

Senate Standing Committee on Environment and Communications
Answers to Senate Estimates Questions on Notice
Budget Estimates Hearings May 2015
Communications Portfolio
Department of Communications

Question No: 29

Program No. 1.1

Hansard Ref: Written, 3/6/2015

Topic: Cherry Picking

Senator Urquhart, Anne asked:

1. 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*

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- 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.

- 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 the impact on peak funding for the NBN arising from these policy changes?

Answer:

Please refer to question 121 asked of NBN Co.