

National Broadband Network Invitation to Comment
Comments from the NSW Department of Commerce and NSW Department of
State and Regional Development

Introduction

The NSW Department of Commerce and the Department of State and Regional Development (DSRD) strongly support the Australian Government's policy to fund an open access, high speed, fibre-based National Broadband Network (the Network) to 98 per cent of Australians. Accordingly, we welcome the opportunity to provide comment to the Expert Panel on the Request for Proposal (RFP) documentation to be issued for the proposed Network.

The development of this Network will bring enormous benefit to the Australian community and industry. It will enable a range of new services, applications and digital content that will drive innovation and new business opportunities.

Accordingly, we support the Expert Panel in achieving the best possible outcome within reasonable time frames.

The following comments are put forward with regards to the Network RFP:

1 *Collaboration with the NSW Government*

The NSW Department of Commerce and DSRD would like to work closely with the Australian Government in the development of the National Broadband Network. Collaboration between the Australian Government and the State and Territory Governments will help establish a truly national approach to the Network.

The collaboration could potentially include:

- The alignment of procurement initiatives
- Advice on public private partnerships (PPPs)
- Co-ordination of planning activities across all layers of Government

- Facilitating access to infrastructure and rights of way
- Supporting investment and construction of the network infrastructure
- Integration with relevant national initiatives such as smart metering
- Collaboration on new ways of delivering Government services

This national approach to the proposed Network would help create incentives for greater investment and infrastructure development from industry and a more future-proof and sustainable model. It would also help bring forward the benefits of higher capacity broadband services to the community and business.

In order for this national approach to be effective, the Australian Government should establish a high level working group with the States and Territories. This group should provide advice and support initiatives during and after the awarding of the proposed tender for the Network. Probity issues should be appropriately managed to help support this approach rather than prevent it. There are also many longer-term initiatives that can be progressed outside the initial focus on the RFP.

The NSW Government operates its own broadband network to NSW public schools, hospitals and other agency offices throughout the State. This network has established alternative fibre backhaul links to 20 regional centres throughout NSW. This network was built to leverage these facilities for servicing citizens and businesses in NSW.

The NSW Government is interested in how its future procurement arrangements for broadband services could interact with, and leverage from, the National Network.

2. Promotion of Competition

The NSW Department of Commerce and DSRD believe the Network should help drive a more competitive telecommunications industry to protect the interests of users and support economic reform.

The proposed tender for the Network and associated review of the regulatory framework provides a “once in a life-time” opportunity to help improve competition in

the telecommunications industry. As one of the largest users of telecommunications in Australia, the NSW Government is aware of the limited market competition and high costs in certain areas of the broadband market.

The highest priority for the Expert Panel should be the promotion of competition in the development of the RFP and ultimately in selection of the preferred tenderer/s. The objective of improving competition should not be compromised by other factors. Key issues include:

a) A robust open access regime

The proposed open access regime should ensure that the network owner treats all service providers seeking access to the network on an equal basis to promote genuine retail competition. It is highly desirable that there be separation between the network ownership and retail services to avoid anti-competitive behaviour. The Expert Panel should be mindful of the current practice of litigation and bureaucratic procedures used to slow down the development of new competitive telecommunication services.

The experience in the United Kingdom is relevant where the incumbent telecommunications carrier implemented a functional separation of its activities between network ownership and operations from its retail activities. It is also relevant that this was only initiated after the Government granted its telecommunications regulator the ability to structurally separate the incumbent carrier.

The RFP should provide detail on the scope and outcomes of the proposed open access regime. It is also important that the open access policy not be limited to selected services but cover all services available from the network owner.

b) Interconnection of networks

The design and management of the proposed Network should support the interconnection with other carriers and networks. This is important as it allows other carriers to use their own infrastructure to provide competitive services for their customers. The RFP should require the network owner to design appropriate physical interconnection points at a range of locations including at the exchange and node.

These interconnection points will allow for the integration with local and regional broadband initiatives, especially where new telecommunications infrastructure has been established or is planned.

The interconnection arrangements should also allow any customer to connect to any other customer, independent of carrier, and without degrading the consumer's experience. This will become increasingly important for business and government applications and services where quality of service is necessary.

c) Consumer choice

The NSW Department of Commerce and DSRD support the ability of users to choose their own broadband service provider, for both business-grade and consumer level services. This choice should include the ability to obtain broadband services from different facilities, both wired and wireless. It is important that the technical design and regulatory environment for the National Broadband Network support consumer choice. Where it is necessary to consider restrictions on over-building of new fibre networks, this should be for a limited time.

Consumer choice and competition can also be supported by the easy portability between service providers and reduced contract terms (currently households are generally locked in to two year contracts that impose a financial penalty for breaking the contract which may be broken by moving premise (even though the consumer may be connecting to the same provider in their new premise),

switching to a different carrier, or ceasing to operate an internet connection). The Expert Panel may wish to ask the proponents how they can support these outcomes.

d) Benchmarking of customer prices

It is important that the proposed customer pricing for the National Broadband Network be internationally competitive. This is important as the cost of broadband services is an input to the wider economy and will be an increasingly important driver of innovation. An area of specific concern is the price of internet downloads in Australia which according to the OECD are amongst the highest of OECD countries. The benefits of a high bandwidth broadband service will be limited if there are excessive download costs. The Expert Panel should ensure that the proposed customer pricing is subject to international benchmarking.

e) Support for Network Neutrality

Currently network neutrality is particularly relevant in the United States where conflicts exist between providers of connectivity and providers of content. For example, a particular network provider may allow access to certain websites at much higher speeds than other websites, dependent upon content and connectivity partnerships. The RFP should seek to ensure that there is equal access to content without degrading the consumer's experience.

3 *Leveraging the capability of the National Broadband Network*

There are a number of issues that need to be addressed to leverage the capability of the National Broadband Network for greater social and economic benefits. These include immediate issues that need to be included in the RFP for the network and longer term issues that require broader Government and industry collaboration. These issues are:

a) Provision of scalable high bandwidth services

Business and Government users will require scalable high bandwidth services from the proposed Network. There will be increasing demand from selected industries for high capacity bandwidth (up to gigabit per second speeds and/or wavelengths) which are highly reliable (including redundant pathways), symmetric, and include a guaranteed quality of service. Many NSW Government agencies will require these features if they are to purchase services from the Network.

b) Ability to extend fibre to the premise

The proposed network design should be future-proof so that fibre can be easily extended directly to premises where possible. There may be circumstances where it is feasible to connect fibre directly to premises where cost factors and user demand allow this.

c) Symmetric bandwidth

The Network promises to deliver speeds of approximately 12 megabits per second (Mbps). Whilst this is the target down load speed, the Expert Panel may also wish to consider a target upload speed. It is quite possible to receive a down load speed of 12 Mbps whilst only receiving an upload speed of 1 Mbps. This is particularly important, for example, for post production businesses which transmit high volumes of data to the United States.

d) Planning

As facilitators of planning guidelines and instruments, State and Territory Government collaboration is important to ensure easy access by the appointed tenderer/s to infrastructure and rights of way. Such infrastructure includes distribution networks, which, in NSW at least, are publicly owned and managed assets. The Network could be further enhanced through the development and

promotion of national guidelines for cabling in Greenfield developments and multi-unit dwellings.

e) Prioritise the network rollout

The Expert Panel should consider take up by users of the infrastructure once implemented. Since the Network will not be 'rolled out' concurrently, the manner in which it is rolled out should focus upon areas of high demand (such as those where service industries such as financial services, post production, software development, data centre services, etc are located) in the first instance, to generate both enthusiasm and 'education' about the infrastructure. The early rollout of the network to areas of high demand will also bring forward the innovation benefits and new business opportunities. In this context the NSW Department of Commerce and DSRD are particularly keen to ensure the roll-out is cognisant of existing metropolitan and regional planning strategies, so that the roll-out complements strategic land use planning.

f) Incentives for adoption

Proponents should be offered the opportunity to suggest incentive regimes as well as regulatory changes to promote the user take-up of broadband services, i.e. "push" as well as "pull" initiatives.

The Expert Panel should consider how future incentives could be created to help extend the physical rollout of network infrastructure, overcome bottlenecks in deployment, and encourage the adoption of new services enabled by broadband. Potential bottlenecks include the re-cabling of multiunit dwellings, which will be required if fibre is extended directly to premises. It may be appropriate to consider the benefit of financial incentives to building owners so their premises can become enabled to connect directly into the Network.

g) Opportunities for Government service delivery

There is merit in the Expert Panel also addressing how the Network will be utilised and taken advantage of by end users. The Network could help reform

the delivery of Government services to various clients and stakeholders, particularly high capacity applications such as high definition video conferencing capacity and other applications in the delivery of healthcare, education, rural extension services and aged care. The Network offers new opportunities to develop more cost efficient and personalised services to the public.

Conclusion

The NSW Department of Commerce and DSRD support the Federal Government on this new and exciting initiative and looks forward to the opportunities it will provide the Australian community, businesses and Government. We seek to assist the Federal Government with its initiatives and would be pleased to provide further detail to the Expert Panel if required. Moreover, both Departments are keen to facilitate investment by successful tenderer/s and make it easier and more beneficial for investment in the State.

For further information or for clarification about any of the above issues, please contact Mr Colin Griffith, General Manager, Strategy, Government Chief Information Office, NSW Department of Commerce (phone: (02) 9372 8299; email: colin.griffith@commerce.nsw.gov.au).