

Chapter Seven

NBN Co: business progress

Overview

7.1 Since the committee's *Third Report*, NBN Co has continued to progress as a business. Some areas of activity, such as the selection of first release trial sites and the company's well-documented consultation processes about product offering and network architecture have been discussed at length elsewhere in this report.¹ The major developments on the mainland not already described concern:

- the appointment of a new Chair of the company, Mr Harrison Young;
- the announcement of a number of other senior executive appointments, many of which were not advertised and one of which was tainted by an individual's long-standing connection with the Australian Labor Party;
- the build up of a management team to plan and coordinate network construction activities;
- the selection of new office premises in Sydney;
- the awarding of contracts, following competitive tender processes, for some core business functions; and
- the issuance of requests for capability statements and requests for proposals for network technology and equipment services.²

7.2 Few submitters commented directly on the progress of NBN Co's business arrangements. Most comments relating to the governance, operations and services of the NBN Co focussed on the exposure draft legislation discussed in the preceding chapters. Of those submitters who did comment on other aspects of NBN Co's business progress, the main concern raised was that appointments to senior positions within NBN Co were contaminated by conflicts of interest and a non-transparent process.³

1 See chapters 3 and 4.

2 Mr Michael Quigley, CEO, NBN Co Ltd, *Committee Hansard*, Canberra, 15 April 2010, pp 43–44.

3 Mr Blake Roet, *Submission 104*, p. 8.

NBN Co summary of business progress

7.3 The committee received a detailed update on NBN Co's progress from CEO, Mr Michael Quigley. Mr Quigley outlined the many developments in NBN Co's business activities that have occurred since he last gave evidence to a Senate committee in February 2010:

We have now got about 150 people, with offices in Sydney, Melbourne, Hobart and Canberra. We have got a management team in place now that has quite deep experience in telecommunications. We are also very fortunate to have a new chairman, Mr Harrison Young, who brings a great deal of experience to the Board, and I am sure he is going to be a real asset for the company. We are taking now all the steps you would expect us to take with regard to establishing the processes and capability which we will need. This includes things like IT systems, financial controls and human resource processes.

...

[W]e are currently preparing the documentation necessary to lodge a special access undertaking with the ACCC. We plan to lodge the undertaking in June this year. As part of the ACCC undertaking we will have to establish our wholesale prices.

...

To implement the architecture and the designs we are doing, we will of course procure a range of equipment and capabilities. We are currently engaged in an RFP process for GPON, active equipment and services, and also for aggregation and transmission equipment and services. We ran a request for a capability statement process for our... operational support systems and business support systems. That closed in March [2010] and we are currently reviewing the responses prior to going to an RFP. The RFP for passive network hardware and services has only just recently closed and we are reviewing their responses to that... [T]he request for capability statement for design and construction of a fibre access network, is open now and closes on 27 April [2010]. Overall, I am generally pretty happy with the progress we have made with the procurement of many of these complex pieces of equipment systems. It is no easy job putting together all of the documentation to run those systems.

We are also engaged in the planning of our construction activities, and since I last spoke to you we have taken on the head of construction who is now building up the management team for the construction activity. They will look after all the construction activities we will be doing. We are well aware of the magnitude of the construction program and the need to engage the construction industry and the need for training to provide all the necessary skills that we are going to need in the build process. That is something we are now paying increasing attention to.⁴

4 Mr Michael Quigley, CEO, NBN Co Ltd, *Committee Hansard*, Canberra, 15 April 2010, pp 43–44.

7.4 Mr Quigley also described NBN Co's progress in Tasmania and in relation to wireless and satellite services. That aspect of the evidence is discussed in the following chapters.

7.5 The committee repeats its disappointment, expressed above in chapter 3 of this report, that it did not receive answers from NBN Co, within any reasonable time period, to questions taken on notice at that hearing. A number of those questions related to matters dealt with in the remainder of this chapter.

Committee's key areas of concern

7.6 Overall, the committee notes business progress of NBN Co. However, the committee has three areas of concern:

- Commercial viability of the business;
- Sufficiency of training, accreditation and certification processes for future NBN construction workforce; and
- Lack of transparency in appointment process for some senior positions in NBN Co.

Commercial viability of NBN Co

7.7 Chapter 6 of the committee's *Third Report*, discussed at length the committee's, and indeed key stakeholders', concerns as to whether NBN Co can be a commercially viable Government Business Entity (GBE).⁵

7.8 The committee does not propose to repeat the analysis, although it notes that a number of submissions since the publication of the *Third Report* continued to raise matters relating to the commercial viability of NBN Co. For example, Mr Kevin Morgan, an industry consultant, explained that international experience of Fibre to the Home projects casts doubts on whether NBN Co will be able to generate a sufficient return to attract future investment:

[T]he economics of FTTH even in leading markets remains in question with NTT in Japan struggling to break even on its investment, and the Korean deployment is yet to yield returns, but it is clear that the vertically integrated model is giving better results than the wholesale only model. This begs the critical question of whether wholesale model can ever be self sustaining and it must be asked, given the government's commitment to private investment and ownership, whether investors will 'buy' the notion of the NBN as utility and consequently accept utility returns on their investments. It should be noted that the concept of utility returns and low cost capital are integral to the government's wholesale only model.⁶

5 *Third Report*, November 2009, Chapter 6, pp 63–98.

6 Mr Kevin Morgan, *Submission 122*, p. 4.

7.9 A number of other submissions argued that questions of pricing – in particular, the pricing model ultimately adopted – will significantly affect the commercial viability of NBN Co. For example, Mr John de Ridder, Principal of De Ridder Consulting Pty Ltd, submitted that 'the goal should be to make the NBN another utility network like electricity and water,' with pricing to be based on a 'low monthly rental' fee for all premises and then traffic charges to apply based on each end-user's amount of usage (not speed of the connection).⁷

7.10 The pricing model NBN Co adopts does not merely affect the commercial viability of NBN Co. It also affects the extent to which the NBN as a whole will realise the trans-sectoral and truly nation-building objectives the Government seeks. As Mr Paul Budde, Managing Director of Paul Budde Communication Pty Ltd put it:

From the beginning [the Government] clearly stated that the NBN should also be used for non-commercial applications. And if the NBN is not made available to these sectors on a utilities basis the cost of using the NBN for such purposes will be too high. This would result in a continuation of the private networks that are currently used within these sectors and the opportunity for an important revenue stream for NBN would be lost.⁸

7.11 The committee believes that from the perspective of end-users, a utility pricing model is the optimal pricing model for the supply of broadband services. The committee notes, however, that given it will be retail service providers (as opposed to NBN Co) who will actually interface with end-users, the pricing model adopted will ultimately be a matter for those retail service providers to decide.

7.12 As stated in chapter 4 above, NBN Co is yet to announce its wholesale pricing intentions, although its stated intention is to lodge an access undertaking – which will include its wholesale prices – with the ACCC in June this year.⁹

7.13 In response to questioning from the committee, Mr Quigley stated that his 'hope' is for a 'satisfactory return' over about a '20- to 30-year time frame':

Mr Quigley— ... [T]he board's role is to get a satisfactory long-term return on the capital that the government invests. It is up to the government to determine what that return rate is, but we would hope to generate a return. You can have plenty of debates about what is a satisfactory return; that is up to the government to decide. But yes: that is our aim.

CHAIR—Over what period of time?

Mr Quigley—This is a long-term project. For this type of nation-building infrastructure, I would imagine that you are looking at a 20- to 30-year time frame.¹⁰

7 Mr John de Ridder, Principal, De Ridder Consulting Pty Ltd, *Submission 113*, pp 4–5.

8 Mr Paul Budde, Paul Budde Communication Pty Ltd, *Submission 105*, p. 1.

9 Mr Michael Quigley, CEO, NBN Co Ltd, *Committee Hansard*, Canberra, 15 April 2010, p. 43.

10 Mr Michael Quigley, CEO, NBN Co Ltd, *Committee Hansard*, Canberra, 15 April 2010, p. 47.

7.14 Mr Quigley went on to explain that NBN Co is currently preparing a three-year business plan, which it is required to do as a GBE, to submit to the Government on 31 May 2010. That document will 'lay out [NBN Co's] projections for the business in the long term'.¹¹ Mr Quigley's expectation is that the Government will 'have a look at the business plan and see if they agree with it' and that '[n]o doubt' there will follow discussions between NBN Co and the Government 'about the long-term funding assumptions that [NBN Co has] made in that business plan'.¹²

7.15 In a speech to industry shortly after the committee's public hearing, Mr Quigley reportedly sought to qualify his comments to the committee, explaining that NBN Co's business case showed three things:

- first, NBN Co should generate a return on its costs before the end of the eight-year construction period;
- second, NBN Co will recover its yearly costs, including capital costs, within a few years after the end of that construction period; and
- third, the NBN will be built in a way that enables the company to 'repay all the government's equity contribution within the normal life of a telecommunications project, which is a 20-to-30-year period'.¹³

7.16 Questions to the department as to how private investment will be encouraged and whether the plan to have commercial investment of up to 49 per cent equity in NBN Co is viable in practice, were met with a response that such information is not yet publicly available. A representative of the Department stated: '[t]he policy arrangements around financing and equity will be dealt with in responding to the implementation study'.¹⁴

7.17 In chapter 2 of this report the committee noted the Implementation Study's finding that the NBN can be built with an initial Government outlay of \$26 billion and can, over time, provide the Government with a return on its investment sufficient to recover its costs. However, more importantly, the committee also documented in chapter 2 the significant criticisms that have already, in the few days since the release of the Implementation Study, been made of the flawed assumptions that underpin the Implementation Study's findings on commercial viability. Any Government response to the Implementation Study would need to address those criticisms.

11 Mr Michael Quigley, CEO, NBN Co Ltd, *Committee Hansard*, Canberra, 15 April 2010, p. 48.

12 Mr Michael Quigley, CEO, NBN Co Ltd, *Committee Hansard*, Canberra, 15 April 2010, p. 48.

13 Mr Michael Quigley, CEO, NBN Co Ltd, quoted in Dominic White and Brian Corrigan, 'NBN chief clarifies profit target', *The Australian Financial Review*, 21 April 2010, p. 5.

14 Mr Daryl Quinlivan, Deputy Secretary, Infrastructure, Department of Broadband, Communications and the Digital Economy, *Committee Hansard*, Canberra, 15 April 2010, p. 67.

Committee view

7.18 The committee has not seen NBN Co's three-year business plan which it expects to provide to the Government on 31 May 2010.

7.19 The committee also did not have the benefit during its public consultation process of having either the Implementation Study or the Government's response to that document.

7.20 In the absence of all three critical pieces of information, the committee had no evidence before it on which it could consult with stakeholders and experts, or indeed objectively assess for itself, whether NBN Co can, and is likely to be, commercially viable in the future. The committee repeats its deep frustration that critical documents for objectively assessing the merits of the NBN project and its commercial viability have been withheld from the Australian public.

7.21 The committee has, however, already stated in chapter 2 of this report its view as to the commercial viability of NBN Co. In summary, the committee strongly doubts that NBN Co can be commercially viable in the future. That is a view backed up by analysts' opinions and concerns as articulated following the release of the Implementation Study on 6 May 2010 (see chapter 2 for examples).

Workforce training, accreditation and certification

7.22 The committee is concerned that workforce training, accreditation, and certification processes have not yet been adequately identified and addressed by NBN Co and/or the Government. If the NBN is in fact rolled out over the intended eight-year timeframe, an enormous skilled and accredited workforce will be required and it is imperative that there be sufficient training and safety procedures in place before the roll-out commences.

7.23 In its *Third Report*, the committee recommended that 'the Government immediately undertake...a skills audit for the NBN, detailing the training course[s] required, the training timeframes involved and the training institutions available to ensure there is a fully skilled workforce ready to deploy the NBN in each region'.¹⁵

7.24 The committee has subsequently received further evidence which suggests there has not been sufficient progress on the matter, that there is an urgent need for a national training and accreditation system to be deployed to support any NBN roll-out, and that the Department is currently doing little, if anything at all, to support sufficient training, accreditation and safety procedures being in place for the NBN workforce.

7.25 When the committee asked the Department what it and/or other areas of Government were doing 'to ensure there is a sufficiently trained and accredited

15 *Third Report*, November 2009, Recommendation 6. See also the committee's analysis of the expected skills shortage issue at pp 96–98, [6.174]–[6.186] of that report.

workforce to roll-out the NBN', and also whether there will be a skills shortage that hampers the roll-out,¹⁶ the Department responded with:

This is largely a task for NBN Co to manage.¹⁷

7.26 If the NBN project continues to progress, it will involve more than ten million points of connection, with approximately four to five thousand of those being connected each day of the eight-year roll-out period.¹⁸

7.27 In a presentation to an NBN Co Information Session, Mr Patrick Flannigan, Head of Network Construction for NBN Co, estimated that, at its peak, the project will need a direct construction workforce of between 15–20 000 full time equivalent workers.¹⁹

7.28 The committee was interested to hear from representatives of Communications and Information Technology Training (CITT) as to their thoughts about the training, education, workforce deployment and strategic planning issues associated with the NBN. CITT is a national industry training company responsible for the promotion of training packages and new apprenticeships within the information technology sector. Training remains the organisation's main focus.²⁰

7.29 The representatives of CITT outlined their main concerns about the current level of skills preparedness of the industry:

...in all of the forums that CITT is engaged in it is very obvious that there are a number of areas of concern in the skills formation area for this particular government initiative.²¹

7.30 CITT identified a number of 'priority areas' for the 'immediate NBN roll-out in the context of running the cable down the streets, down the estates and into the buildings',²² chief of which was the need for 'upskilling' of the intended workforce:

16 Senator Fisher, additional written question on notice, Question 8, 20 April 2010.

17 Department of Broadband, Communications and the Digital Economy, answer to question on notice, question 8, 20 April 2010 (received 23 April 2010).

18 NBN Co Ltd, *NBN Co Network & Operations Information Session*, March 2010, Slide 24, www.nbnco.com.au/content/upload/files/Network_and_Operations_Information_Session_Presentation.pdf, accessed 24 April 2010. See also McKinsey-KPMG, *Implementation Study for the National Broadband Network*, 5 March 2010, Executive Summary, p. 9.

19 NBN Co Ltd, *NBN Co Network & Operations Information Session*, March 2010, Slide 24.

20 Mr Kevin Fothergill, Industry Manager, Communications and Information Technology Training Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 29.

21 Ms Cherry Cole, Human Resources Consultant, CITT, *Committee Hansard*, Melbourne, 14 April 2010, p. 29.

22 Mr Kevin Fothergill, Industry Manager, Communications and Information Technology Training Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 30.

What we see as the more immediate need is upskilling of the people who are going to be doing the run-out work down the streets, whether it be cable or underground, and the people who will be running the lead-in across to the customers' premises.²³

7.31 By 'upskilling', CITT was referring to a need for all cablers to have sufficient training (and up-skilling or refresher skills training where necessary) in the following 'core skills' areas:

- OH&S – particularly for construction sites, underground cabling and pipe awareness, lead-in cable, wireless, and new optical fibre techniques.
- Fibre Optics – basic principles e.g. splicing/jointing applications and safety.
- Coaxial Cable – basic applications and safety.
- Antennae/Satellite – basic applications, installation practices and safety.
- Power safety – power infrastructure is often used for telecommunications equipment mounting. Grid-fed power to some equipment types and mains power supply for optical network termination units are also an issue and suitably qualified telecommunications staff will need to be given nationally accredited courses to gain limited electrical qualifications, if they are to install basic 240 volt power supply points to supply ONTs [Optical Network Terminal].
- Testing and commissioning of NTD [Network Termination Devices] /ONT operation and cabling. Both external and internal situations will need to be covered.
- Customer relations – more customer interface is likely and role/relationships of NBNCo, retail service providers and traditional carriers will require some explanation to customers at installation of the network termination device, which itself will often be an issue regarding location on or in the building.²⁴

7.32 CITT explained the reason such training is necessary:

For the cabling in the sector of the customers' premises and in the network itself there will have to be occupational health and safety training and there will have to be fibre training, because there are hazards with fibre. People do not always understand this, but there are laser hazards and prick hazards...

Then there is the testing and commissioning of the network termination device. The network termination device is not just a box that is dead, just a terminal, as it is in current telecommunications. This will be live. It will be powered by 240 volts. The 240 will be broken down into telecommunications voltages, but nevertheless will be 240 to the optical

23 Mr Kevin Fothergill, Industry Manager, Communications and Information Technology Training Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 31.

24 CITT, *Submission 127a*, p. 7.

network termination unit, which may be outside the building or may be inside.²⁵

7.33 The seriousness and accuracy of CITT's concerns was demonstrated by subsequent reports of serious safety incidents occurring in Tasmania during the initial roll-out of the NBN. On 28 April 2010 newspaper reports detailed how a spate of incidents, including one reported electrocution, had occurred.²⁶ They also reported allegations that some employees had been fired after raising safety concerns about the roll-out.²⁷ A spokesperson for NBN Tasmania is reported to have told the industry publication *Communications Day* that:

...six incident reports had been logged, and that concerns around two of these had led NBN Tasmania and Aurora Energy (project manager and agent for construction and roll-out of the NBN Stage One project in the state) to suspend work for a period of refresher training for all contractors. [The spokesperson] added that there had been no further incidents reported since work resumed.²⁸

7.34 Other concerns expressed by CITT related to the increase in the workforce numbers that will be necessary to support the NBN roll-out. CITT stated that there are currently approximately 63 000 cablers who are licensed and registered with the Australian Communications and Media Authority (ACMA) to work on the inside of premises, almost all of whom CITT estimates would be actively engaged in that sort of work in Australia at present.²⁹ But in response to questioning from the committee, CITT indicated that it estimates that an additional 30 000 cablers will be needed to satisfy the needs of the network roll-out, additional workers who may be either sourced from other parts of the industry, other sectors, or be entirely new to the trade.³⁰ Workers will therefore be coming to any industry training 'with very different underpinning skills and knowledge'.³¹ Representatives of CITT spoke of the

25 Mr Kevin Fothergill, Industry Manager, Communications and Information Technology Training Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 31.

26 Mr Michael Stedman, 'Safety probe of NBN', *The Mercury*, 28 April 2010, www.themercury.com.au/article/2010/04/28/142585_tasmania-news.html, accessed 29 April 2010; Mr Petroc Wilton, 'NBN Co talks tough on safety after outbreak of incidents', *Communications Day*, 28 April 2010, p. 3.

27 Mr Michael Stedman, 'Safety probe of NBN', *The Mercury*, 28 April 2010; Mr Petroc Wilton, 'NBN Co talks tough on safety after outbreak of incidents', *Communications Day*, 28 April 2010, p. 3.

28 Mr Petroc Wilton, 'NBN Co talks tough on safety after outbreak of incidents', *Communications Day*, 28 April 2010, p. 3.

29 Mr Kevin Fothergill, Industry Manager, Communications and Information Technology Training Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 31.

30 Mr Kevin Fothergill, Industry Manager, Communications and Information Technology Training Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 31.

31 Ms Cherry Cole, Human Resources Consultant, CITT, *Committee Hansard*, Melbourne, 14 April 2010, p. 32.

significant proportion of new industry members that will need to be brought on board given the fact that the existing workforce, many of whom are ex-Telstra cablers nearing the end of their careers, is an ageing one.³²

7.35 The challenges inherent in such a significant increase in the workforce – an increase generated from diverse backgrounds of experience – evidently raise implications for training and accreditation. CITT stated the industry is 'very well equipped potentially to do much of the training and reskilling that is necessary' and that there is 'a large amount of hidden training effort undertaken by enterprises, carriers and the like'.³³ However, in CITT's opinion, the critical matter is designing and implementing a 'workforce development strategy that is for the short term, the medium term and the long term'.³⁴ The problem is particularly acute and difficult because of the changes to the industry's structure and to the traditional means of delivering training that have been brought on by the increased use of outsourcing and contracting arrangements:

Managing the big contractor is one thing, but then the big contractor outsources to small contractors, and that is where the training issues come in, because small contractors quite often do not have the time. They are under pressure and they do not have the time to do the training. So unless there is something in the contract requirement that says that they should have a minimum level or whatever, that is where the problems come in.³⁵

7.36 CITT explained that the current dispersion of skills training would need to be replaced by a nationally-coordinated effort to ensure registered training providers are supplying adequate training programs to guarantee a safe and effective roll-out of the NBN:

So for us the issue is about getting quality training and quality outcomes on the job. There would be a need to ramp up and increasingly support the existing VET infrastructure to take on board the very large and national training effort that would be necessary to create that workforce. Whilst the infrastructure is there, the organisations are there, Skills Australia is very strong—and has recently published a very interesting document associated with workforce development across the economy—and the industry skills councils that are relevant to this industry are very active in their industry-specific planning, there would need to be a fairly considered and nationally coordinated effort to ensure that all of the registered training providers and others would in fact be capable of delivery and would be

32 Mr Kevin Fothergill, Industry Manager, Communications and Information Technology Training Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 37.

33 Ms Cherry Cole, Human Resources Consultant, CITT, *Committee Hansard*, Melbourne, 14 April 2010, p. 32.

34 Ms Cherry Cole, Human Resources Consultant, CITT, *Committee Hansard*, Melbourne, 14 April 2010, p. 32.

35 Mr Kevin Fothergill, Industry Manager, Communications and Information Technology Training Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 37.

delivering the right types of programs so that in the end you would be guaranteed of having a workforce that could deliver a timely, cost-effective and quality NBN.³⁶

7.37 CITT made the following non-exhaustive list of recommendations as part of its proposal for the nationally co-ordinated program:

A National Digital Economy Co-Ordination Centre should be established to undertake a more collegiate approach to supporting converging technologies and skills in meeting the broadband and the digital economy needs by using industry benchmarks and the co-regulation quality model adopted by ADTIA [Australian Digital Television Association Inc]. An objective would be to work to provide flexibility and national consistency within the existing the Vocational and Training System (VET).

A national audit should be undertaken to identify current vocational training facilities and teaching resources for ICT and the digital economy and facilitate development actions, including brokering workplace training places in enterprises.

New entrants should be encouraged into the telecommunications industry by wider use of apprenticeships, cadetships, traineeships, recognition of prior learning, employer incentives and linking uptake to contracts wherever possible.

There should be a national co-ordinator for the VET (Vocational Education & Training) in schools programs and a listing of schools that meet industry requirements; for example, with trades centres.³⁷

7.38 Part of that national training program would be an accreditation certificate for cablers installing or working with the live Optical Network Termination (ONT) device at an end-user's premises. Mr Kevin Fothergill of CITT outlined a proposal to create a special telecom-electricity licence and short retraining courses for people who have backgrounds in telecoms and the military:

I am not saying it is a popular view with some of our colleagues in the industry sector, but we have put forward that a telecommunications technician, already suitably trained and meeting the requirements of the ACMA, should be given a training program to get what I will call for this session a limited—or restricted, or telecommunications—electrical licence permit to be able to install a power supply for the network termination device. If we do not do that, what you will find is that there will be all sorts of IR [Industrial Relations] issues and the like, with arguments over who actually does the installation. There are not enough electricians to do this work. That is a fact of life. To be specific, we believe that there [should be] a very short training program for people who are, say, ex-Telstra, ex-Optus or ex-military for them to be able to install either a power point or to be

36 Ms Cherry Cole, Human Resources Consultant, CITT, *Committee Hansard*, Melbourne, 14 April 2010, p. 33.

37 CITT, *Submission 127a*, pp 2–3.

able to work to put the power to the network termination device—nothing else, no other electrical work. People who are relatively new in the industry, who come in from employment elsewhere or whatever and who are not trained by a carrier or somebody [who] has got a reputable training program, may need a bit more...

[M]ost people would already have some training in electrical cabling. But they would absolutely need some extra training.³⁸

7.39 CITT submitted that any training standards should be set out in 'the overriding act and regulations arising to implement the NBN'.³⁹ CITT emphasised that the national standards would need to complement and/or address the different state-based training and accreditation schemes and state legislation which currently apply to some aspects of the industry.

7.40 The committee subsequently asked Mr Quigley to outline what NBN Co's views are on its 'anticipated workforce load, given the ambitious nature of this roll-out, and what [NBN Co is] doing now in engaging with the Industry Training Council network and those charged with the responsibility of making sure that workers or contractors engaged are suitably qualified at a technical as well as an occupational health and safety level'.⁴⁰ Mr Quigley responded that NBN Co is currently broadly addressing the matters:

Our head of construction, Patrick Flannigan, is building up his staff. He is engaged with the construction industries. We have started to have discussions about exactly what the job is and how we can do it as efficiently as possible, how we can use some of the latest construction methodologies and technologies to reduce the amount of work that needs to be done in the field and have more of it, for example, done in the factories—for example, preconnectorisation. On the other side, Kevin Brown, who is in charge of corporate services including human resources, is engaged with various entities discussing training needs and how qualification will take place.⁴¹

7.41 In an answer to a related question taken on notice, NBN Co provided the following outline of its activities related to addressing safety and training considerations:

We have appointed a Chief Safety Officer who will be working with the Head of Construction to ensure that safety is given the utmost priority. The company has established safety systems, audit policies and approved work practices and ensures that these are followed. For instance, no person will

38 Mr Kevin Fothergill, Industry Manager, Communications and Information Technology Training Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 34.

39 Mr Kevin Fothergill, Industry Manager, Communications and Information Technology Training Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 39.

40 Senator Kate Lundy, Question to Mr Michael Quigley, *Committee Hansard*, Canberra, 15 April 2010, p. 53.

41 Mr Michael Quigley, CEO, NBN Co Ltd, *Committee Hansard*, Canberra, 15 April 2010, p. 53.

be admitted to an NBN work site without the appropriate site induction. No person will be able to commence work on any NBN Co site without the appropriate qualifications whether they be trade or engineering. NBN Co and all of its contractors and subcontractors will undergo all of the appropriate rigorous induction and training and be fully qualified in the required skills to do their specific task.

The company is actively promoting a 'no blame' culture in which the workforce is encouraged to raise any safety concerns so that they can be addressed.

It is also worth noting that the telecommunications and utilities sectors generally have well established operating procedures both from an Operation & Maintenance and Construction perspective, which have been developed over many years of experience. But we will not rely on this alone and have therefore established an Internal Training Group, which in addition to the normal training requirements for any organization provides a forum for the industry to continually address the specific needs of organizations such as Communications and Information Technology Training.⁴²

Committee view

7.42 The committee believes that having a sufficiently trained and accredited workforce to roll-out the NBN safely is not merely 'a task for NBN Co to manage' as the Department suggests, but a matter of critical importance for the Government to address.

7.43 The committee repeats its previous recommendation that the Government immediately undertake a skills audit for the NBN, although the committee believes this should now be done in consultation with NBN Co.

7.44 Further, the committee recommends that the Government, in consultation with industry groups and NBN Co, develop a national training program that will ensure that there is an adequately trained workforce, and one of sufficient size, to safely and efficiently deploy the NBN.

Recommendation 25

7.45 That the Government, in consultation with NBN Co, immediately undertake a skills audit for the NBN to ensure there is a fully skilled workforce ready to deploy the NBN in each region. The audit should detail:

- (a) the training courses required;**
- (b) the training timeframes involved; and**
- (c) the training institutions available.**

42 NBN Co, answer to question on notice, 15 April 2010 (received 11 May 2010), p. 4.

Recommendation 26

7.46 That the Government, in consultation with industry groups and NBN Co, develop national standards and national training modules and accreditation processes to ensure the NBN workforce is appropriately skilled.

7.47 That such modules and accreditation processes be tailored to suit the differing needs of workforce participants who will come to the NBN with varied levels of prior relevant experience.

Appointment process for senior NBN Co positions

7.48 A number of appointments to senior positions within NBN Co have been made over the past several months. Two notable appointments were that of a new Chair for NBN Co, Mr Harrison Young, and a senior Government Relations advisor, Mr Mike Kaiser.

7.49 During Budget Estimates hearings in February, it emerged that a significant proportion of NBN Co appointments were not advertised positions. Mr Quigley, CEO of NBN Co, explained that 'a little over 40 per cent of [NBN Co's] permanent employees came by way of referral'.⁴³ It also emerged that at least one of those appointments was tainted by Labor party allegiances.

7.50 Former Labor Party apparatchik, Mr Mike Kaiser, was appointed to a reported \$450 000 'Government Relations' position that was not advertised at any point⁴⁴ and which followed a private recommendation from Labor's Senator the Hon. Stephen Conroy, Minister for Broadband, Communications and the Digital Economy.⁴⁵ There was no shortlist.⁴⁶ Senator Conroy was the only person to put forward Mr Kaiser's name as a possible candidate.⁴⁷ Mr Kaiser was appointed to the position despite a controversial history in which he had resigned from the Queensland Parliament after being mentioned during a Royal Commission into electoral fraud.⁴⁸

43 Mr Michael Quigley, Chair and CEO, NBN Co Ltd, *Committee Hansard*, Environment, Communications and the Arts Legislation Committee, Canberra, 8 February 2010, p. 96.

44 Mr Michael Quigley, Chair and CEO, NBN Co Ltd, *Committee Hansard*, Environment, Communications and the Arts Legislation Committee, Canberra, 8 February 2010, p. 100.

45 Mr Michael Quigley, Chair and CEO, NBN Co Ltd, *Committee Hansard*, Environment, Communications and the Arts Legislation Committee, Canberra, 8 February 2010, p. 96.

46 Mr Michael Quigley, Chair and CEO, NBN Co Ltd, *Committee Hansard*, Environment, Communications and the Arts Legislation Committee, Canberra, 8 February 2010, p. 97.

47 Mr Michael Quigley, Chair and CEO, NBN Co Ltd, *Committee Hansard*, Environment, Communications and the Arts Legislation Committee, Canberra, 8 February 2010, p. 102.

48 The Hon. Senator Ian Macdonald, *Committee Hansard*, Environment, Communications and the Arts Legislation Committee, Canberra, 8 February 2010, p. 103.

7.51 The matter was raised again in the committee's hearings in Canberra on 15 April 2010. At that hearing Mr Quigley mounted a vigorous defence of Mr Kaiser's performance in his position:

I would like to put on the record here that I find Mr Kaiser an extremely valuable member of the team. He is providing a lot of value-add to the company. That is not just my view; that is shared by the entire management team.⁴⁹

7.52 Whether or not Mr Kaiser is performing his job effectively, the committee deeply disapproves of the decision to appoint him to a very highly paid position, funded by taxpayer dollars, for which there was no formal recruitment process, advertisement of the position, or even a shortlist of candidates. The committee believes such appointments necessarily result in a level of suspicion of the merit of other appointments to NBN Co and compromise the integrity, transparency, and accountability of the NBN project as a whole.

49 Mr Michael Quigley, CEO, NBN Co Ltd, *Committee Hansard*, Canberra, 15 April 2010, p. 55.

