. Can you outline the proposed delivery of services to remote communities, and comment on the views expressed by Ninti One about the needs of those communities?

Answer:

8.1 As part of the rollout of the NBN, NBN Co is implementing uniform national wholesale pricing across all technologies. This means that people in regional and remote Australia will pay the same price as those in metropolitan areas.

NBN Co has designed its product set so that Retail Service Providers have a uniform set of products to offer across all three technology platforms and therefore enable a broad range of retail service providers to offer services in regional locations where they haven't been able to enter the market before.

It is expected that the level playing field created by NBN Co's wholesale-only, open access and equivalent terms and conditions will encourage strong retail competition which Australians in metro, regional and rural areas will benefit from with access to a range of services at different price points, including cheaper prices for entry-level products.

8.2 In terms of NBN Co's interim satellite service, similar to the ABG program, Indigenous Community Organisations who are unable to access a metro-comparable broadband service can access an interim satellite service. This connection would provide a community access point that could meet the needs that Ninti One outlined to the Committee of a shared service with the cost either shared across the community (or borne by the community organisation) and availability at a community location for general access rather than an individual household.

Joint Committee on the National Broadband Network
Answers to Questions on Notice
Public Hearing 20 September 2011
Broadband, Communications and the Digital Economy Portfolio
Department of Broadband, Communications and the Digital Economy

Question No: 8.3

Hansard Ref: In writing

Topic: NT School of the Air

The Committee asked:

At the Broken Hill hearing, Mr Wilson of M&S Consultants (servicing the School of the Air) argued that the NBN's proposed satellite solution was so 'inferior and inadequate' for students being educated by satellite that they would be 'severely disadvantaged'. NBN Co provided an answer to question on notice about this issue. You state that 'In keeping with extension of the Australian Broadband Guarantee (ABG) eligibility criteria, (supporting residential, small business and indigenous communities) schools, government departments etc are not eligible for an NBN Co Interim Satellite Service (ISS). Can you explain where this would leave the issue, as it appears that the School of the Air would have to fund this infrastructure through its own means?

Answer:

The commencement of NBN Co's Interim Satellite Service does not interfere with the NT Department of Education's provision of School of the Air services. This service is funded by the NT Government and will continue to be so.

The Department understands Mr Wilson's main concern with NBN Co's interim satellite solution is that it does not support multicast functionality, which is a key application for the NT School of the Air service. Mr Wilson was also concerned the long term satellite solution may not support multicast services.

NBN Co has confirmed that multicast services and commercial grade services will be available over the long term satellite service. That means e-health and e-learning applications, such as the interactive distance learning multicast application used by NT School of the Air will be supported over the long term satellite solution.