

# The Treasury

## Budget 2011 Information Release

### Release Document

June 2011

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [5] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [6] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [7] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [8] 9(2)(h) - to maintain legal professional privilege
- [9] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [10] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [11] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, an [8] appearing where information has been withheld in a release document refers to section 9(2)(h).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

**Vote:** Communications

**Co-Votes:**

**Title:** Drop costs for connecting schools to fibre

**Brief Description:**

The government has committed to enabling ultra-fast broadband in schools by providing fibre to 97% of schools within 6 years, through the \$1.35 billion Urban Fibre Initiative and the \$300 million Rural Broadband Initiative.

This bid seeks funding to cover the costs of providing the fibre connection between either the network operator's cable in the roadway, or from the network operator's digital microwave radio tower to the agreed service delivery point in the school (this is commonly referred to as the "drop cost").

The funding for this bid is sought from the \$150 million earmarked for broadband in schools prior to the 2008 election.

**Initiative Type:** Operating

**Priority Area:** Budget 2011

**PA Objective:** Meet demand

**Capital Funding Sought (\$ thousands):**

<i>\$000*</i>		2011/12	2012/13	2013/14	2014/15	2015/16 and outyears
<b>Gross capital impact**</b>	A	10360	7970	5290	4530	
<b>Offsetting capital saving**</b>	B	0000	0000	0000	0000	
<b>Net capital impact</b>	C	10360	7970	5290	4530	

**Operating Impact**

<i>\$000*</i>		2010/11	2011/12	2012/13	2013/14	2014/15 and outyears
<b>Gross operating impact**</b>	D					
<b>Offsetting savings/revenue**</b>	E					
<b>Net operating impact***</b>	F					

The figures in the table above should reconcile as follows:

$$A - B = C$$

$$D - E = F$$

\* note that although normal financial recommendations express funding in millions, this template expresses funding in thousands. This is because CFISnet deals with thousands to enable Treasury to generate the Appropriation Bills for Parliament.

\*\* delete these rows if not required

\*\*\* The operating impact table should net to zero as there is no allowance for operating expenditure associated with capital in Budget 2011. The Four-year Budget Plan should show how operating expenditure associated with capital will be managed within baselines.

## **Recommended Decision in Budget 2011**

Approve.

An additional financial recommendation is required authorising the Minister of Finance, Minister for Communications and Information Technology to approve the transfer of this appropriation to operating costs.

## **Risk if Budget 2011 Decision is not made**

There will be no funding to meet Ministers' commitment that the drops into schools will be fully funded.

Without funding, the Ministry of Economic Development and Crown Fibre Holdings will not be able to contract with rural fibre providers and Local Fibre Companies to provide connections into schools.

## **Gateway Number**

N/A

## **Whole of Life Cost**

The asset will be owned by the rural fibre provider or local fibre company, so there will not be any maintenance or de-commissioning costs for the Crown.

## **Detailed Costings**

### **Number of connections that need to be funded**

Total state and state-integrated school sites to be connected: 2665 (this includes a few schools that have multiple sites, and will therefore require multiple connections).

Total state and state-integrated schools that we estimate will be connected to fibre by the end of June 2011 (and therefore do not require funding through this appropriation): 300

Total schools we estimate will receive satellite connections: 40

Total school connections requiring funding: 2325.

### **Cost per connection**

The cost for connections varies substantially depending on:

- The distance from the school gate to the school server room. The shortest distance we are aware of from drops provided to date is 16 metres, and the longest is 457 metres. There are no centrally-held school plans that would allow a desk-based estimate of the

distances to be made ahead of a visit by the fibre provider to the school to establish the drop route and distance.

- The method of installing the drop. **[5],[6]**

**[5],[6]**

**Monitoring costs**

Contractors will be contractually required to install all fibre drops using the least cost method that will meet the Ministry of Education standards (attached).

Contractors will be required to submit an as-built plan with their invoice to the Ministry of Economic Development for payment. This will be required to be accompanied by a signed certificate of completion from the school, which will attest that the drop as provided matches the as-built plan.

The Rural Broadband Initiative and Ultra-Fast Broadband Initiative include contract standard contract auditing procedures, which will include checking that the drops meet standards and are as represented by the contractors. This will include assessing whether the drops that are audited were installed using the least-cost method that was fit for purpose. This will be assessed by considering the drop methods used in nearby properties, the existing infrastructure in the school, and whether the drop matches the as-built plans supplied for payment.