



**SENATOR THE HON PENNY WONG**  
Minister for Finance and Deregulation

**SENATOR THE HON STEPHEN CONROY**  
Minister for Broadband,  
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Mr Harrison Young  
Chairman  
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MELBOURNE VIC 3000

Dear Mr Young

## **STATEMENT OF EXPECTATIONS**

We are writing in our capacity as shareholder Ministers in NBN Co Limited regarding the Australian Government's expectations for NBN Co Limited (NBN Co or the Company) in implementing the National Broadband Network (NBN) policy initiative.

The Government has now made decisions on outstanding issues for implementation by NBN Co. This Statement of Expectations (the Statement) forms the basis of the Government's response to the recommendations of the Implementation Study (the Study), provides direction to the Company, and informs the community of the Government's position on a range of issues canvassed by the Study and identified by your Company.

### **Government's NBN Vision and Objectives**

The Government's central NBN objectives are to deliver significant improvement in broadband service quality to all Australians, address the lack of high speed broadband in Australia, particularly outside of metropolitan areas, and reshape the telecommunications sector. The Government recognises that access to affordable high speed broadband is essential to the way Australians communicate and do business. It will drive productivity, improve education and health service delivery and better connect our cities, regional, rural and remote communities.

The Government expects that NBN Co will design, build and operate a new NBN to provide access to high speed broadband to all Australian premises. The Government's objective for NBN Co is to connect 93 per cent of Australian homes, schools and businesses with fibre-to-the-premises technology providing broadband speeds of up to 100 megabits per second, with a minimum fibre coverage obligation of 90 per cent of Australian premises. All remaining premises will be served by a combination of next-generation fixed wireless and satellite technologies providing peak speeds of at least 12 megabits per second.

To achieve a truly competitive telecommunications industry and in support of the NBN, the Government is implementing reform of the industry. The establishment of NBN Co with a wholesale-only, open-access mandate is a key element of this reform. The Government will improve the telecommunications regulatory framework through the introduction and amendment of key legislation. This will facilitate a competitive and well functioning telecommunications sector and assist NBN Co to fulfil its mandate.

This Statement is provided to the Board - and will be published - in advance of the passage of critical legislation. Nevertheless, the Government expects, pending enactment of the National Broadband Network Companies Bill 2010 and the Telecommunications Legislation Amendment (National Broadband Network Measures - Access Arrangements) Bill 2010 (the NBN Bills), the Company will operate in accordance with the provisions of those Bills as introduced and specifically will offer open and equivalent access to wholesale services, at the lowest levels in the network stack necessary to promote efficient and effective retail level competition, via Layer 2 bitstream services.

The Government's vision for NBN Co is that it operations as a commercial entity. NBN Co has been established as a wholly-owned Government Business Enterprise (GBE), with the intention that at an appropriate time, NBN Co will raise debt on its own behalf.

The NBN will be a significant piece of Australian critical infrastructure that will underpin the provision of a range of essential services to the Australian community. The Government expects that NBN Co will consult with security and law enforcement agencies to ensure national security and resilience considerations are taken into account in the design and ongoing operation of the network.

### **Government's response to the Implementation Study**

The implementation Study delivered to Government on 5 March 2010 followed seven months of analysis and consultation across industry, including with NBN Co. Since then:

- on 6 May 2010 the Government released the NBN Implementation Study and commenced a three week period of consultation with stakeholders and the public to further inform Government consideration of the Study's recommendations;
- on 20 June 2010, Telstra and NBN Co announced they had finalised a non-binding Financial Heads of Agreement which will reduce the capital cost for the rollout of the NBN as it provides for use of existing Telstra infrastructure. In support of the Financial Heads of Agreement between Telstra and NBN Co, the Government announced a number of policy reforms, in particular to the operation of the universal services regime in the transition to the NBN;
- on 7 September 2010 the Government entered into the 'Commitment to Regional Australia' agreement reached with the Independent Members Mr Tony Windsor MP, the member for New England and Mr Rob Oakeshott MP, the member for Lyne, which included commitments to prioritise the rollout in regional areas.

- NBN Co will also bring forward the introduction of wireless and satellite services so that regional Australia can get better broad band access sooner;
- the Australian Competition and Consumer Commission (ACCC) and NBN Co have consulted with the industry and the ACCC has provided advice to inform the Government's consideration of the initial number and location of the points of interconnect (POIs) to the NBN that the Company will provide;
  - on 8 November 2010, NBN Co submitted a three year Corporate Plan together with a thirty year Business Plan setting out its intended approach to delivering the NBN and detailing the assumptions underpinning that approach, in anticipation of the policy decisions which have now been made by the Government;
  - on 29 November 2010 the Telecommunications Legislation Amendment (Competition and Consumer Safeguards) Act 2010 (the Competition and Consumer Safeguard Act) was passed by the Parliament, providing a framework within which Telstra can structurally separate and migrate its customer base to the NBN;
  - in November 2010 the National Broadband Network Companies Bill 2010 and the Telecommunications Legislation Amendment (National Broadband Network Measures - Access Arrangements) Bill 2010 were introduced into Parliament. These Bills, when passed, will establish a regulatory framework covering the ownership and operations of NBN Co and introduce new access, transparency and non-discrimination obligations relating to the supply of wholesale services by NBN Co;
  - on 9 December 2010 the Minister for Broadband, Communications and the Digital Economy announced details of the arrangements for the provision of fibre infrastructure in new developments that will apply from 1 January 2011, including NBN Co obligations in this respect;
  - NBN Co has continued to plan an optimised rollout of the network, drawing on its experience with the early rollout of the NBN in Tasmania and the fibre deployments in first release sites on the mainland. NBN Co has continued to consult in developing its network design and its product, pricing and service offerings.

### ***Achieving the Government's coverage objectives***

The Government has set NBN Co the objective of reaching 93 per cent of premises with fibre-to-the-premises technology by the end of the rollout period, with a minimum fibre coverage obligation of 90 per cent. The remaining seven per cent of premises are to be served by next-generation fixed wireless and satellite. In progressing the rollout, the Government expects that NBN Co will take into account the Government's commitment that fibre will be built in regional areas as a priority. The Government also encourages NBN Co to explore mechanisms by which community inputs and advice on regional priorities - in order to overcome the digital divide and improve the efficiency of the rollout - can be considered by NBN Co, including through existing coordination structures like the Regional Development Australia Committees.

The Government has agreed that it is cost effective to deliver peak speeds of at least 12 megabits per second services via a fixed wireless solution from the 94th to 97th coverage percentiles. The Government requests NBN Co to provide this network and expects NBN Co to use existing infrastructure in providing this service, where

efficient and economic to do so. In support of the fixed wireless solution, the Government expects NBN Co to acquire suitable spectrum on commercial terms but not compete in the auction of 700 MHz spectrum.

The Government has also agreed that NBN Co provide a next-generation satellite service ensuring access to peak speeds of at least 12 megabit per second. The satellite service configuration should prioritise remote Australia. To the extent consistent with this priority, it should cover not only premises beyond the fibre and wireless footprints but also those notionally falling within such coverage areas that, because of geography or other technical impediments, are unable to access fibre or wireless services. In the interim, the Government expects NBN Co to explore options to bring forward a suitable satellite solution to ensure the availability of improved satellite broad band services for regional Australia, eventually replacing the existing Australian Government Australian Broadband Guarantee program.

The Government expects that NBN Co will upgrade services over time and demonstrate that the functionality and performance of its services is meeting demand and supporting innovation across all technology platforms. NBN Co should regularly advise the Government of its upgrade plans.

In achieving its coverage objectives, the Government expects NBN Co to ensure that the assets used to physically deploy the network support an enduring, open-access network with appropriate resilience and redundancy. This includes:

- specifying standards for new trenches and ducts that allow sufficient space for future expansion or alternative use;
- maintaining detailed records of the location of ducts; and
- negotiating access to existing overhead poles to provide long-term rights of use, ease of access for future repairs and maintenance and management of network security risk.

To support reporting against coverage objectives NBN Co should establish and maintain a coverage register to be publicly available and regularly updated. The Government does not expect NBN Co to inefficiently duplicate infrastructure existing (as at 1 January 2011) that can already support the provision of high speed broadband in accordance with the Government's broader NBN objectives. To this end, the Department of Broadband, Communications and the Digital Economy will manage a process for declaring premises adequately served. The process and criteria for making such a declaration will be developed in consultation with NBN Co and the industry generally.

The Government notes and agrees with the assumption inherent in the business plan that NBN is to be planned as a monopoly national fixed line network (with the exception of existing fixed line infrastructure) as far as practical from the points of interconnect to premises. As such, NBN Co will be able to cross subsidise from its national revenue flows and offer a common entry level broad band price structure for all Australian premises across all technologies used in the rollout.

In order to create the Government's intended industry structure, new fibre networks built after 1 January 2011 for residential and small business purposes will need to be Layer 2, wholesale only and open-access.

NBN Co will retain the option of overbuilding infrastructure built after 1 January 2011. As the Government has already indicated it will consider the introduction of a levy, if necessary, to prevent opportunistic cherry picking.

The Government encourages NBN Co to explore mechanisms for a community to fully or partially fund the extension of the fibre network to cover its location. Premises connected with such community contributions will be accounted separately to the 93% coverage objective. NBN Co should only seek to recover the incremental costs incurred in these extensions.

***Premises NBN Co is required to offer a connection to meet its coverage objective***

The Government has now settled its definition of premises to which NBN Co is required to connect. This will form the basis of measuring the Company's achievement of the Government's coverage objectives. These premises are defined as addressable locations and are included at [Attachment A](#), along with definitions of non-addressable locations, the connection of which will not count towards the coverage objectives.

The Government considers that in the normal course of business NBN Co should be permitted, but not required, to connect to non-addressable premises on terms commercially acceptable to it and where this does not delay the rollout. Any arrangements must be referred to Government where there is a question over consistency with the non-discrimination obligation. The Government will retain the option to require NBN Co, following consultation with NBN Co as to the planning, implementation, timing and cost implications, to cover specific classes of non-addressable locations on terms approved by the Government. This will ensure that the NBN is used, where required, to support special services which are of vital importance to Australia. For example, the Government will require NBN Co, where requested, to provide the basic service offering to payphones delivered in accordance with the Universal Service Obligation (USO).

The Government expects that NBN Co will provide fibre-to-the-premises technology to multi-dwelling units that fall within the fibre footprint. The Government will review this requirement if there are widespread building access problems. In the event of difficulties gaining access to multi-dwelling units the Company can list such premises as 'frustrated' in its coverage register.

Throughout the rollout period, the Government expects that NBN Co will have consideration for reasonable end user and Retail Service Provider (RSP) requirements when connecting a premises or a special class of non-premises. This includes having regard to the location of network termination units installed at end user premises (in terms of close proximity to the existing copper lead in) as well as ensuring that RSPs have access to the ports of a network terminating unit on an equivalent basis. Decisions by NBN Co on consumer network interface equipment and network products will need to accommodate more than one retailer being able to provide services to a customer's premises (noting that this will not be possible for an interim satellite solution).

The Government also expects that, as part of the network construction, NBN Co will cause as little detriment and inconvenience and do as little damage as is practicable and that work sites will be restored, within reasonable timeframes, to a condition consistent with that before work commenced. NBN Co and its contractors are expected to provide processes to investigate and resolve the reasonable concerns of property owners in a timely and effective manner including remediation if appropriate.

In consultation with the Company, industry and community, the Government will explore practical legislative options that support the NBN rollout and give adequate weight to industry and community sensitivities and that consider ‘on the ground’ experience. The Government will also present to the Council of Australian Governments a proposal for state and territory governments to streamline their planning and development processes to implement a nationally consistent approach.

### ***Fibre in new developments***

The Government considers that people moving into new estates should be able to access affordable, high speed broad band as soon as practicable.

The Government has now finalised the following expectations regarding NBN Co’s role as wholesale provider of last resort within its fibre footprint:

- NBN Co will provide fibre in all new ‘broadacre’ developments;
- NBN Co will provide fibre in all infill developments in which 100 or more premises are built within a 36 month period in areas where NBN Co has not yet rolled out its network;
- NBN Co will provide fibre to infill developments in areas where it has rolled out its fibre network, gradually replacing Telstra as the provider of last resort (for infrastructure and wholesale services) in those areas;
- NBN Co may use whatever operational arrangements it chooses to service new developments, including sub-contracting and build-operate-transfer arrangements;
- Telstra will continue to be responsible for ensuring telecommunications delivering infrastructure and services for developments of less than 100 premises (pending NBN Co being able to provide services); and
- NBN Co will establish a panel of appropriately qualified providers who can install fibre on its behalf.

These arrangements will apply from 1 January 2011 to developments that receive ‘Stage 5’ development approval (relating to civil works) and where the developer has, after that date, provided NBN Co with a three month notice period. The Government has announced that it will introduce legislation in early 2011 to: require developers to provide ‘pit and pipe’ at their expense; provide for access to any non-carrier pit and pipe; and other related matters.

These arrangements will not prevent developers from using other companies to roll out fibre networks in new developments if they wish, but NBN Co should assume in its planning that such networks will need to comply with the technical specifications of the NBN.

The Government expects NBN Co to provide guidance on technical specifications as early as possible. In doing so, NBN Co should consult with the Communications Alliance and the ACMA, and should use the well established processes to deliver a national standard.

***Structuring the National Broadband Network in the long term interest of end users and the telecommunications industry***

The Government's decision on points of interconnect (POIs) and uniform national wholesale prices responds to an important element of the 'Commitment to Regional Australia' agreement reached with the Independent Members Mr Tony Windsor MP and Mr Rob Oakeshott MP.

The Government has determined that a semi-distributed POI structure which extends the NBN Co network to meet with, but not overbuild competitive backhaul routes is the preferred outcome. Non competitive backhaul routes are declared under the *Trade Practices Act 1974*. The Government expects the ACCC will use its new scrutiny and pricing determination powers to declare prices to ensure that any backhaul routes do not become the new choke point preventing effective retail competition - particularly in regional Australia.

The Government expects that NBN Co will act to ensure that POIs are located in accordance with the 'competition criteria' formulated by the ACCC. It expects NBN Co to provision its physical infrastructure, including POIs and fibre exchanges, to accommodate reasonable expectations for retail competitors' equipment, in anticipation of multiple retail competitors. While NBN Co is expected to consult closely with the ACCC in relation to the POIs, the specific location of the POIs will be a matter for NBN Co.

In support of the Government's objective of enabling uniform national wholesale prices, NBN Co will be required to charge access seekers uniformly for services across its network for all technologies and for the basic service offering. The Government recognises that NBN Co will only control the network from the customer premises to a POI where competitive backhaul, identified with the ACCC's guidance, is available. NBN Co may extend its connectivity service in those areas where it can demonstrate that to do so would lead to improved backhaul price outcomes, but each such proposal should be referred to Government for consideration.

The ACCC under its streamlined powers established by the Competition and Consumer Safeguards legislation, will be able to set up-front the price and non-price terms for regulated transmission services from 1 January 2011. On the transmission backhaul used to support the delivery of NBN services, the ACCC will:

- have the necessary powers to regularly monitor and review transmission pricing and to set wholesale access charges for regulated transmission services. The Government notes that the ACCC has recently made announcements regarding its proposed approach to transmission pricing, which will be based on the domestic benchmarking of prices on competitive transmission routes and supplemented by information from service providers and other sources; and

- regularly monitor the level of competition in transmission services by other wholesale providers to NBN Co POIs and its access determinations will effectively be benchmarks, as appropriate, for competitive transmission services.

### ***Ensuring the availability of voice services over the National broadband Network***

The rollout of the NBN will represent a step-change in how Australians access and use telecommunication services. In the transition to the NBN, telephony services will be available at all times.

The copper lines used in today's telecommunications networks provide power to standard home telephones (without use of a power point), allowing continued operations during a power outage. This allows emergency calls to be made on such devices during power outages if users are in distress.

Unlike copper, fibre does not carry electricity. The Government intends to undertake consultation with stakeholders, including emergency services, on the appropriate way of ensuring access to battery backup services for those who need them. In the interim, the Government expects NBN Co's Business Plan to allow for the deployment of all network termination units within the fibre footprint with the capacity to support a back up battery, the cost of which is to be included as part of the network rollout. Similarly, NBN Co should provide a back up battery with all network termination equipment deployed in the fibre footprint, ensuring continuation of telephone capability in the event of a power failure for standard, non powered home telephones. A back-to-base alarm function should indicate a battery approaching the end of its life. The Government expects that the initial battery will have a useful life of at least three years. End users would be responsible for the maintenance and replacement of batteries, with NBN Co advising the Retail Service Provider (RSP) of an address when the battery needs to be replaced. RSPs will be responsible for communicating this information to end users.

The Government is aware that many people have chosen handsets that do not provide this service on the copper network. It will be important that RSPs provide consumers with clear information about their options for telephone availability during blackouts as it seems likely that many who have already chosen to forego access to this service have not done so knowingly.

In those areas that will be served by wireless and satellite technologies, the Government's policy statement of 20 June 2010 announced that the USO Co will fund Telstra to provide copper based phone connections for a ten year period commencing in July 2012 for those consumers wishing to continue that service. Accordingly, back up battery will not be required for wireless and satellite network termination units.

### ***The National Broadband Network legislative and regulatory framework***

To ensure that the NBN facilitates a competitive and vibrant telecommunications sector, the Government has committed to structural reform of the telecommunications industry.

*The Telecommunications Legislation Amendment (Competition and Consumer Safeguards) Act 2010:*

- establishes a framework for Telstra to implement its decision to structurally separate, including providing clarity on the undertaking process which will allow Telstra to seek approval from its shareholders on a firm proposal to migrate its fixed-line customers to the NBN;
- streamlines the competition regime to provide more certain and quicker outcomes for telecommunications companies; and
- strengthens consumer safeguards to ensure service standards are maintained at a high level.

On 25 November 2010 the National Broadband Network Companies Bill 2010 (NBN Companies Bill); and Telecommunications Legislation Amendment (National Broadband Network-Access Arrangements) Bill 2010 (NBN Access Bill) were introduced to Parliament. Through this legislation, the Government will address NBN Co's wholesale-only, open and equivalent access charter, the eventual privatisation of NBN Co, and policy settings to promote greater competition and consumer benefits. While these bills are yet to be passed, the Government requires NBN Co to be fully guided by their provisions in discharging its functions .

To strengthen NBN Co's wholesale-only role, the Government expects that NBN Co will only supply services to carriers, service providers or utilities and authorities as specified in the NBN Companies Bill. NBN Co will not supply content services, and will not supply non-communications goods or non-communications services except as permitted under the NBN Companies Bill. Furthermore, NBN Co must not invest money except as permitted under the NBN Companies Bill.

If necessary to support the early development and rollout of the NBN, the Company may purchase other telecommunications providers, with any company NBN Co controls subject to the wholesale-only, supply, transparency and non-discrimination rules applying to NBN Co. 'Control' is to be defined as set out in the NBN Companies Bill. If such a telecommunications provider has a retail business, ideally the business would be divested before the acquisition occurred, but the Bill does provide for a 12 month transition period if required to conduct an orderly sale.

The NBN Companies Bill will also establish that NBN Co is not a public authority and is not subject to the Public Works Committee Act 1969. We ask that you continue to keep the Parliament informed of the Company's progress through the reporting processes described below.

The NBN Access Bill sets out new access, transparency and non-discrimination obligations relating to the supply of wholesale services by NBN Co. The Government expects NBN Co to supply services to access seekers in accordance with the obligations set out in the NBN Access Bill.

***Designing the right network and service offerings***

The Government wishes to preserve flexibility, in a cost effective manner, to respond to future trends in market demand for future unbundling.

NBN Co will design its corporate systems to achieve appropriate internal accounting separation arrangements covering assets and costs but not revenues for the treatment of its passive (physical infrastructure), active (electronics) and connectivity business activities and NBN Co should commence reporting on these arrangements in the 2010-11 financial year. The Government expects NBN Co to consult with the ACCC in the design and implementation of such accounting separation arrangements and notes the recent commitment of NBN Co to this effect.

The Government accepts the planned GPON architecture will be the most practical solution in brownfields based on the agreement with Telstra. The Company should proceed with network planning and construction of the rollout on the basis of GPON architecture. The Government expects NBN Co to conduct a home-run fibre trial in a new development, as these may be better able to accommodate home-run solutions than in brownfields, by early 2012.

Once the trial is completed, NBN Co, in consultation with the ACCC, will provide a report to the Government. This report should encompass the implications of home run topology including implications for POIs, costs, network design, and rollout timing.

### ***Pricing and Services***

The Government's objectives include delivering significant broad band improvements to all Australians and affordable access to these services is essential. To ensure these objectives are delivered, the Government expects NBN Co's approach to pricing will recognise the importance of maintaining affordability to drive take-up rates. The Government notes and supports the NBN Co product, pricing and service offerings developed to date following consultation with industry and including the following:

- setting wholesale prices and offering transparent migration incentives with the objective of achieving broad band take up targets agreed by Government through the NBN Co Corporate Plan and Business Case;
- providing industry standard Public Switched Telephone Network (PSTN) emulation at the network termination unit within the fibre footprint; and
- providing a Layer 2 bitstream service which enables multi-operator delivery of next generation video services to industry standard.

The Government also notes that NBN Co is discussing its products, services and long term pricing models with the ACCC as part of its Special Access Undertaking (SAU) and that these matters will be finalised consistent with any SAU approved by the ACCC.

As NBN Co continues to develop and refine its network and service offerings and moves to the deployment and operation of a national network, the requirements of a wide variety of stakeholders will need to be considered. The Government requests that NBN Co develop a Charter that outlines how it will conduct its affairs to best meet the needs of stakeholder groups. Where appropriate, this Charter should be reflected in NBN Co's annual reports.

### ***Planning, reporting and performance management***

Once the Government has considered and accepted the NBN Co Corporate Plan and Business Plan it expects NBN Co to provide regular reporting against which Government will measure NBN Co's performance. This includes an annual report and any interim reports as requested by the Government. Annual report obligations are defined in the *Commonwealth Authorities and Companies Act 1997* and the *Governance Arrangements for Commonwealth Government Business Enterprises - June 1997* and we note that NBN Co's annual reports have addressed these obligations.

The Government will consult with NBN Co about the development of Key Performance Indicators which will be used to report on and monitor progress against the Corporate Plan and Business Plan once they are finalised. The Government also expects NBN Co to continue to report to the Parliament, including its committees, such as the Joint Committee on the NBN which has been established to oversee the progress of the rollout.

The Government recognises the NBN rollout will affect every household and business across Australia. As such, it expects the company to develop a comprehensive strategy for engaging with individual consumers during the NBN rollout, including handling complaints. NBN Co is to report to Government on this issue as part of the regular reporting arrangements.

Building on this, the Government expects that NBN Co should provide in its annual report information including details regarding the network rollout performance and cost, achievement of service levels, faults, customer complaints, details of its progress towards meeting its coverage objectives and expenditure incurred in doing so, as well as any other matters that shareholder Ministers formally advise from time to time.

NBN Co has been open and transparent in planning and developing its strategy and operations and has published a number of consultation, position and options papers which have clearly communicated options and intentions. NBN Co should continue to conduct its planning and the execution of its strategy in a publicly transparent manner, subject to any requirements for commercial confidentiality, and reflect this in its annual reporting.

### ***Funding and privatisation***

NBN Co will be funded with Government equity until NBN Co has sufficient cash flows to support private sector debt without explicit Government support. The Government expects that during the rollout period defined in the Corporate Plan private sector debt raised by the Company will complement Government equity to fund rollout activities. Following completion of rollout, the Government will consider the optimum capital structure for the Company following which private sector debt should be applied to repaying the Government investment, consistent with that structure.

The Government will enter into an equity agreement with NBN Co for the rollout period with equity funding based on the expected \$27.5 billion funding requirement advised by NBN Co. This agreement will be reviewed annually. The Government envisages that this will provide NBN Co and the market with the certainty required to enter into the long term commercial contracts needed to deliver the Government's NBN policy objectives. The Government envisages that any equity agreement entered into with NBN Co will be linked to the performance and coverage objectives agreed as part of the NBN Co Corporate Plan. Any variance to equity requirements will require Government approval.

During the rollout, the Government will retain full ownership of NBN Co in order to achieve its policy objectives. Privatisation of NBN Co will only occur after the Minister for Broadband, Communications and the Digital Economy makes a declaration that the NBN is built and fully operational, the Productivity Commission has concluded an inquiry into matters relating to the NBN, scrutiny of the Productivity Commissions' report by a Parliamentary Joint Committee on the ownership of NBN Co has occurred, and the Minister for Finance and Deregulation makes a disallowable declaration that conditions are suitable to sell NBN Co (and this declaration not being disallowed).

There are arrangements in the NBN Companies Bill to address the possibility that industry participants might be able to influence NBN Co in any partial sell-down situation. The Government may regulate to restrict Lacceptable private ownership or control. The Productivity Commission will also consider ownership and control issues as part of its inquiry into the regulatory framework for the NBN. The Government expects NBN Co to operate within the ownership and investment settings determined through the NBN Companies Bill.

### ***General matters***

In addition to those matters specifically addressed above, the Government expects NBN Co to be cognisant of the Government's wider telecommunications sector objectives, relating to both social and industry policy considerations. For example, the Company is expected to proactively investigate options should Retail Service Providers seek support in establishing a capability to identify an end users location that would allow emergency call operators to automatically locate a caller.

The Government expects that the NBN Co Board will clarify with shareholder Ministers should it be advised by shareholder Departments of a policy obligation which the Board is uncertain should apply to NBN Co; and in the interim not act inconsistently with that policy. During election campaigns, the Government expects NBN Co to abide by the Caretaker Conventions as advised by a relevant Departmental Secretary.

In summary, as a major GBE, the Government expects the Company to model a high standard of corporate citizenship.

As the NBN represents a very substantial infrastructure project, the Government also expects that NBN Co will actively promote opportunities, wherever possible, for local Small and Medium-sized Enterprises (SMEs) to participate fully in this project in

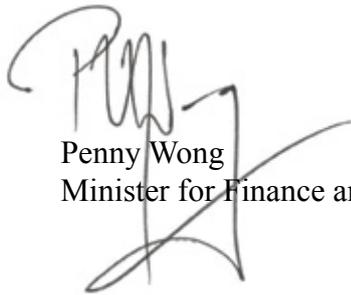
meaningful and continuing ways. We envisage that NBN Co will prepare advice on how SMEs can participate in the NBN project and to advise the market of successful firms, in order to encourage others.

## **Conclusion**

In conclusion, the Government's vision is that the NBN will deliver significant improvement in broad band service quality to all Australians. The Government recognises that NBN Co has made impressive progress in laying the foundations for the network rollout. The Government's intention is that this Statement of Expectations provides the necessary clarity for NBN Co to deliver the NBN. For the avoidance of doubt, where any previous advice has been provided that is inconsistent with this Statement, the advice in this document prevails.

We look forward to working with NBN Co to deliver a new era in telecommunication services and to receiving its Statement of Corporate Intent detailing how the Company will discharge its NBN mandate.

Yours sincerely,



Penny Wong  
Minister for Finance and Deregulation



Stephen Conroy  
Minister for Broadband,  
Communications and the Digital Economy

## ATTACHMENT A - PREMISES DEFINITIONS

The **definition of premises** which NBN Co is required to connect (and count towards the coverage target):

1. it is an addressable location currently used on an ongoing basis for residential, business (whether for profit or not), government, health or educational purposes;
2. it is a school as defined by the Department of Education, Employment and Workplace Relations;
3. it is within a new development at an addressable location for which NBN Co is the wholesale provider of last resort; or
4. a standard telephone service activated in compliance with the USO.

The initial **definition of non-premises** which NBN Co is permitted, but not required to connect unless directed to do so by the Government is:

1. a non-addressable location of a type agreed by NBN Co with its shareholder Ministers (and capable of connection). At this stage, NBN Co has identified the following types of non-addressable locations:
  - i. Traffic lights / traffic light controller / electronic sign / traffic signals, including variable speed signs
  - ii. Bus stop, tram stop, railway station
  - iii. Banking communications (EFTPOS and ATM terminals);
  - iv. Privately operated payphones;
  - v. Assistance telephones (eg elevator and roadside phones);
  - vi. Transformer / kiosk / pad mount substation / pole mount transformer
  - vii. Links / Link pole LV / MV / HV links / ABC links / dynamic switch / airbrake switch / isolator
  - viii. Other metering point (any service)
  - ix. Camera (security / traffic)
  - x. Bridge control, swing bridge, traffic control gate
  - xi. Mobile phone cell tower / radio antenna
  - xii. Street lighting pole, street light controller
  - xiii. Band stand, rotunda, other park building
  - xiv. Unmanned (council) car park
  - xv. Weather monitoring devices
  - xvi. Water (including storm water and sewage management), gas and electricity infrastructure
  - xvii. Public alarm and security systems.

The initial **definition of non-premises which NBN Co is required to connect**, on terms approved by Government, but do not count towards the coverage objective:

1. a payphone which is activated in compliance with the USO