

**Question on notice no. 105**

**Portfolio question number: 105**

**2018-19 Additional estimates**

**Environment and Communications Committee, Communications and the Arts Portfolio**

**Senator Anne Urquhart:** asked the NBN Co. Ltd on 19 February 2019—

(1) With regards to the Area Switch Application for 19 residences which sought to have FTTTP installed under the Technology Choice Program (Customer Reference Number AYCA-462WAJ Case No 511066-252077563) :

a. How did NBN Co manage to reduce its initial cost estimate by a factor of four (from \$100,000 to \$25,000) within a 2 month period? To what specific differences is the \$75,000 reduction attributed?

b. Is NBN Co able to provide the applicant with a bill of materials? If no, why not?

(2) With regards to the aforementioned Area Switch Build Quote:

a. Were there any savings allowed for in this Area Switch Build Quote due to avoided build costs?

b. What was the value of the avoided build costs included in this Area Switch Build Quote?

c. Did the Build Quote for this Area Switch Application include any costs associated with fibre run in the streets external to the building? If yes, for what length?

d. There is already NBN Co fibre that passes through the pit directly outside these premises, servicing a FTTB install approximately 50 metres further along the road. Did NBN Co take this fibre run into consideration when generating the Build Quote?

(3) With regards to the aforementioned Area Switch Application:

a. Why was a formal contract offered within one week and then not provided for a period of over 5 months?

b. The applicants refused to accept the refund of their \$1100 application fee, refused to provide their banking details, and requested to proceed with the upgrade. How and why did NBN Co force the funds back into the applicant bank account approximately 11 months later, without ever having been provided with the banking details?

(4) The applicants have been continuously requesting to proceed since mid-2017. NBN Co have generated a Build Quote to ensure there is no cost to NBN Co or to the taxpayer. Why is NBN Co so determined to disallow this upgrade to FTTP?

(5) Is it still NBN Co policy to refuse technology choice applications for applicants seeking to go from HFC to FTTP?

a. If yes, what are the exact reasons why?

b. How could a build quote accurate to the cent have been generated during 2017, given these reasons?

c. Given the answers to

(a) through

(c) , why did NBN Co accept the application, carry out 2 site visits, provide 3 quotes, and drag the process out for over 2 years thus far?

(6) If Technology Choice Upgrades in general continue to proceed on a piecemeal basis based on applications as they are made (as opposed to undertaking a whole-of-area upgrade) is there a risk of running out of physical space for future upgrades at some points within the existing ducts or in other areas where space is limited?

(7) Instead of taking a piecemeal approach, can planning for a whole-of-area upgrade to fibre at once mitigate the risks of running out of physical space within the existing duct network or in other areas where space is limited?

(8) Has NBN Co undertaken any investigation into the possibility of investing in deploying overlaying fibre infrastructure in selected areas, and allowing users to pay for just the street-to-premises cost of FTTP installation, as part of future Technology Choice or other wider area-based upgrade programs?

(9) The specific Area Switch Application referred to previously is located within a medium to high density suburb of inner-west Sydney that has high internet usage demands, and existing duct networks. Would NBN Co consider a whole-of-area investment in deploying fibre in the streets, and allow premises within this general vicinity area to upgrade to FTTP on the basis of paying only for the street-to-premises cost of installation for this area?

(10) How many Technology Choice Applications have been made since 28 July 2016 (based on an applicant paying an application fee to NBN Co, regardless of whether that fee was subsequently returned) ? Please break down by Area Switch vs Individual Switch and by financial year.

(11) How many Applications made since 28 July 2016 were subsequently withdrawn either by NBN Co or by the Applicant?

(12) How many applications made since 28 July 2016 have had their money refunded? Under what circumstances is a refund offered?

(13) Does NBN Co ever provide verbal estimates of Technology Choice Program costs in response to enquiries, either numerical estimates or stated as ranges such as "tens of thousands" of dollars?

(14) How many such verbal estimates have been provided by NBN Co since 28 July 2016 in response to enquiries about a possible Technology Choice Program upgrade?

(15) Does NBN Co keep a record of such queries, or of the verbal estimates provided, where such enquiries did not subsequently progress to having an application fee being paid?

**Answer —**

Please see attached.

**Senate Standing Committee on Environment and Communications**  
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**Communications Portfolio**  
**NBN Co Limited**

**Question No: 105**

**NBN Co Limited**

**Hansard Ref: Written, 04/03/2019**

**Topic: Technology Choice**

**Senator Anne Urquhart asked:**

- 1) With regards to the Area Switch Application for 19 residences which sought to have FTTP installed under the Technology Choice Program (Customer Reference Number AYCA-462WAJ Case No 511066-252077563):
  - a. How did NBNCo manage to reduce its initial cost estimate by a factor of four (from \$100,000 to \$25,000) within a 2 month period? To what specific differences is the \$75,000 reduction attributed?
  - b. Is NBNCo able to provide the applicant with a bill of materials? If no, why not?
- 2) With regards to the aforementioned Area Switch Build Quote:
  - a. Were there any savings allowed for in this Area Switch Build Quote due to avoided build costs?
  - b. What was the value of the avoided build costs included in this Area Switch Build Quote?
  - c. Did the Build Quote for this Area Switch Application include any costs associated with fibre run in the streets external to the building? If yes, for what length?
  - d. There is already NBNCo fibre that passes through the pit directly outside these premises, servicing a FTTB install approximately 50 metres further along the road. Did NBNCo take this fibre run into consideration when generating the Build Quote?
- 3) With regards to the aforementioned Area Switch Application:
  - a. Why was a formal contract offered within one week and then not provided for a period of over 5 months?
  - b. The applicants refused to accept the refund of their \$1100 application fee, refused to provide their banking details, and requested to proceed with the upgrade. How and why did NBNCo force the funds back into the applicant bank account approximately 11 months later, without ever having been provided with the banking details?
- 4) The applicants have been continuously requesting to proceed since mid 2017. NBNCo have generated a Build Quote to ensure there is no cost to NBNCo or to the taxpayer. Why is NBNCo so determined to disallow this upgrade to FTTP?

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- 5) Is it still NBNCo policy to refuse technology choice applications for applicants seeking to go from HFC to FTTP?
  - a. If yes, what are the exact reasons why?
  - b. How could a build quote accurate to the cent have been generated during 2017, given these reasons?
  - c. Given the answers to (a) through (c), why did NBNCo accept the application, carry out 2 site visits, provide 3 quotes, and drag the process out for over 2 years thus far?
- 6) If Technology Choice Upgrades in general continue to proceed on a piecemeal basis based on applications as they are made (as opposed to undertaking a whole-of-area upgrade) is there a risk of running out of physical space for future upgrades at some points within the existing ducts or in other areas where space is limited?
- 7) Instead of taking a piecemeal approach, can planning for a whole-of-area upgrade to fibre at once mitigate the risks of running out of physical space within the existing duct network or in other areas where space is limited?
- 8) Has NBNCo undertaken any investigation into the possibility of investing in deploying overlaying fibre infrastructure in selected areas, and allowing users to pay for just the street-to-premises cost of FTTP installation, as part of future Technology Choice or other wider area-based upgrade programs?
- 9) The specific Area Switch Application referred to previously is located within a medium to high density suburb of inner-west Sydney that has high internet usage demands, and existing duct networks. Would NBNCo consider a whole-of-area investment in deploying fibre in the streets, and allow premises within this general vicinity area to upgrade to FTTP on the basis of paying only for the street-to-premises cost of installation for this area?
- 10) How many Technology Choice Applications have been made since 28 July 2016 (based on an applicant paying an application fee to NBNCo, regardless of whether that fee was subsequently returned)? Please break down by Area Switch vs Individual Switch and by financial year.
- 11) How many Applications made since 28 July 2016 were subsequently withdrawn either by NBNCo or by the Applicant?
- 12) How many applications made since 28 July 2016 have had their money refunded? Under what circumstances is a refund offered?
- 13) Does NBNCo ever provide verbal estimates of Technology Choice Program costs in response to enquiries, either numerical estimates or stated as ranges such as "tens of thousands" of dollars?
- 14) How many such verbal estimates have been provided by NBNCo since 28 July 2016 in response to enquiries about a possible Technology Choice Program upgrade?

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15) Does NBNCo keep a record of such queries, or of the verbal estimates provided, where such enquiries did not subsequently progress to having an application fee being paid?

**Answer:**

1) NBN Co acknowledges that the way this application was dealt with has led to a poor experience for the applicant. It is important to note that NBN Co has since uplifted the Technology Choice program significantly to improve the customer experience. As a result, we have seen an increasing trend of positive feedback from our customers. The overarching cause of the issues in this case was an initial incorrect assessment of the technology available to this applicant. There were some other process-related issues that contributed to the discrepancies in information provided and a poor experience for the applicant. NBN Co has been in contact with the applicant and has apologised.

NBN Co is unable to provide the applicant with a bill of materials, as this would expose confidential rates under our Delivery Partner contracts.

2)

- a) NBN Co's approach is to calculate the difference in costs between rollout of planned and requested technologies. There were no avoided costs in the final quote provided.
- b) Not applicable
- c) Yes, this quote included the build length for approximately 500m of cable haul to connect into the nbn<sup>TM</sup> access network.
- d) NBN Co did take the existing fibre into consideration when providing the quote to the customer. In this instance the existing fibre cable could not be utilised as part of this design – the FTTB architecture deployed for that connection does not allow for another connection to ‘break into’ the fibre; any join would need to go further back into the nearest distribution joint location.

3)

- a) The delay in this instance was due to resource constraints at the time, resulting in a poor customer experience. As stated above, NBN Co has since uplifted the Technology Choice program significantly to ensure that all customers are now updated fortnightly once applications are submitted through to build.
- b) The applicant’s application fee was refunded to the same account from which the application fee was received following a routine review of outstanding credit.

4) As stated above, the local technology was incorrectly identified the application was processed on this basis. When it was established that the application was actually in an HFC area, NBN Co advised the applicant that the Application could not proceed as HFC technology is not yet eligible for under the Tech Choice policy. At that time NBN Co apologised to the

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applicant.

- 5) HFC is not yet eligible under the Technology Choice policy. The policy was created without the inclusion to allow the HFC Program to reach a mature service offering. Subsequently, in December 2017, NBN Co announced a pause in the deployment of HFC technology to enable the optimisation of the HFC footprint and provide a better customer experience. Given the focus on optimisation and re-release of the HFC footprint, it was not the right time to include HFC technology under Technology Choice; however, the inclusion of this technology continues to be re-assessed.
- 6) While Technology Choice applications are dealt with on a case-by-case basis, standard network infrastructure is used to provide services, and this inherently has additional capacity that can be used to provide services in the future. The standard FTTP architecture used by NBN Co has been designed to minimise the usage of duct capacity, reducing the risk for duct capacity issues to arise.

In addition, the current Area Planning process includes consolidation of fibre requirements for an area, including Technology Choice applications. Any available fibre infrastructure is used to reduce the cost for the technology choice program, where that existing infrastructure can be used to provide service via standard architecture.

- 7) The Technology Choice program is an 'on-demand' program. As NBN Co moves from 'Build/Operate' to 'Operate' we will continue to review and refine the program.
- 8) Refer to response to section (7) above.
- 9) Refer to response to section (7) above.
- 10) Total: 2,933

	Individual Premises Switch	Area Switch
FY 16/17	813	98
FY 17/18	1082	181
FY 18/19	709	50

- 11) Approximately 2,350 applications were withdrawn during this period; however, not all of these applications progressed through to paying the application fee.
- 12) The application fee is non-refundable under the Technology Choice policy. However, there have been a small number of exceptional circumstances, when unforeseen complications in the build would result in a high cost of build that would make the connection unviable to construct. There have been 23 applications refunded this financial year, or approximately 3 per cent of applications.

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- 13) NBN Co's procedure is not to provide verbal estimates. High-level guidance on initial enquiries is: 'It can range from a few thousand dollars, to tens of thousands of dollars for large complex areas'. This is consistent with the general information available on the nbn website.
- 14) Refer to part 13.
- 15) Communications with applicants are logged once an application is submitted via the website.