

Senate Standing Committee on Environment and Communications

Answers to Senate Estimates Questions on Notice

Supplementary Budget Estimates Hearings November 2014

Communications Portfolio

NBN Co Limited

Question No: 106

Program No. NBN Co

Hansard Ref: In Writing

Topic: NBN Co wholesale layer competition

Senator Ludlam asked:

I am most interested in—this has come from the ACCC quite recently—how NBN Co would accommodate competition at the wholesale layer. We have been through these debates at length over the last six years and eventually rested on a model where the market would let rip at the retail layer but, at the wholesale layer, NBN Co would be the provider of last resort, if you like, providing universal access. Firstly, is it government policy that there should be some kind of competition at the wholesale layer where alternative HFC networks, wireless networks or God-knows-what would be competing for retail custom?

Senator Fifield: Again, I will take that on notice for Minister Turnbull.

Senator LUDLAM: Yes. If it is government policy, I would be keen for any kind of illustration as to how on earth that would work. The second element of the question is: if NBN Co is broken up, which its act forbids at the moment—and, for example, the satellite business was spooled off as a separate entity, in the final network architecture where satellite represents, I think, three per cent of your end-of-rollout total customer base—how much of a loss-making enterprise would that satellite business be if you spun it out into its own show?

Senator Fifield: I think there are multiple hypothetical questions in—

Senator LUDLAM: That is not hypothetical. How much money would that entity lose?

Senator Fifield: There were some hypothetical questions in your submission.

Senator LUDLAM: I will get really specific then: at the end of the rollout, when the satellite business is serving three per cent of the customers right out in rural and remote Australia, how much money would that entity lose every year?

It is obviously being cross-subsidised by other parts of the network.

Mr Adcock: I will take it on notice; it would not be appropriate to try and estimate.

Senator LUDLAM: Can you confirm for me that it would not, as a stand-alone entity, be a profit-generating business? There is zero possibility—

Answer:

Splitting by technology the numbers from Exhibit 1-1: Financial Outcomes of the Fixed Wireless and Satellite Review, the following amounts have been modelled for Satellite in FY28 under Scenario 2:

Revenues \$70 – 90 million

Operating expenditure \$60 million

Capital expenditure \$200 million

The above figures demonstrate that a satellite business serving an indicative three per cent of premises and spun out into its own entity without subsidies would be a negative cashflow enterprise.

(Note that the totals in Exhibit 1-1 also include amounts for FTTN outside the fixed line footprint and for additional revenue opportunities.)