

Joint Committee on the National Broadband Network
Answers to Questions on Notice
Public Hearing 30 October 2012
Broadband, Communications and the Digital Economy Portfolio
NBN Co Limited

Question No: 2

Hansard ref: In writing

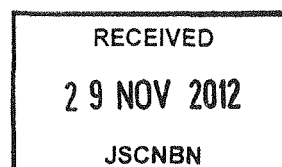
Topic: NBN Rollout

The Committee asked:

What impact has there been on cost of the extension to the 2021 completion date for the NBN?

Answer:

This matter is fully set out in NBN Co's 2012-15 Corporate Plan. Please see in particular chapter 1.4 (pp. 10-14) and chapter 6 (pp. 41-47). As noted in the Corporate Plan (p. 9), the fibre construction period has only been extended by six months, despite a nine month delay in the Commencement Date.



@2.03 pm

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Question No: 3

Hansard ref: In writing

Topic: NBN Rollout

The Committee asked:

Is it possible this date will again be revised if construction delays are experienced?

Answer:

The 2012-15 Corporate Plan is based on 20 months of experience planning and building the network and its support systems. At the time of finalising the Plan, construction contracts were in place in every state and territory, there were active services on all three technologies, and construction had commenced or was completed for approximately 305,000 premises. This gives us confidence in the forecasts included in the 2012-15 Corporate Plan.

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Question No: 16

Hansard ref: In writing

Topic: Pricing

The Committee asked:

What does the NBN Co envisage will happen to prices offered to Retail Service Providers over time?

Answer:

NBN Co expects wholesale access pricing for Retail Services Providers to decrease in both real and nominal terms over time.

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Question No: 17

Hansard ref: In writing

Topic: Pricing

The Committee asked:

What is NBN Co expecting it will do to access pricing for Retail Service Providers as download usage rates increase over time?

Answer:

As data usage rates increase over time, NBN Co expects wholesale access pricing for Retail Services Providers to decrease in both real and nominal terms.

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Question No: 18

Hansard ref: In writing

Topic: Pricing

The Committee asked:

What is NBN Co's projection about the types of future RSP offerings and prices in comparison with current ADSL and ADSL2+ pricing?

Answer:

Please refer to pages 57-60 of the 2012-15 Corporate Plan for an analysis of how NBN retail pricing compares to existing ADSL/ADSL 2+ bundle pricing.

NBN Co expects wholesale pricing to decrease in both real and nominal terms over time.

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Question No: 69

Hansard ref: In writing

Topic: NBN Co financials

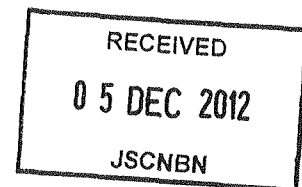
The Committee asked:

In the unaudited financial statements provided to the Committee as part of the most recent six monthly rollout report, the statement of cashflows indicates negative cashflow from customer receipts of 580,000 for the six months to 31 December 2011.

Why is cashflow from customers negative for this period?

Answer:

The negative \$580,000 relates to the reversal of a transaction associated with NBN Spectrum from the previous half where the third party who rents spectrum from NBN Spectrum was inadvertently billed twice.



@ 4.54 pm

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Question No: 70

Topic: NBN Co Financials

The Committee asked:

In the unaudited financial statements provided to the Committee as part of the most recent six monthly rollout report, the sum of the two six- month statements of cashflows (for the periods to December 2011, and to June 2012) do not add up to the figure in the twelve month statement of cashflows for the 2011- 12 financial year.

Why?

Answer:

The unaudited cash flow statements were for the specific six month periods ending 31 December 2011 and 30 June 2012. Combined, these statements do not equate to the final audited 2011-12 cash flow statements due to variations to classifications and end of period adjustments which have been made to the full years statement.

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Question No: 78

Hansard ref: page 17

Topic: Rollout to MDUs

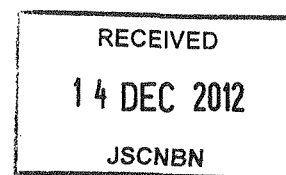
Mr Turnbull asked:

At the end of October 2012, what percentage of the MDUs that NBN Co has passed have been able to obtain an active service?

Answer:

As at 7 December 2012, more than one-third (35 per cent) of Brownfields residential MDUs passed by the NBN either had an active service or were able to order an active service.

The definition of MDUs (refer page 93 of the NBN Co Corporate Plan 2012-15) ranges from duplex type premises to 200 plus unit apartment blocks. NBN is currently trialling different connection methods in MDUs nationally in First Release Sites. The learnings from these trials to-date have led to some revisions in the scope of work to connect these premises in a more efficient and cost effective manner. Many require a bespoke solution different to single-dwelling units (SDUs) and this has resulted in some delays in servicing these premises. NBN Co is working with the industry to provide regular information to MDU owner's corporations and residents ahead of connections. NBN Co is currently in negotiations with a number of specialist contractors to supply project management, design and installation of fibre into these premises. Field work commencement is imminent.



@ 4.24 pm

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Question No: 79

Hansard ref: page 17

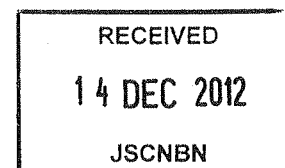
Topic: NBN Rollout to MDUs

Mr Turnbull asked:

How many people in MDUs are getting an active service and have active connections now?

Answer:

As at 7 December 2012, there were 137 active connections in brownfields residential MDUs.



@ 4.24 pm

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Question No: 80

Hansard ref: page 17

Topic: Government report to the JCNBN - Financials

Mr Hartsuyker asked:

In relation to the income that is in the accounts, there is a \$580,000 negative cash flow for 31 December 2011. Why are receipts from customers negative in that period?

Answer:

See answer to QoN 69.

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Question No: 81

Hansard ref: page 18

Topic: Government report to the JCNBN - Financials

Mr Hartsuyker asked:

With reference to the unaudited half-yearly statements of cash flow (page 33 refers), if you add the two six-month periods together, the period of 31 December 2011 plus the period of 31 June 2012, there are six items where the two six month figures do not add up to the 12-month figure. i.e. 'Receipts from customers' are out or different; 'Payments to suppliers' are different; in 'GST received' there is a difference; 'Other revenue' is slightly different; 'Interest received' is different; and 'Interest expense' is different.

Could an explanation for this be provided to the Committee?

Answer:

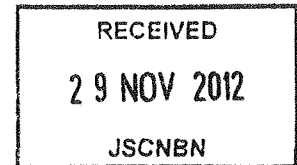
See QoN 70

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Question No: 84

Hansard ref: page 20

Topic: Maintenance Arrangements



@5.30 pm

Senator Ian Macdonald asked:

Can you identify where I can find where NBN Co has allowed for contingencies in terms of general maintenance costs?

Answer:

[Note: the complete question relates to power poles going down in Cyclones, as below:

Senator IAN MACDONALD: ...When cyclones hit, the poles go over. I was wondering if you have allowed for a cost of reconnecting the fibre if the poles are blown over? Is there somewhere you can demonstrate to me what the cost is? Can you also tell me what your arrangements are to resume service where poles are blown over in calamities—for example, in the instance I have given you, cyclones?

Mr Steffens: We obviously have maintenance arrangements in place. In addition, we have made allowances in our corporate plan for the cost of maintenance services. We do not have this broken down to street level, as you just referred to, but such allowances are made.

Senator IAN MACDONALD: Can you identify for me, either now or on notice, where I can find where you have allowed for those contingencies—not in this particular area, but across whatever area you have done this for?

Mr Steffens: In general maintenance costs?

Senator IAN MACDONALD: Yes, can you do that?

Mr Steffens: Yes, we should be able to do that.]

In many areas exposed to tropical cyclones, the proportion of aerial fibre deployment may be substantially lower than in other areas. Utility companies in these areas tend to place assets underground where feasible. This includes Telstra, and NBN Co will access Telstra ducts to deploy underground services within tropical regions. In Townsville, for example, we estimate that within the next six FSAMs 99.5 % of the Local Network will be underground.

Fibre is also more resilient than copper. For example, fibre optic cabling, unlike copper, is unaffected by water and flooding. So fibre is particularly resilient in flood prone areas. A useful case study on copper networks during cyclones and flooding is available here:

<http://www.theverge.com/2012/11/17/3655442/restoring-verizon-service-manhattan-hurricane-sandy>

Having said that, NBN does incorporate maintenance costs in its Corporate Plan. In the 2012 Supplementary Estimates Hearing Mr Steffens said: “We obviously have maintenance arrangements in place. In addition, we have made allowances in our corporate plan for the cost of

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maintenance services. We do not have this broken down to street level, as you just referred to, but such allowances are made.”

NBN Co also has insurance arrangements in place. The ongoing deployment of aerial assets will continue to be monitored and NBN Co will evaluate the risk and cost of insuring assets on an ongoing basis.

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Question No: 87

Hansard ref: page 23

Topic: NBN Co 2012-15 Corporate Plan

Mr Oakeshott asked:

In the new corporate plan there is a legal notice on page two.

In light of that legal notice, what legal and moral obligations does NBN Co see that it has to meet the NBN rollout forecasts set out on page 36?

Answer:

Nothing in the statement in the Corporate Plan legal notice under the heading "Forward looking statements" absolves NBN Co from the performance of its legal or contractual obligations. Nothing in the statement indicates that NBN Co is not fully committed to meeting its corporate plan forecasts. It is a statement, in the usual form, included in a public document issued by any public company when the public document includes financial/other forecasts or forward looking statements. It confirms that third parties cannot rely (in the sense of making business or investment decisions) upon the certainty of future events occurring.

The statement advises that, should a third party make business or investment decision based on that forecast/forward looking material in the Corporate Plan, that party cannot take the Corporate Plan as a contractual or other representation by NBN Co, from which it could seek damages from NBN Co if that forecast was not achieved.