

Senate Standing Committee on Environment and Communications

Answers to Senate Estimates Questions on Notice

Budget Estimates Hearings May 2015

Communications Portfolio

nbn

Question No: 121

Program No. nbn

Hansard Ref: Written, 3/6/2015

Topic: Commercial Cherry Picking

Senator Urquhart, Anne asked:

During the Budget Estimates hearing on 28 May 2015, the issue of commercial cherry picking was discussed:

*Senator CONROY: If an inner city residential building is served by competing provider TPG, will NBN leave that building alone and not connect it? That is an important question.*

*Mr Morrow: That is a case-by-case scenario at this point.*

*Senator CONROY: Why is it case by case?*

*Mr Morrow: Because what we do is look at what is the market share that we would be able to pool; is it economically feasible to go in there? Let us say, for example, if one of the companies—whether it is TPG or anybody else—has a building locked up, 99 per cent of the apartments or flats in there are using their service, they have a great deal. It is not something where we want to go in and we are not going to go in and overbuild. However, just the opposite: if you look at it and they only have 10 per cent of that building penetrated, or 10 per cent of that market share, we think that it is a high take-up rate possibility for us and it pays the economics back for us building that out. That right now is the intent, but we are evaluating this as we go.*

*Senator CONROY: By definition, if you decide not to go into buildings that you were previously not going to be competed in, you are going for a smaller customer base?*

*Mr Morrow: That could be the case, yes. If there is—*

*Senator CONROY: If there were X amount of basements to be in and you have decided you are only going into X minus three, then by definition your customer base-revenue base are going to be smaller?*

*Mr Morrow: Indeed, and the cost is lower as well.*

*Senator CONROY: That would be what we call a negative.*

*Mr Morrow: If the cost is lower as well. It depends on what your profitability was against that.*

*Senator CONROY: Yes. It did not previously. It is a revenue question I am asking, not the net outcome—*

*Mr Morrow: I understand.*

*Senator CONROY: You have less revenue because you are not going into every basement as was previously the case?*

*Mr Morrow: That is correct*

- a. What are NBN Co's assumptions of the number of buildings (and premises) it will not serve because NBN Co deems it not 'economically feasible to go in there' in:
- i. FY2015;
  - ii. FY2016;
  - iii. FY2017;
  - iv. FY2018; and
  - v. By the deployment completion date.

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- b. What are NBN Co's assumptions of the revenue NBN Co will forego by not serving buildings NBN Co deems are not 'economically feasible' in:
  - i. FY2015
  - ii. FY2016;
  - iii. FY2017;
  - iv. FY2018; and
  - v. By the deployment completion date.
- c. What are NBN Co's assumptions of the revenue NBN Co will forego from lower prices to compete with cherry pickers in:
  - i. FY2015
  - ii. FY2016;
  - iii. FY2017;
  - iv. FY2018; and
  - v. By the deployment completion date.
- d. What are NBN Co's assumptions of the capital expenditure and operating expenditure it will not incur by not serving buildings NBN Co deems are not 'economically feasible' in:
  - i. FY2015
  - ii. FY2016;
  - iii. FY2017;
  - iv. FY2018; and
  - v. By the deployment completion date.
- e. What is NBN Co's assumption on the impact on peak funding from these policy changes?

**Answer:**

a.- e. Disclosure of internal working forecasts of this nature could cause harm to NBN Co's commercial relationships with its customers and negatively impact upon our ability to function as a commercial entity.