

Senate Estimates on the National Broadband Network

Answers to Questions on Notice

Public Hearing 20 November 2014

Communications Portfolio

Department of Communications

Question No: 229

Program No. NBN Co

Hansard Ref: In writing

Topic: CBA – SSCNBN – October 2014

Senator Urquhart asked:

During the 3 October 2014 public hearing of the Select committee, Mr. Ergas confirmed that the main MTM scenario assumed no costs to upgrade the MTM to FTTP out to 2040 (hearing transcript, page 53: “essentially what happens is we deploy MTM, and MTM remains in place over the modelling period.”).

On page 88, the Cost Benefit Analysis “approximately maps out the timing at which the additional WTP for higher speeds would cover the capital costs of upgrading to FTTP.” The Cost Benefit Analysis concludes that “very rapid WTP growth would lead to upgrades being economic in 2025.” This is set out in chart 7.5. The net benefits of upgrading the MTM relative to the FTTP scenario are set out in chart 7.6.

The Cost Benefit Analysis states on page 88 that: “when upgrading from FTTN to FTTP in the future, 20 per cent of the costs of upgrading from current technology to FTTP can be avoided because of the investment made in FTTN (that is, the future upgrade cost to FTTP is 80 per cent of the original upgrade cost because some FTTN investment can be re-used). In the case of upgrading from HFC to FTTP in the future, it is assumed that no costs of upgrading from current technology to FTTP can be avoided (that is, the future upgrade cost to FTTP is the same as the original upgrade cost).”

- (a) What did the panel base these assumptions on, given that no costs are included in the Strategic Review for upgrades to the MTM in Scenario 6?
- (b) Did the Cost Benefit Analysis make the same upgrade cost assumption for FTTB/dp as for FTTN? (i.e. “20 per cent of the costs of upgrading from current technology to FTTP can be avoided”). If not, what assumption was made?
- (c) What assumptions did the panel make about the timeframe for upgrading HFC to FTTP in order to arrive at the “net benefits for MTM with upgrade over FTTP” values in table 7.6? (i.e. how long will it take to upgrade the entire HFC footprint to FTTP)?
- (d) What assumptions did the panel make about the timeframe for upgrading FTTN to FTTP in order to arrive at the “net benefits for MTM with upgrade over FTTP” values in table 7.6? (i.e. how long will it take to upgrade the entire FTTN footprint to FTTP)?
- (e) What assumptions did the panel make about the timeframe for upgrading FTTB/dp to FTTP in order to arrive at the “net benefits for MTM with upgrade over FTTP” values in table 7.6? (i.e. how long will it take to upgrade the entire FTTB/dp footprint to FTTP)?

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Answered by the Department of Communications (Program 1.1):

- (a) These assumptions reflected a panel view on the extent to which investment in HFC and FTTN would reduce subsequent costs. As noted, it was assumed HFC investment would not reduce any future costs of providing fibre and FTTN would reduce 20 per cent of costs. This is a somewhat lower figure than FTTN deployment costs as a share of FTTP deployment costs.
- (b) Yes.
- (c) The analysis allows for upgrade costs and impacts to be factored into a single year, as a modelling simplification. In reality, upgrade would ideally occur in areas where net benefits were highest first (higher value and/or lower cost) and then subsequently in other areas.
- (d) See above answer.
- (e) See above answer.