



**Submission to the
National Broadband Network Panel of Experts:
Supporting the Development of the
Request for Proposal**

March 2008

AUSTAR UNITED COMMUNICATIONS LIMITED

Submission to the Submission to the National Broadband Network Panel of Experts on the Development of a Request for Proposals for a National Broadband Network

1. BACKGROUND

AUSTAR welcomes the opportunity to respond to the call for submissions by the Department of Broadband, Communications and the Digital Economy to assist in the development of the Request for Proposal documentation by the Panel of Experts for the National Broadband Network.

The Australian Government has demonstrated a commitment to delivering a new network which is capable of delivering high speeds to 98% of Australian homes and businesses with a uniform wholesale pricing model which offers end consumers' value for money. The Government has committed up to \$4.7 billion to facilitate the deployment within five years of a network which provides open access to wholesale broadband services on transparent, equivalent and pro-competitive terms. While previous subscriber based incentive programs were successful in encouraging the upgrade of existing infrastructure, and the Broadband Connect deployment by OPEL will cover critically underserved premises, additional funding provides a unique opportunity for further enhancements to the national broadband infrastructure.

2. INTRODUCTION

AUSTAR United Communications Limited (AUSTAR) is one of Australia's leading subscription television providers, supplying digital television services to customers in regional and rural Australia. AUSTAR also offers internet and mobile telephone services.

AUSTAR invested A\$183 million in 2000 to obtain spectrum licences covering 98Mhz of contiguous spectrum in the 2.3GHz band and, following a spectrum swap with Unwired in 2005, obtained 65Mhz in the 3.4-5Ghz band to consolidate the internationally recognised WiMAX spectrum licences into areas which broadly match its regional subscription TV coverage footprint as illustrated in Figure 1.

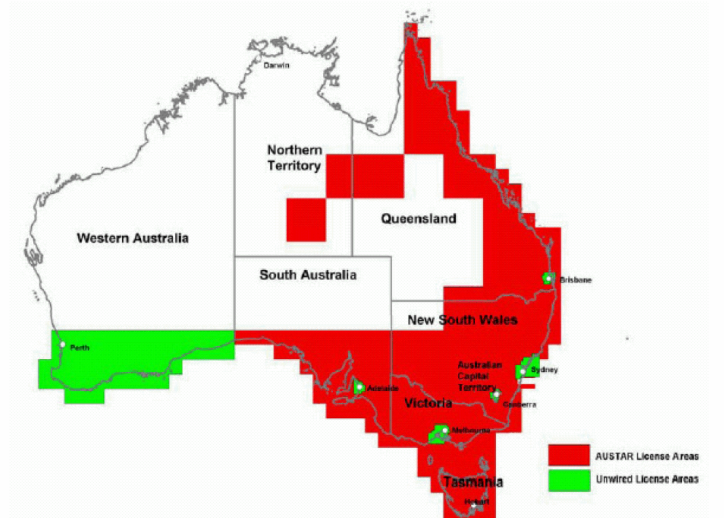


Figure 1: AUSTAR's Spectrum Holding

AUSTAR's investment in spectrum was based on a strong view that our television customers would value the ability to purchase and bundle multiple products with AUSTAR given our best in class customer service facilities and packaging capabilities. Although technology and market developments at the time prevented further investment, AUSTAR retained its interest in investing in a broadband solution and in 2006 commenced a phased roll out of wireless broadband services, launching services in Wagga Wagga and Tamworth. Shortly there after, due to the announcement of the Broadband Connect Infrastructure Program, AUSTAR paused its deployment in order to coordinate further investment with a broader solution. AUSTAR established the *AUSalliance* consortium with Unwired and SOUL and presented a compelling solution which blended fibre, WiMAX and ADSL2+ access technologies.

Although AUSTAR was disappointed with the Broadband Connect Infrastructure Program outcome and particularly the lack of transparency afforded to consortiums which invested significant time and effort in developing proposals, we continue to support the availability of metro comparable solutions in underserved regions and trust that the OPEL solution was selected as the most efficient and effective network. As a result of the announcement, AUSTAR ceased further commercial broadband plans and announced in January that it will sell its 2.3GHz and 3.4-5GHz spectrum holdings to the OPEL Venturers, Optus and Elders, to facilitate the WiMAX component of the OPEL Broadband Connect network in regional Australia. This deal remains subject to the finalisation of Broadband Connect arrangements between the OPEL Venturers and the Commonwealth Government. The outcome provides AUSTAR with a mechanism to expand our service offering to include broadband, voice and mobile services to existing and new customers in AUSTAR areas via wholesale arrangements with Optus and OPEL.

AUSTAR strongly believes that the network to be delivered by OPEL under the Broadband Connect Infrastructure Program will address an immediate and critical need by providing

services to underserved residential and commercial premises using a multi-faceted technology approach. It will also enhance infrastructure based competition. It is unacceptable that regional and rural Australians continue to suffer the effects of broadband black-spots and limited retail choice over 9 months after OPEL was selected. Any further deployments, including the National Broadband Network, should complement the OPEL deployment and expand the services available for access providers such as AUSTAR, and ultimately end consumers. In any case, metro comparable access for regional and rural Australians' should not be further delayed. Continuing without improved access for a further 5 years as the National Broadband Network is deployed will significantly impact productivity in these regions as metropolitan areas will be prioritised as the most commercially attractive regions.

It is critical that the Broadband Connect arrangements are finalised before the National Broadband Network Request for Proposal documentation is released for all parties involved: the regional Australians suffering black-spots and poor retail competition; the National Broadband Network respondents who need clarity of market plans; and for AUSTAR which has put its commercial plans on hold pending the finalisation of the Broadband Connect arrangements. It seems extraordinary to both our local and international shareholders that on the one hand high speed broadband availability is recognised as a core dependency for productivity in a digital economy, and on the other no progress has been made to finalise and progress deployment of the Broadband Connect infrastructure. Should the Broadband Connect arrangements not be successfully concluded, AUSTAR may consider leveraging its spectrum assets into the National Broadband Network, although, this would be an extremely disappointing outcome given the current solution offers an immediate opportunity to deliver the economic and consumer benefits of a mobile WiMAX (802.16e) solution.

3. KEY REQUEST FOR PROPOSAL CONSIDERATION

There are three major areas which need to be considered in the development of the Request for Proposal document including the selection criteria, response requirements and clarity on the overall broadband landscape.

Consistent with previous submissions, AUSTAR believes that the selection criteria for the National Broadband Network Request for Proposal should include the cost efficiency of the solution, level of private funding contributed, scale and experience of the provider whether locally or internationally, commitment to favourable wholesale terms and conditions in addition to transparent wholesale access pricing, and the efficiency and scalability of the technical solution. Based on over 10 years of experience servicing customers in regional and rural Australia, AUSTAR believes that it is vital for the National Broadband Network to contemplate a technology neutral approach to ensure that all Australian's are provided with access to a network that is world class, efficient and sustainable. While a fibre based

solution has a number of benefits in densely populated areas, it is simply not economically rational or technically feasible to expect that a fibre technology can be nationally deployed to reach 98% of Australian homes and businesses. The most cost effective, sustainable, and efficient deployment is likely to be a blend of fixed and wireless solutions. WiMAX (802.16e) is a next generation wireless technology which is cost effective, has the advantage of being broadly independent of existing exchange infrastructure and has a number of functional advantages which make it both a good complementary and viable alternative solution to fixed access networks. These functional advantages include the ability to provide mobile and fixed rather than fixed services only, personal plus household rather than household only services, and the scalability to facilitate services such as location based content delivery and IP enabled consumer devices.

Further, the design and delivery of a National Broadband Network should promote new network and infrastructure investment that will increase competition. This measure will deliver long term sustainable broadband solutions and create a competitive market place for resellers and local industry, as well as end users. Therefore, it is important that the Request for Proposal documentation does not unreasonably favour certain providers. All respondents should be provided with access to sufficient information to make an informed response, such as the location of existing telecommunications infrastructure and the availability and cost of existing backhaul services, which may be employed as part of the solution. The Request for Proposal should also outline what, if any, provision will be made to help facilitate access to existing infrastructure. Additionally, while a rapid deployment schedule is ideal, the timeframes provided for response should be sufficient that alternative providers and consortiums are able to coordinate a response.

Finally, it is vital that within, or before, the Request for Proposal, clarity is provided by the Department on the current broadband programs, regulatory change and potential compensation requirements for existing providers. A fulsome understanding of the landscape is necessary for all respondents to make an informed response.

4. CONCLUSION

Since 2000, AUSTAR has made significant investments in spectrum and network assets in order to develop a broadband offering to expand the products available to regional and rural Australians. Since the selection of OPEL as the preferred Broadband Connect provider, AUSTAR has sold its 2.3GHz and 3.5GHz spectrum holdings to the OPEL venturers, Optus and Elders, to facilitate the WiMAX network build. This deal remains subject to the finalisation of Broadband Connect arrangements between the OPEL Venturers and the Commonwealth Government. As discussed, it is essential for regional productivity and market certainty, that Broadband Connect arrangements are finalised. It is unacceptable that 9 months after the announcement no inroads have been made to address the availability of

metro comparable access in regional and rural Australia. WiMAX (802.16e) is an efficient, scalable and future proof broadband solution which can be both a complementary and alternative offering to traditional fixed networks. Deployment of the Broadband Connect network is necessary to address the critically underserved premises and further enhance infrastructure based competition.

The National Broadband Network Request for Proposal should include selection criteria which transparently assess a providers' cost efficiency, sustainability, experience, wholesale terms and pricing. Further, the Request for Proposal needs to facilitate a technology neutral approach which will ensure the solution is both efficient and sustainable. The information provided within the Request for Proposal documentation and the response timeframes must facilitate new infrastructure investment in order to deliver sustainable broadband solutions and competition. Finally, it is essential that the topics of regulatory change, compensation allowances and the status of existing programs are clarified within or before the Request for Proposals in order for respondents to supply informed proposals for sustainable solutions.

AUSTAR would welcome the opportunity to discuss these issues further with the Department and Expert Panel.

AUSTAR United Communications Limited

March 2008