



SENATOR THE HON MITCH FIFIELD

MINISTER FOR COMMUNICATIONS

MINISTER FOR THE ARTS

MINISTER ASSISTING THE PRIME MINISTER FOR DIGITAL GOVERNMENT

MANAGER OF GOVERNMENT BUSINESS IN THE SENATE

Clerk of the Senate
Parliament House
CANBERRA ACT 2600

NATIONAL BROADBAND NETWORK – ORDER FOR THE PRODUCTION OF DOCUMENTS

I am responding to the Order for the Production of Documents of 17 September 2015, that there be laid on the table by the Minister representing the Minister for Communications Senator Fifield and/or the Minister for Finance Senator Cormann, by 3.30 pm on Monday, 12 October 2015, the following documents in relation to NBN Co Limited (nbn):

- a. the 'Operating Plan' referred to in its Corporate Plan 2016;
- b. financial and deployment forecasts for the multi-technology mix from FY2015 to FY2022, as included in the Operating Plan;
- c. the most recent '12 Quarter Integrated Deployment Plan' referred to in its Corporate Plan 2016;
- d. the high level desktop analysis of an all-FTTP fixed line deployment scenario referred to in its Corporate Plan 2016; and
- e. the letter from Shareholder Ministers to nbn requesting that it prepare the high level desktop analysis of an all-FTTP fixed line deployment scenario.

The Government has implemented a high degree of transparency in relation to the nbn. The 2016 Corporate Plan released by nbn on 24 August 2015 demonstrates the Government's commitment to transparency and provides an appropriate level of planning information. nbn has committed to the targets and forecasts in the 2016 Corporate Plan, which was approved for public release.

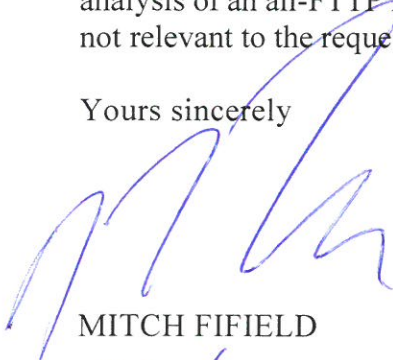
The documents described at points (a), (b) and (d) above consist of detailed planning material and internal working forecasts used by the company to develop the 2016 Corporate Plan. nbn has advised that this information is commercially sensitive material and has been provided in confidence to Shareholder Ministers.

A commercial confidentiality claim is made over the documents covered by points (a), (b), and (d). Disclosure of this material would cause commercial harm to nbn and the Commonwealth, which could ultimately negatively impact Australian taxpayers. The information in the material, if released, would negatively impact nbn's commercial negotiations and relationships with its Delivery Partners, contractors and retail service providers, thereby restricting nbn's ability to function as a commercial entity. In turn, this would undermine nbn's ability to roll out the network in line with the Government's policy and impact the company's ability to provide a real return to the Commonwealth.

The Integrated Deployment Plan described at point (c) will form part of nbn's Three Year Rollout Plan. The company advises it is preparing the Three Year Rollout Plan for public release and has committed to releasing it shortly. The document requested under point (c) is therefore not provided.

We have attached the relevant sections of the document described at point (e). This letter from the then Shareholder Ministers refers to their request for the preparation of a high level desktop analysis of an all-FTTP fixed line deployment scenario. The letter contains other content which is not relevant to the request for the all-FTTP fixed line deployment analysis.

Yours sincerely



MITCH FIFIELD

9/10/15

Encl.

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THE HON MALCOLM TURNBULL MP
Minister for Communications

SENATOR THE HON MATHIAS CORMANN
Minister for Finance

Dr Ziggy Switkowski
Chairman
NBN Co Limited
Level 40, 360 Elizabeth Street
MELBOURNE VIC 3000

28 APR 2015

COPY

Dear Dr Switkowski *Ziggy*

We thank the Board and the company for their work to date on the draft Business Plan. While the Business Plan is not yet complete, it provides a strong foundation for what we expect will be the most rigorous, detailed and realistically executable business plan so far provided for the National Broadband Network (NBN).

This letter addresses two matters that have arisen where the company has sought guidance.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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A second issue that has arisen during work on the Business Plan is whether to include an **updated cost estimate for a broad based fibre to the premises rollout (or FTTP)**, and if so how such an estimate should be developed.

Shareholder Ministers believe an updated cost estimate for a network where FTTP serves the entire fixed line footprint is a critical data point that needs to be credibly costed. The FTTP NBN is an important counterfactual to the Multi Technology Mix (MTM) rollout recommended by NBN Co management in the Strategic Review to the Government in December 2013 and currently being deployed.

The Strategic Review offered two FTTP cost estimates – Scenario 1, a ‘revised outlook’ for FTTP assuming minimal policy change and Scenario 2, a ‘radically redesigned’ FTTP rollout where major architectural and business changes drove significant cost savings. There are questions over the achievability of costs modelled in Scenario 2, given experience over the past 18 months of:

- actual rollout productivity gains achieved and accruing to NBN Co rather than to construction delivery partners;
- actual architectural and commercial rollout changes approved and implemented; and
- actual FTTP costs per premise over the past 18 months (and the rollout to date).

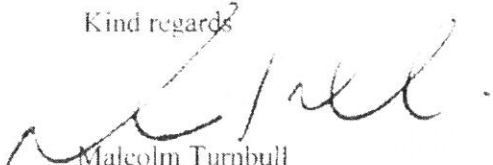
While it is up to the company to determine the basis for its estimate of an FTTP rollout, it may be that a ‘Scenario 1.5’ approach aligns most closely with reality.

Like the MTM long-term financial forecasts, the updated FTTP scenario estimate should take account of additional data, experience and market knowledge accumulated by NBN Co since the Strategic Review was prepared in December 2013 – particularly in areas such as historical and current costs per premise, the ability and distribution of productivity gains in an outsourced delivery model, competitive threats from alternative networks and technologies, achievable peak construction rates, and cumulative operating costs likely to be incurred over the build.

While any updated cost estimate for an FTTP rollout scenario is not expected to replicate the rigor of NBN Co’s Business Plan for the MTM rollout, it should be sufficiently robust and detailed that the company is prepared to stand behind its credibility and comparison of FTTP and MTM costs. Accordingly, we ask that the updated FTTP scenario provide each of the high-level metrics in Table 0-2 on page 17 of the Strategic Review. This updated scenario should be included in the Board endorsed draft 2015-18 Corporate Plan that is due to us by 31 May 2015.

We again thank everyone at NBN Co for the obvious effort put into the Business Plan so far, and look forward to continuing to work with the company to complete this important task.

Kind regards



Malcolm Turnbull
Minister for Communications



Mathias Cormann
Minister for Finance

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This letter addresses two matters that have arisen where the company has sought guidance. The first concerns **long-term financial forecasts for NBN Co**, where the company has prepared projections extending to 2040, in line with those contained in previous Corporate Plans, but the Board is reluctant to endorse these projections.

We understand forecasts of this length in a market as dynamic as telecommunications may well lack accuracy. Nevertheless, NBN Co's previous Corporate Plans provided the information necessary for the Government to estimate a return on its investment in the NBN and calculate an internal rate of return (IRR). We receive similar forecasts for other long-term projects undertaken by the Government.

With this in mind, we ask the Board to endorse its best estimate of the Company's long-term financial performance out to 2040, and provide these projections to us as part of the Business Plan. We acknowledge that for the period beyond the last year for which the Company provides a detailed financial forecast, such projections are inherently uncertain, and we expect that they will be qualified to reflect this. However, such projections are needed for Shareholder Departments to update financial forecasts that inform the Commonwealth's budget accounting treatment of NBN Co.

Given the importance this information has in finalising the review of the Business Plan being undertaken by our departments, we ask that you provide a Board endorsed version of these projections to us by Thursday, 30 April 2015.

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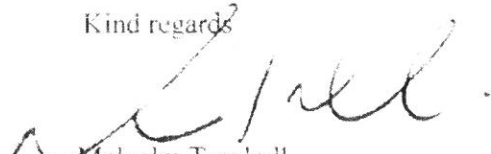
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Malcolm Turnbull
Minister for Communications



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