Joint Standing Committee on the National Broadband Network

Answers to Questions on Notice

Committee Hearing 11 February 2019

Communications Portfolio

NBN Co Limited

Question No: 1

NBN Co Limited

Hansard Ref: Pages 13-14

Topic: Attainable speeds by state

Mr Josh Wilson, MP asked:

Mr JOSH WILSON: I have one more Western Australian question. Do you have some data around the quality of the network by jurisdiction and by capital cities in terms of average speed attainment? One of the statements of expectations was that 90 per cent of fixed line premises would get 50 megabits per second or better.
Mr Rue: So you want that on a state-by-state basis?
Mr JOSH WILSON: Do you have that on a state-by-state and a capital-city-by-capital-city basis?
Mr Rue: I presume we do, do we?
Ms Dyer: I'm not sure.
Mr Rue: I don't know. It's not something I've looked at. I don't know if we have that or not.
Mr JOSH WILSON: While the government set that as a national benchmark, is it likely? I guess I'm asking whether the government or NBN, separate to that, took it on board that, in the pursuit of network ubiquity, you should try to get that benchmark met evenly across different jurisdictions and different capital cities.
Mr Rue: I see. No, we haven't done that exercise. We look at 90 per cent of the nation rather than go on a basis of state by state or capital city by capital city. Kathrine, do you want to add something?
Ms Dyer: Yes. From a network technology perspective, the design and engineering standards we use are set for the organisation. So we use the same engineering and design standards to design and construct the network. So, in theory, there's total uniformity across the way that we would roll out the network.
Mr JOSH WILSON: But there's a multi-technology mix and different kinds of technology. The reason I ask is that, in evidence that has been provided formally, Western Australia is getting 60 per cent of its line broadband via fibre to the node. That's roughly half as much as all the equivalent jurisdictions. Most of New South Wales, Victoria, Queensland and South Australia are getting 43 per cent down to 35 per cent. Western Australia is getting 60 per cent FTTN and, in data previously provided to the committee, 35 per cent of FTTN premises will get 50 megabits per second or less. If you put those two numbers together, Western Australia is on track to have only 79 per cent of households getting 50 megabits per second or better. That's obviously a serious disparity.
Mr Rue: I'm sorry, but I don't have the information here. I've just asked and the team don't have the information. I don't want to promise it to you, but if you let us take it on notice we'll see if we can get you the information. Is that all right?

Answer:

The Statement of Expectations calls for NBN Co to provide speeds of at least 50Mbps to 90 per cent of the fixed line footprint, and NBN Co has undertaken its planning to achieve this at a national level.

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It is important to remember that the fibre to the node (FTTN) speed data provided through QoN 213 at the May 2017 Budget Estimates was based on services still subject to co-existence profile settings, which reduces performance to prevent interference with legacy services during the migration period.

The table below provides an estimate of the percentage of fixed line services at the end of the build and following the end of co-existence predicted to have attainable download speeds of at least 50Mbps, as measured between the end user modem and NBN Co's equipment.

These results do *not* compensate for any existing issues that could cause network degradation, such as in-home wiring issues, which can affect attainable speeds. Remediation of these degradations would further improve service performance and therefore the results shown here. The actual experience of customers using the network, can be impacted by other factors such as their in-home set-up and equipment.

Where the network is not capable of providing the minimum wholesale download speeds after co-existence has ended, nbn will take action to rectify any issues in its network so that minimum standards are met.

State	**Forecast end of build, end of co-existence 50Mbps capability for fixed line footprint**
ACT	84%
NSW	91%
NT	96%
QLD	89%
SA	88%
TAS	87%
VIC	92%
WA	85%

The data has not been calculated by capital cities, and to do so would be an unreasonable diversion of resources.

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Question No: 2

NBN Co Limited

Hansard Ref: Page 15

Topic: FTTC state breakdown

Mr Josh Wilson, MP asked:

Mr JOSH WILSON: The final thing that goes to that is: NBN did, in the course of the last year or so, at one point, shift what had previously been planned to be FTTN to FTTC. It added about 440,000 households. I'm sure you don't have it now, but it would be good if you could take on notice just what the state breakdowns of that shift were, because my understanding at the time, to the extent that we could get information, was that Western Australia got less than its population share. Obviously, NBN doesn't operate according to that. I'm just saying that this is a statistical observation—that Western Australia got less than its population share of those additional 440,000 FTTC premises, when, if there had been recognition of the quite significant quality disparity that we're already experiencing, it really would have been an opportunity to shift more FTTN in WA to FTTC, to correct that disparity.
Mr Rue: Let us take on notice to get to the committee the breakdown by state of the 440,000 you talk about.
Mr JOSH WILSON: Thank you.

Answer:

As indicated at the time FTTC rollout was announced, a large proportion of the rollout is occurring in former Optus HFC areas, and infill areas of the Telstra HFC footprint. WA did not have an Optus HFC presence and as a result, inner city areas of Sydney, Melbourne and Brisbane contain a higher proportion of FTTC. The fixed line rollout in Tasmania and the Northern Territory was essentially completed prior to the introduction of FTTC and so there are no FTTC premises in these states/territories. More than 90 per cent of the 440,000 increased premises are therefore in NSW, Victoria and QLD, with approximately 2000 additional FTTC premises to be deployed in WA.

At present, approximately 84 per cent of premises in Western Australia can order high speed broadband services over the NBN. This is ahead of the national figure of 72 per cent of premises able to connect, and only behind Tasmania and Northern Territory where the NBN rollout is mostly complete.

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NBN Co Limited

Question No: 3

NBN Co Limited

Hansard Ref: Pages 15-20

Topic: Activations in Corporate Plans

Senator Deborah O'Neill asked:

(pp. 15–16)
Senator O'NEILL: Mr Rue, I've just got a couple of questions about subscriber payments. That's when the payment from NBN goes to Telstra or Optus when they migrate somebody onto the NBN.
Mr Rue: It's two things: It is payments we make to Telstra when the copper is disconnected and it is payments made to Optus when Optus customers migrate onto the NBN. So it's a slightly different concept.
Senator O'NEILL: Just looking at the subscriber payment numbers, there seems to be something a little odd happening with them. If I can go to the 2018 corporate plan, the cumulative amount of the subscriber payments for financial year 2021 appears to be $10.6 billion. However, in the 2019 corporate plan, the cumulative subscriber payments to financial year '22, which is a full year later, appear to come out at $10.3 billion. So how is the difference of $0.3 billion possible if the rollout is forecast, in both corporate plans, to be complete by July 2020?
Mr Rue: Sorry—
Senator O'NEILL: There's a missing—
Mr Rue: I'm sorry. So the 2018 plan had—I'm sorry; what did you say?
Senator O'NEILL: The 2018 corporate plan has a cumulative amount of subscriber payments for financial year 2021. It says that it is $10.6 billion.
Mr Rue: Yes.
Senator O'NEILL: Then we go to the 2019 corporate plan, and the cumulative subscriber payments for financial year '22 come out at $10.3 billion.
Mr Rue: Yes.
Senator O'NEILL: So my question is: how is there a $0.3 billion difference, if the rollout is forecast in both of the corporate plans to be complete by July 2020?
CHAIR: You can take that on notice if you want to.
Mr Rue: Yes. I would like to get you an answer, and I'll see if one of my colleagues can remember. Maybe I shouldn't speculate, but I think the answer is the estimate of how many people would be either—because the number will vary depending upon the level of Optus subscribers, and it will vary dependent upon the number of what we call copper disconnects. Both of those need to be assumed at a point in time, so I think this is a revision of assumptions. But I'm sure somebody who's listening will confirm if I'm accurate or not, Senator. Between now and 5 pm, hopefully I can clarify that. But it will be an estimate—sorry, a firming-up of assumptions I think will be the reason.
Senator O'NEILL: Can I just confirm for my understanding: when will all migration payments be made? By which financial year?
Mr Rue: They will be made 18 months after the last home becomes built; therefore December 2021, so during the 2022 fiscal year.

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Senator O'NEILL: The subscriber payments, that $0.3 billion that's missing—could that have been pushed out to a later financial year?
Mr Rue: I don't believe so.
Senator O'NEILL: Have there been any negotiations with Telstra since August 2018 around the timing of the subscriber payments?
Mr Rue: No.
Senator O'NEILL: So the timing remains exactly the same? The model is the same?
Mr Rue: Yes.
Senator O'NEILL: There's been no change to that at all?
Mr Rue: No.
Senator O'NEILL: But we're still missing $0.3 billion?
Mr Rue: I'm just looking to see if the team is going to answer the question for me, but it will be based upon the assumptions, as I said, of the Optus subscribers and the number of people on the Telstra copper who disconnect. I think the simplest way to answer this is simply: the deals haven't changed; it's just that any amount of this needs to be estimated, and, as we get closer and closer to the end, we're more easily able to estimate things. So there's no more and no less than that.
Senator O'NEILL: So you're confident that there are no subscriber payments that have been pushed out into financial year 2023?
Mr Rue: I will get that confirmed immediately, but I don't believe so.
…….
(p. 17)
Mr Rue: Senator O'Neill, if I could answer your questions: there aren't any payments in 2023. There are two reasons for the $0.3 billion difference: what I describe as the number of actual people on the Telstra copper will be disconnected, and the Optus subscribers; and, as well, the 300,000 what we call dilution that Mr Wilson talked about earlier.
Senator O'NEILL: I need you to back up, so I'm understanding what you're saying here. First of all, you said earlier that there could be a change in assumptions that could account for the $0.3 billion. Do you still hold to that?
Mr Rue: Yes. I'm confirming my answers from earlier.
Senator O'NEILL: Great.
Mr Rue: There was nothing in 2023.
Senator O'NEILL: The original assumption was, though. Start with that for me.
Mr Rue: In order to calculate a long-range plan, the subscriber payments specifically to Telstra are based upon what's called a BSA list, which is a number of people who are on the copper who will get disconnected. They're multiplied by a dollar amount, and that equals the subscriber payments. The dollar amount hasn't changed but the assumptions around the number of people on the copper who get disconnected have changed.
Senator O'NEILL: Has that number gone up or down?
Mr Rue: It's been reduced.
Senator O'NEILL: By how many?
Mr Rue: By the equivalent to it. That arises from a change of assumptions for more knowledge that we have, and, also, the fact that there are fewer homes in Australia than we thought at the time, way back, of doing the plan. Those two items lead to a lower subscriber cost to the business.
Senator O'NEILL: Okay.
Mr Rue: Sorry, I hope that's clear. It's a bit complicated, I know. And there's nothing in 2023.
Senator O'NEILL: Do you expect any changes to those assumptions, Mr Rue? How solid are those calculations?

Mr Rue: I don't expect any further changes, to be honest with you. But I haven't seen a recut of the analysis, but certainly if there's a change I don't think it'd be significant.
Senator O'NEILL: Fantastic. Thank you.
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(pp.18–19)
Senator O'NEILL: Can I just go back to clarify something. Mr Rue, in your answer to me, you indicated there were fewer homes than originally anticipated, and in your change of assumptions you indicated there has been a change so there will be a payment difference of that missing $0.3 billion. Has the number of total activations by financial year 22 changed, though, because you can't have it both ways there?
Mr Rue: No, you can, because it depends upon the number of people on the copper.
Senator O'NEILL: It's called creative accounting, yes?
Mr Rue: I have never been accused of that, thankfully, and I'm not going to start now.
Senator O'NEILL: I had a few concerns with what we were discussing earlier, but anyway.
Mr Rue: It's not creative accounting in any way. There's a difference between an activation and someone disconnecting from a copper. So, there will be services that are provided by Telstra that get disconnected. They don't always result in an activation for us. The rollout of NBN means, as part of the payments we were talking about earlier, there are payments to Telstra based upon copper disconnect. So, they're two different things. They're largely the same. They're not identical—they are largely the same but not exactly the same.
Senator O'NEILL: To be clear: activations in 2018 and activations in 2019, if we look at those numbers—do you have them?
Mr Rue: I don't, I'm sorry.
CHAIR: Do you want to put that on notice, Senator O'Neill?
Senator O'NEILL: If I tell you that the 2018 CP is 8.6 million activations by—
Mr Rue: In what year?
Senator O'NEILL: 2018. The 2018 plan is 8.6 million activations by financial year 2021; and, in the 2019 corporate plan, it's 8.7 million activations by financial year 2022. So there's a difference there of 0.1 million.
Mr JOSH WILSON: Yes, 100,000 premises.
Senator O'NEILL: Yes. Is that new-built homes over the 12 months?
Mr Rue: I'm sorry. I wish you'd asked me this nine months ago. I would have remembered all the answers. I don't have it with me. I don't have it in my memory. But what I will tell you is that it's not hard to calculate. If you put it on notice, I assure you we will answer the question.
Senator O'NEILL: I definitely have a question on that. Just for clarification, new homes don't attract a subscriber payment, do they?
Mr Rue: That's correct. They don't.
Senator O'NEILL: I'd love to know what those services are—the 0.1 million.
Mr JOSH WILSON: What's the explanation?
Mr Rue: It could be a range of things. It could be that there are fewer homes in the nation, as we talked about. It could be timing. You'll have to let me take that away and answer you.
CHAIR: No problem. Take that on notice, unless you've already got the answer.
Mr Rue: I'm sorry, Senator O'Neill. I wish I had it here. I'd be happy to answer.

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Answer:

Total activations were forecast to be 8.6 million in Corporate Plan 2018 by FY21, and now 8.7 million in Corporate Plan 2019 by FY22. This increase of 0.1 million is due to the extension of the planning period to FY22, and the growth in FTTP Greenfield premises ready to connect and activated during that 12 month period.