



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

**TELECOMMUNICATIONS LEGISLATION
AMENDMENT (NATIONAL
BROADBAND NETWORK MEASURES—
NETWORK INFORMATION) BILL 2009**

Second Reading

SPEECH

Thursday, 10 September 2009

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Page 9217
Questioner
Speaker Robert, Stuart, MP

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Mr ROBERT (Fadden) (10.09 am)—As we know, the Telecommunications Legislation Amendment (National Broadband Network Measures—Network Information) Bill 2009 seeks to amend part 27A of the Telecommunications Act 1997 in order to require telecommunications carriers and utilities to provide information about their existing networks to the Commonwealth, to assist with the Commonwealth's National Broadband Network, NBN, for both their implementation study and their eventual rollout. It is clearly the government's intention that carriers and utilities will have the opportunity to provide the information on a cooperative or commercial basis, though the Commonwealth can compel. The minister has scope to define the information request and make rules in storage, handling and destruction of information, which is appropriate.

Before we look at the context of the bill and the reason the government is seeking to request on a commercial basis and then compel information on a carrier's network, it is important to understand how we got to this place and how we got to a situation where the government is going to spend up to \$43 billion of taxpayers' money on a network that requires the request or the compulsion of information from carriers. Let me be very clear that the coalition recognises and supports the importance of universal access to fast, affordable and reliable voice, data and video communications and not just broadband, which has the connotation of moving towards fixed line broadband. We support high-speed, reliable voice, data and video communications across all spectrums—wireless, broadband, two-way satellite and the like. We support the continued enhancement of all services, but where we fundamentally differ from the Labor Party in this issue is how we ensure that all Australians get that access.

Labor promised at the last election that they would have a broadband network operating by the end of 2008. Yet here we are quickly approaching Christmas 2009 and, frankly, we are nowhere on this. Almost two years of wasted opportunity, poor planning and what can only be considered as incompetence by the minister and the surrounding government! So here Labor starts the process again, abandoning their formal commitment—\$4.7 billion—to provide broadband communications to the high 90 per cent of the nation and suddenly, in what can only be conceived

as a thought bubble from hell, the Prime Minister and the responsible minister rolled out a \$43 billion plan to provide broadband to 90 per cent of the nation. What started as \$4.7 billion for 95 per cent plus has now morphed into \$43 billion for 90 per cent. How can you spend 10 times more money to deliver less service?

With a nine-month implementation study, over \$50 million and a rollout period from eight to 10 years, may I suggest this will never happen? I can only assume that this process was cobbled together at the last minute when it was quickly realised that the original \$4.7 billion phase 1 was simply not going to happen. Labor has to stop this reckless spending. It has to put a line in the sand and stop this reckless spending. It is looking to commit \$43 billion yet there is no study; there is no cost-benefit analysis; there is nothing tangible to put your finger on to look at where they are going. Indeed, the Prime Minister had the audacity to stand and say, 'This would be a great investment for mums and dads, for families and others to be involved in.' But there is no product disclosure statement; there is no analysis of return. If you as an individual in this nation put together a plan to borrow money and invest and you told the public that they should invest in this, that it is great, and you did not have the PDS or other documentation required, you may well be in breach of prudential or other securities laws. But that is exactly what the Prime Minister has gone and done.

The Prime Minister is looking at a new telecommunications company with twice the capitalised value of Telstra—twice \$43 billion. Based on leading metrics overseas, telecommunications companies will be looking at about a 15 per cent return on their money. So we are looking for a company that will deliver, at a capitalised value of \$43 billion, a profit of about \$6 billion or \$7 billion per annum. Telstra's profit is something between \$3 billion and \$4 billion. We are looking at a company twice as big as Telstra. Yet no cost-benefit analysis has been done and there is no understanding of what the take-up will be. A simple 'back of the beer coaster' analysis would reveal that, if half of the nation took up Labor's proposal, the cost would certainly be over \$1,000, per individual, per year.

It is no wonder that many leading analysts predict that this project will clearly not be commercially viable, despite the government's claims to the contrary.

Labor's broadband plan will see taxpayers carry the bulk of the risk, the government being at least a 51 per cent majority shareholder, and perhaps more, if the private sector cannot be encouraged to take up a rights offer. Not only is the government projecting a debt of \$315 billion; it is now looking to widely increase that. Few analysts predict prices for retail services under the NBN will be less than \$1,000 per month—\$1,200 per year. Many consumers will be looking to pay double what the average broadband user pays today. Labor's original backbone or broadband promise is shattered, strewn across the floor, being kicked into the wastepaper bins, and there is little indication to suggest that what is being proposed will actually achieve anything.

In 2008 a similar bill was considered and passed that required telecommunications carriers to provide specific information on infrastructure to the Commonwealth for the request for tender process under NBN mark I—the failed \$4.7 billion charade. On 7 April this year the government announced it had abandoned that commitment and that it was all too hard. Why spend \$4.7 billion when you can spend \$43 billion—and all but \$2.4 billion of that borrowed—on a fibre-to-the-premises broadband network, despite the irony that the take-up of wireless services is currently at a ratio of seven or eight to one? All this was done without any cost-benefit analysis. Let us see what some of the leading writers had to say about Labor's proposal in the absence of any cost-benefit analysis. On 2 June 2009, Michael Stutchbury, Economics Editor of the *Australian*, referring to the report of the Senate Select Committee on the National Broadband Network, said:

But what does Rudd then do with what is touted to be Australia's single biggest infrastructure project, the \$43 billion broadband plan? He and Broadband Minister Stephen Conroy brazenly flout the rigorous cost-benefit analysis that is supposed to be applied to all big infrastructure projects. They announce the plan to directly connect just about all Australian homes to an optic fibre network, whatever the technology risks, along with a price tag plucked out of nowhere. The technocrats and merchant bankers are supposed to reverse engineer the cost-benefit numbers to make them add up. This puts Eddington and his Infrastructure Australia in an impossible position in demanding that the states lift their game.

Let us look at the editorial in the *Australian Financial Review* on 9 April 2009:

Now the the government wants to build a 43 billion fibre optic broadband network ... without being able to offer a shred of economic justification for it, let alone the kind of detailed cost-benefit analysis and business case that is being demanded by Infrastructure Australia—in the interests of "rigour"—of states seeking funding for their pet projects.

And moving on to Paul Kerin, in the *Australian*, on 15 April 2009:

If election promises are sacred, what happened to Rudd's far more important ones such as "evidence-based policy, not grand rhetorical flourish"?

The *Australian Financial Review* editorial on 22 May 2009 states:

The government envisages selling its stake in the company five years after it becomes fully operational. But no one knows if it will be profitable. No one knows how \$43 billion was arrived at, or what returns to expect. We do not know how much the government will spend on the NBN. No one has analysed the risks or the size of the potential pay-offs. There is no excuse for this shoddiness and lack of transparency.

The government should be more upfront about what it is trying to do, and why. Taxpayers should expect nothing less than a thorough cost-benefit analysis of the NBN. Everyone is entitled to demand much greater transparency and rigour from the government on this huge undertaking.

A statement of the bleedingly obvious, you would have thought. The sum of \$43 billion is being thrown out there and there is not a shred of evidence, no cost-benefit analysis undertaken, no rigour—flat nothing! It is no wonder that the government's announcement was treated with the contempt it deserved.

Finally, let us see what the government's own party says in the *Daily Telegraph*, 3 May 2009, in the immortal words of Michael Costa: 'The government has decided to gold-plate an economically unviable strategy.' I think that just about says it all.

Let us now move on to understand the consultation process. The government have plucked a number, \$43 billion, out of the air. They have plucked an idea. There was no rigour, no thought process, no cost-benefit analysis, but did they consult? Did they actually talk? The weight of evidence indicates, especially through the Senate committee on this matter, that the government did not consult stakeholders about the content of the bill. Interestingly, in evidence to the Senate committee, Mr Claude Piccinin, Deputy Executive Director, Water Services Association, indicated he was made aware of the bill through the media. Let us have a look at the questioning in the Senate:

Senator MINCHIN— ... From the perspective of your industry, I would like to know when and how you learnt of the existence of this bill.

Mr Piccinin—The way I learnt about it is that I was sitting at my desk on a Friday afternoon, minding my own business, winding down and looking forward to the weekend, when a journalist asked, "Would you care to comment on this?" and I said, "What?" It was a total surprise, shall we say.

Senator MINCHIN—You found out from the media—

Mr Piccinin—Indeed.

Senator MINCHIN—presumably after the bill had already been introduced?

Mr Piccinin—Indeed—yes.

That is the government's consultation—nothing. They did not speak to anybody and they did not seek advice from the industry. They just pulled \$43 billion of borrowed money out of the air and threw it on the table.

The bill has consultation time lines in it, yet stakeholders like Integral Energy, Energy Networks Association and Water Services Association—again in the Senate report—have raised concerns about the time lines in the bill in relation to the consultation on the draft instrument and the provision of required information. Likewise there has been concern about the immunities, because under the bill civil penalties apply for carriers and utilities that do not provide accurate information. Given that some utilities are required to provide information on legacy assets that are particularly old—some of the copper has been in the ground for 50, 60 or 70 years—they are concerned about the outcome of genuine, honest errors.

Utilities have raised concerns with the Senate committee about the issues associated with the compulsion by government and the actual ongoing costs associated with a potential use of their infrastructure. The sunset period and provision of information to NBN Co. have also raised concerns, because the bill contains amendments regarding the persons who can have access to the network information. It clearly distinguishes the length of application of the provisions between the implementation study and NBN Co.

Industry has a range of significant concerns that simply are not being addressed. Accordingly, the shadow spokesman has moved an amendment, which I fully support, that seeks to bring this bill back to some degree of coherence as to what would be expected, what would work and what would meet the expectations of key stakeholders—who were not consulted prior to the bill's implementation. At least we could do them the courtesy of listening now. At least the government could do the stakeholders the courtesy of addressing their concerns now as it moves forward in its borrowing of \$43 billion to put in place a network about which no information currently exists, about which no cost-benefit analysis has been produced and about which most commentators have been scathing because of the lack of information. At least the government could start now to provide some information to address the great, yawning vacuum that currently exists.