

Senate Standing Committee on Environment and Communications
Answers to Senate Estimates Questions on Notice
Budget Estimates Hearings June 2011
Broadband, Communications and the Digital Economy Portfolio
NBN Co Limited

Question No: 381

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

How and when did the Government first learn Mr Beaufret had been a director of Alcatel Standard?

Answer:

The Government first learned that Mr Beaufret had been a director of Alcatel Standard when Mr Quigley gave his evidence at the Senate Estimates hearing on 16 June 2011.

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NBN Co Limited

Question No: 382

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

How and when did the NBN Co board first learn Mr Beaufret had been a director of Alcatel Standard?

Answer:

We believe this occurred around May this year during Board consideration of the Alcatel matter.

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NBN Co Limited

Question No: 383

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

How and when did Mr Quigley first learn Mr Beaufret had been a director of Alcatel Standard?

Answer:

Mr Quigley was aware that Mr Beaufret was a director of Alcatel Standard during his time at Alcatel.

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Question No: 384

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

Has Mr Beaufret explained to the Government or NBN Co board the nature of the business of Alcatel Standard, and why the deputy CFO and/or CFO of Alcatel was required to serve on the board of a subsidiary with only a dozen employees?

Answer:

Mr Beaufret was not questioned by the United States Securities and Exchange Commission or the United States Department of Justice during the five-year long investigation, and the investigation has confirmed that Mr Beaufret, like Mr Quigley, was not involved in, or aware of, the payment of bribes by any Alcatel employees. As such, no explanation was warranted or required.

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Question No: 385

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

How many Alcatel Standard board meetings did Mr Beaufret attend or participate in?

Answer:

Mr Beaufret cannot recall the exact number of meetings, however there were only a small number during his time as a director.

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Question No: 386

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

How frequently did Mr Beaufret interact with the CEO of Alcatel Standard outside of board meetings?

Answer:

The CEO of Alcatel Standard was a Financial Controller and fully involved in the Financial Control team. As a result, he has fairly frequent contact with the CFO as his role required.

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Question No: 387

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

As a director of Alcatel Standard did Mr Beaufret approve any conduct or activity that was subsequently alleged by the US Department of Justice or Securities and Exchange Commission to violate the US Foreign Corrupt Practices Act?

Answer:

Mr Beaufret does not recall ever approving any such conduct or activity.

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Question No: 388

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

Was the Government, NBN Co board, or any director of NBN Co provided with any information about the alleged illegalities at Alcatel, Alcatel Standard's role in those activities, or Mr Beaufret's membership of the Alcatel Standard board prior to Mr Beaufret's appointment as CFO of NBN Co?

Answer:

No.

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Question No: 389

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

Was the NBN Co board aware Mr Beaufret had been a director of Alcatel Standard prior to NBN Co releasing a statement on December 31 2010 which in part stated: “Neither NBN Co CEO, Mike Quigley, nor CFO Jean-Pascal Beaufret, had any involvement in the matters which were the subject of the recent US Securities and Exchange Commission announcement relating to Alcatel-Lucent”?

Answer:

No.

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Question No: 390

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

Why has the 31 December statement been removed from NBN Co's website? When was it removed?

Answer:

This statement was never available via the NBN Co website. It was distributed to a limited number of outlets.

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Question No: 391

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

What findings on Mr Beaufret's previous employment history were provided to NBN Co by Egon Zender?

Answer:

Mr Beaufret's previous employment history was reviewed by Egon Zehnder during the selection process, which found nothing to provide.

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Question No: 392

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

Alcatel Standard has been alleged by the SEC and DOJ as being directly responsible for hiring 'consultants' through whom bribes were paid, for making certain illegal payments, and for falsifying books and records. Is this alleged conduct and the oversight exercised by Mr Beaufret over Alcatel Standard and its CEO as a director relevant to his suitability to be CFO of the NBN Co?

Answer:

Mr Beaufret was not involved in nor aware of any illegal activity in the hiring of 'consultants' by Alcatel Standard.

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Question No: 393

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Ltd (Other)

Senator Fisher asked:

Will Mr Beaufret appear before the Joint Parliamentary Committee on the NBN to clarify these matters?

Answer:

As NBN Co's Chief Executive Officer, Mike Quigley is authorised to speak on behalf of NBN Co at any Committee hearing.

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Question No: 394

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co (Cyclone Yasi)

Senator Fisher asked:

As stated at the Estimates hearing held on 16 June 2011 by the Minister for Broadband Communications and the Digital Economy and NBN CEO Mr Mike Quigley, Armidale became the first-release NBN mainland site as a result of the partially completed NBN infrastructure in Townsville being damaged by Cyclone Yasi.

- a. To what extent was the partially completed Townsville infrastructure damaged by Cyclone Yasi and why is NBN Co continuing to install aerial fibre cables in such a cyclone-prone area?
- b. What has been the restitution cost arising from the damage inflicted by Cyclone Yasi of the roll-out in Townsville?

Answer:

- a. and b

As noted in February Senate Estimates Question on Notice 355, the NBN Co network suffered relatively minor damage with three fibre optic cables requiring replacement as a result of Cyclone Yasi.

Following discussions with our construction partner Ergon Energy it became evident that the redirection of resource effort required by Ergon to repair its own network would mean estimated delays of up to eight weeks in the final completion date for Townsville, and Armidale became the first site on the mainland to be completed.

NBN Co is putting cables underground wherever useable existing ducting is located.

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Question No: 395

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

- a. What specifications does NBN Co require developers to meet for the installation of pit and pipe infrastructure?
- b. How are developers informed of these requirements?

Answer:

- a. Installation specifications and guidelines for developers are available on the NBN Co website:
<http://www.nbnco.com.au/assets/documents/installing-pit-and-conduit-infrastructure.pdf>
- b. Developers make application to NBN Co when they seek to have fibre infrastructure installed in a development and this marks the commencement of an intensive process of interaction between the developer and NBN Co.

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Question No: 396

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

How will NBN Co encourage developers to meet its specifications for pit and pipe infrastructure? Please detail what cooperative engagement entails in this regard as referred to in answer to question on notice 232 from February 2011's additional estimates.

Answer:

Consistent with Government policy¹, NBN Co will only supply the fibre and other elements of a complete FTTP solution once fibre ready facilities are prepared to NBN Co specifications as explained on the NBN Co website:

<http://www.nbnco.com.au/assets/documents/installing-pit-and-conduit-infrastructure.pdf>

There will be also extensive education and consultation programs to assist developers. Details of engagement for developers with NBN Co are set out on the NBN Co website at:

<http://www.nbnco.com.au/getting-connected/new-developments.html>

¹ See: http://www.dbcde.gov.au/broadband/national_broadband_network/fibre_in_new_developments

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Question No: 397

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

In reference to answer to question on notice No. 231 from February 2011's additional estimates where NBN Co confirmed that it is not true that NBN Co does not have the current resources to install fibre on small housing estates, why then does NBN not currently install fibre on small housing estates?

Answer:

The question is better directed to the Minister for Broadband, Communications and the Digital Economy.

NBN Co operates within the framework of the Fibre in New Developments policy available at www.dbcde.gov.au/broadband/national_broadband_network/fibre_in_new_developments, which is set by the Government.

NBN Co is required, as provider of last resort, to service developments of more than 100 lots or units, developments in areas where it has fibre that is ready and capable of connection and developments in areas it has announced as fibre rollout regions in which it has indicated it will roll out fibre in the coming twelve months.

The Government has set out these arrangements to ensure a smooth transition to the provision of fibre in new developments and the rollout of the NBN generally given the demands having to service all small developments could place on NBN Co.

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Question No: 398

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

At what point (number of houses) is it easier and more cost effective to install fibre on a new development rather than install it on existing premises and over the copper network?

Answer:

A number of factors influence the cost-effectiveness of installing fibre in new developments, including the location and size of the estate and the availability of existing infrastructure.

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Question No: 399

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

- a. Please confirm that owner(s) of the premises in Tasmania will not be required to be present when the installer is installing the cable. Is this the case in all states?
- b. Who is responsible for providing notice to households of installation – NBN Co or contractors?
- c. How many contractors are currently used?

Answer:

- a. The owner of the premises is not required to be present for the installation, provided they have given authority to a person who is present.
- b. The contractors installing on behalf of NBN Co.
- c. There are currently two contractors involved in the demand install process in Tasmania.

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Question No: 400

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

- a. Has NBN Co, or any of its contractors, been liable for any damage or loss of property as a result of NBN installers accessing the property of residents to date?

- b. If so, please provide details of all instances.

Answer:

(a)– (b)

There has been no confirmed liability for any damage or loss of property as a result of NBN installers accessing the property of residents.

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Question No: 401

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

In reference to answer to question on notice 246 from February 2011's additional estimates, NBN Co states that the commercial outcomes of the project would be affected by cherry picking if that occurred.

- a. By how much would it be affected?
- b. What scenarios or levels of cherry picking have been modelled?

Answer:

Page 52 of the NBN Co Corporate Plan, released on 15 December 2010 states:

If NBN Co were to be 'cherry picked' by competitors in the most lucrative regions, and it resulted in a decrease of 50% of Greenfields connections (with 0.8 million fewer connections by end of deployment in December 2020), then the NBN projected returns would reduce to 5.4%, representing approximately 160bps negative delta. The effect on total funding (levered) would be an extra \$1.2 billion in total funding and \$1.7 billion additional requirement in Government equity. In addition to the impact of cherry picking in Greenfields, there would be an impact in the most commercially attractive areas of Brownfields. This would take the returns well below 5%.

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Question No: 402

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

- a. Have any contracts been awarded to date in relation to the public information and education campaign regarding the migration of services to the NBN?
- b. Please provide details of all PR, communications, advertising or other relevant contracts. How much has been spent this year to date?
- c. What proportion of this campaign is direct to households (mail etc.) as opposed to indirect (television advertising etc). Is this campaign co-funded by Telstra?
- d. What share and value of this campaign is being borne by NBN Co?
- e. Is this advertising campaign required by the agreement between Telstra and NBN Co?

Answer:

- a. NBN Co has not awarded any contracts to date in relation to the Public Information on Migration (PIM) activity.
- b. Refer answer to (a).
- c. The PIM activities are still to be worked through with key stakeholders, including Government. The PIM activities are not co-funded by Telstra.
- d. Refer answer to (c).
- e. The PIM activities are not part of the Definitive Agreements between NBN Co and Telstra. They are a requirement of Government policy and are part of the Agreements between the Commonwealth Government and Telstra.

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Question No: 403

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

- a. What research on Tasmania and 1st release sites has been undertaken on usage and sign up rates and speed of plans taken up by consumers?
- b. How frequently is this research updated?

Answer:

- a. No specific research has been undertaken in relation to speed, usage and sign up rates as the learnings from Pre-Release sites in Tasmania were designed more around construction and rollout experiences.
- b. Refer (a) above.

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Question No: 404

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

- a. How much can the end-user's PC hardware and the settings within it erode speeds by?
- b. What percentage of home computers sold allow maximum speed usage?

Answer:

- a. It is not a case of the network speeds being eroded but the capability of the user's hardware to take full advantage of the potential of the NBN. It is not possible to generalise about the impact of such hardware on the end user's experience except to say there will likely be some old equipment that cannot take full advantage of the capability of the network.
- b. NBN Co does not have access to this information.

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Question No: 405

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

In reference to the answer to question on notice 330 from February 2011's Additional Estimates, what is NBN Co's understanding of RSP's existing network performance outside of the NBN itself?

Answer:

In cooperation with Retail Service Providers (RSPs), NBN Co is still finalising the development of the capability to diagnose problems on the RSP's network that connects to the NBN at the Point of Interconnect. There will also need to be a greater level of experience with RSP's connecting to the NBN Co network before NBN Co has a good understanding of their network performance. We continue to work co-operatively with the RSPs on our product constructs in order to improve their overall experience as our customers.

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Question No: 406

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

- a. How has NBN Co explored mechanisms for a community to fund the extension of the fibre network as outlined in its *Statement of Expectations* letter of 17 December 2010?
- b. What mechanisms have been explored? How advanced is this exploration or any resulting mechanisms?
- c. Who does NBN Co expect will pay to fund such an extension? Please provide details.

Answer:

a-c NBN Co is currently undertaking a trial of the fibre optic network extension process with selected properties that border the Tasmanian second release sites of Triabunna, Sorell, Deloraine, St Helens and South Hobart.

This trial is designed to establish a process for dealing with requests from end-users, businesses or governments to extend the fibre or wireless footprint beyond the planned rollout of the National Broadband Network.

NBN Co will establish objective design criteria which will be used to define the footprints of each access technology. These design criteria become the starting point for considering Network Extension propositions.

An application process will need to be established for end-users to make requests for Network Extensions. NBN Co will be charging end-users the incremental cost of installing infrastructure beyond the footprint produced by applying the design criteria.

As part of this trial, NBN Co will determine how much the extension will cost for a particular property. If the property owner chooses to go ahead with the network extension, they must pay the relevant amount to NBN Co.

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Question No: 407

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

How many communities with less than 500 premises will not be connected to the fibre network unless network extension arrangements are put in place? How many of these communities are passed by backhaul? What is NBN Co's definition of 'community'. What is NBN Co's definition of 'passed'.

Answer:

Please refer to answer to a similar question, Question on Notice.381 from February 2011 Estimates Hearings - "Under current network planning guidelines no community with less than 500 premises, even if passed by the fibre transit backhaul routes, will be connected to fibre unless network extension arrangements are put in place between NBN Co and the local communities."

NBN Co uses the same definition of community as used by the Australian Bureau of Statistics in its census data. Communities are commonly thought of as being groups of people living within particular geographic areas. However, there are other connections between people which are not geographically based but which indicate the existence of communities. NBN Co uses the geographical definition.

The number of communities with less than 500 premises that are passed by the NBN Co transit backhaul is not known precisely as much of this part of the network will, under the deal with Telstra, use their network and precise details of this are not available to NBN Co.

"Passed" as a definition has different meanings across our three products (fibre, satellite and wireless) so it is not easily defined. In the fibre serving areas it can best be described as "within close proximity" but without using a specified distance.

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Question No: 408

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

In relation to NBN Co's four active RSPs on the mainland with a further eight RSPs who have signed in-principle agreements to deliver services over the NBN, at what point do you envision that the number of customers in the first-release site of Armidale will exceed the number of potential RSPs on the network?

Answer:

This is already the case.

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Question No: 409

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

In relation to the fourth crucial date in the NBN Co's corporate plan is to activate 10,000 premises on the NBN by February 2012, is NBN Co on track to meet this target? What educational campaigns or advertising is planned to ensure NBN Co meets this target? Please provide details of the cost and scope of any such campaigns.

Answer:

The NBN Co *Corporate Plan 2011-2013* referred to the activation of 10,000 premises by late June 2012 subject to a number of stated dependencies.

The Public Information on Migration (PIM) activities are a requirement of government policy and are part of the Agreements between the Commonwealth Government and Telstra.

The PIM activities are still to be worked through with key stakeholders, including Government.

NBN Co is yet to scope the cost. The program is being developed and will require input and advice from the wider industry before being implemented.

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Question No: 410

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

Has NBN Co received any advice from DBCDE on the construction tender process? Please provide details.

Answer:

The Construction tender process was run entirely by NBN Co with no advice from DBCDE.

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Question No: 411

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co

Senator Birmingham asked:

Has NBN Co considered, or been approached with a proposal for, leasing third-party satellite infrastructure thus minimising considerable capital cost and risk? If not, why not?

Answer:

Yes, NBN Co received and considered proposals that involved leasing third-party satellite infrastructure during the Request for Capability for the Long-Term Satellite Solution. None of these proposals could deliver the capacity or met NBN Co's business requirements for delivering the satellite service.

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Question No: 412

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co's deal with Telstra

Senator Birmingham asked:

Was the possibility of obtaining access to Telstra's copper customer access network to provide the last part of a fibre to the node (FTTN) network configuration for the NBN raised at any point in negotiation of the deal with Telstra?

Answer:

Negotiations with Telstra were based on the government's requirement that the NBN should be a Fibre to the Premises (FTTP) model. There were no discussions about access to the copper network to provide the last part of a FTTN configuration for the NBN.

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Question No: 413

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co's deal with Telstra

Senator Birmingham asked:

Would incorporating this contingency into the deal have provided greater flexibility and greater risk mitigation for the current and future governments if the NBN design needs to be altered for any reason?

Answer:

Negotiations with Telstra were based on the Government's policy requirement that the NBN should be a Fibre to the Premises (FTTP) model for 93% of all Australian premises. Questions regarding possible changes to that model are matters of policy and therefore should be addressed to the Government.

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Question No: 414

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co's deal with Telstra

Senator Birmingham asked:

What would the impact on NBN Co's expected returns be if the Optus HFC network was permitted to continue to operate in competition with the NBN in the provision of broadband services?

Answer:

NBN Co's Corporate Plan released in December 2010 assumes no commercial agreement with Optus. It therefore reflects our assumptions on returns without an agreement with Optus. NBN Co's next Corporate Plan will take into account the Optus agreement, entered into by Optus on commercial grounds.

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Question No: 415

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co's deal with Telstra

Senator Birmingham asked:

What would the impact on NBN Co's expected returns be if the Telstra HFC network was permitted to continue to operate in competition with the NBN in the provision of broadband services?

Answer:

NBN Co and Telstra have reached a commercial agreement for the progressive disconnection of Telstra's fixed line traffic in relevant areas (excluding HFC Pay TV traffic). In evaluating the benefits of this commercial arrangement, NBN Co did not separately calculate the effect of treating Telstra's non-Pay TV HFC traffic differently as both parties were seeking an integrated outcome.

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Question No: 416

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co's deal with Telstra

Senator Birmingham asked:

What would be the cost saving in rolling out the NBN if superfast broadband was able to continue to be delivered over HFC to premises passed by these networks, and the NBN Co did not have to overbuild any of these areas?

Answer:

NBN Co has made no such calculation as it is inconsistent with the Statement of Expectations it has been given by its shareholders to build a network providing fibre access to 93% of Australian premises and 7 percent fixed wireless and satellite.