



THE HON MALCOLM TURNBULL MP
Minister for Communications

SENATOR THE HON MATHIAS CORMANN
Minister for Finance

24 OCT 2013

Dr Zigmunt Switkowski
Chairman
NBN Co Ltd
Level 40, 360 Elizabeth Street
MELBOURNE VIC 3000

Dear Dr Switkowski

NBN CO LIMITED 2012-13 ANNUAL REPORT

We are writing regarding the NBN Co Limited (NBN Co) 2012-13 Annual Report.

We note that the 2012-13 Annual Report was endorsed by the previous NBN Co Chairman and provided to our Departments on 27 August 2013, prior to the 2013 Federal Election. It therefore necessarily reflects NBN Co's implementation of the broadband policies of the previous Government.

While we consider that the Report meets the various requirements for Annual Reports and is therefore suitable for tabling, we believe it important also to place some matters on the public record to provide context for readers. We will therefore be tabling this letter with the 2012-13 Annual Report.

Performance Metrics

The 2012-13 Annual Report includes a number of measures of operational and financial performance that provide the public with information about the rollout of the National Broadband Network (NBN).

In several cases this information is expressed in a form, or measures a concept, specific to the previous Government's policies. However, in the view of the current Government, this does not necessarily provide a meaningful indicator of progress.

For example, the Annual Report contains a metric that purports to measure the number of premises in the brownfields fibre footprint where 'construction has commenced or been completed'. The claimed total for such premises as of the week of the 7 September 2013 election was 1.2 million. A casual observer might assume this figure just includes premises able to connect to the NBN plus those where physical construction is underway. In fact 'construction commenced' also includes premises where high-level design work has been performed but actual physical build work with those designs has yet to commence.

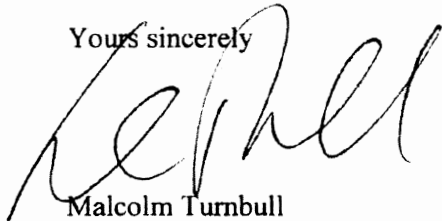
Similarly, the 2012-13 Annual Report contains information about the number of premises 'passed' by NBN Co. This is a common term in the communications sector that refers to premises able to obtain a service if they want one. But the Annual Report does not include any adjustment for premises classified as 'service class zero' – an internal NBN Co term for premises passed but unable to obtain service (typically because they are located in a 'multi-dwelling unit' such as an apartment building or shopping mall). We understand that as at 30 September 2013 there were 73,500 premises in the brownfields fibre footprint classified this way.

Plainly there is substantial room to improve the quality and transparency of NBN Co's reporting. In the interim Statement of Expectations letter provided to the company on 24 September 2013 the Government indicated it is committed to increasing the frequency and volume of information released by NBN Co. We look forward to working with you in implementing this commitment in the near future.

Strategic Review

As you are aware, the Government has commissioned a strategic review of NBN Co. This will include an analysis of the progress and cost of the rollout, and of NBN Co's financial and operational status. The outcomes of that review will be critical in settling the detail of the Government's broadband policy, which will be formalised in a new Statement of Expectations, and will of course also be reflected in the 2013-14 Annual Report.

Yours sincerely



Malcolm Turnbull
Minister for Communications



Mathias Cormann
Minister for Finance