

## Department of Premier and Cabinet

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Ms Patricia Scott  
Chair, National Broadband Network Panel of Experts  
Department of Broadband, Communications and the Digital Economy  
GPO Box 2154  
CANBERRA ACT 2601

Dear Ms Scott

I am writing in response to Senator Conroy's announcement that the Panel of Experts is seeking submissions to assist in the development of the National Broadband Network (NBN) Request for Proposals documentation.

I note that, following a meeting between them on 28 February 2008, the Tasmanian Treasurer, the Hon Michael Aird MLC, has written directly to Commonwealth Minister for Broadband, Communications and the Digital Economy, Senator the Hon Stephen Conroy, regarding Tasmania's telecommunications challenges and the opportunity to address them through the OPEL and National Broadband Network initiatives.

I consent to your publishing and making use of this submission in the development of the NBN Request for Proposals documentation.

### **Before NBN - Prioritising Backhaul**

The key telecommunications challenge facing Tasmania is a lack of infrastructure competition and from this the lack of a commercial incentive to provide nationally available broadband services in Tasmania. The incumbent currently has a monopoly on backhaul access across Bass Strait and on fixed line telecommunications infrastructure within Tasmania. Market quotes over the past two years indicate that the cost of capacity via the incumbent's infrastructure from Hobart-to-Melbourne is about five times higher than from Melbourne to Adelaide and up to 10 times the rate between Melbourne and Sydney. As a result, there has been minimal investment in Tasmania in ADSL2+ or other local loop technology by other service providers. Typically, ISP services are very limited in Tasmania (including Hobart) because the backhaul cost structure prevents national ISPs from being able to profitably offer their national internet package deals in this State. Similarly, there has been minimal investment in mobile technology by other operators, with the incumbent the only 3G provider.

These factors contribute to Tasmania's very low penetration of household Internet use, household broadband penetration and business use of broadband. On all such indicators, Tasmania is the worst performing state or territory in Australia.

The Tasmanian Government has invested \$30 million into the development of an on-island optic fibre backbone connecting our four main regional centres – Hobart, Launceston, Burnie and Devonport. In December 2008, following a comprehensive RFP process, the Tasmanian Government announced State-owned utility Aurora Energy as our strategic partner to commercialise this network on the strength of their commitment to lower wholesale backhaul prices and the synergies arising from integration with Aurora's extensive local access fibre networks in the four main population centres in the State. Aurora is an independent infrastructure provider in the market with no downstream retail telecommunications business to protect, and is therefore able to utilise this on-island backbone network in the best interests of retail service providers and end customers. In particular, the State's and Aurora's commitment to operate this network on an open access basis at nationally competitive rates also supports the Broadband Connect solution for regional Tasmania – as the network provides essential infrastructure to support the ADSL2+ and WiMax services in those areas covered by this solution - the North West, Central North and Midlands regions of the State.

However, contestable backhaul across Bass Strait is critical to the success of this strategy and the NBN in Tasmania. Priority construction of the new Broadband Connect funded optic-fibre cable across Bass Strait to link with the State's independent on-island network is needed to assist Tasmania in achieving competitive backhaul pricing in the State.

### **NBN - Tasmanian Government Proposal to Achieve National Objectives**

The Tasmanian Government recognises and supports the National Broadband Network initiative as a once-only opportunity for the Australian Government to establish a telecommunications infrastructure and a telecommunications market structure for Australia's next generation.

The Tasmanian Government believes that a specifically tailored solution for Tasmania will best deliver on the Australian Government's broadband objectives rather than the State's inclusion as part of a single national process and model.

The Tasmanian "problem" is quite different to the issues faced in other parts of Australia. In addition to the lack of competitive infrastructure, Tasmania has a unique set of challenges, being an island with a mountainous geography and a small, very dispersed, and comparatively disadvantaged population, separated by 200km of water from the markets and telecommunications routes of metropolitan Australia.

We believe that Australian Government funding could be applied to directly support, complement and extend the Tasmanian Government's broadband strategy. This strategy involves both independent backhaul and deep fibre customer access networks. In particular, the Tasmanian Government envisages the extension of the independent on-island fibre backbone described above into particular broadband-disadvantaged areas of the State including new long haul fibre along the Tasmanian East Coast and to the West Coast using State-owned utility assets. These economically significant parts of the State are generally restricted to dial up internet services. These areas are not covered in the Broadband Connect solution for Tasmania because of the non-availability of supporting backhaul infrastructure. This initiative to extend the State-owned independent backbone fibre network to such areas would also improve overall Tasmanian backhaul network redundancy and provide further local loop penetration. When these stages are completed, the strategy would then enable direct fibre links and connectivity to a large number of schools, hospitals, community sites and major institutions in the State.

Once backbone and local transmission fibre access connectivity is completed under this strategy, as well as delivering broadband capacity directly to disadvantaged areas, further private investment will be facilitated in last mile technologies. For example, it will be commercially feasible for higher speed ADSL and other technologies in certain centres, where high backhaul costs have previously stifled investment and service provision. In economically important areas, technologies such as fibre to the premise (FTTP) could be directly subsidised. For example, the footprints of the unique Tasmanian Government facilitated TasCOLT FTTP networks, could be expanded. The entire Tasmanian broadband network would be open-access and would also directly support the objectives of the Broadband Connect program.

The Government is confident that this strategy would eliminate Tasmania's broadband disadvantage relative to the rest of Australia and would deliver on Federal Labor's National Broadband Network objectives. Consideration could also be given to prioritise funding for this strategy as we believe it would be possible to implement a total solution for Tasmania more quickly and effectively than any other state. However, as a pre-condition, the Tasmanian Government strategy requires the Broadband Connect infrastructure commitments, especially the optic fibre cable across Bass Strait, to be constructed as soon as possible. An alternative is to provide an equivalent amount of new funding to support backhaul competition and regional broadband service provision, before other elements of the Tasmanian Government strategy can be put in place.

A Tasmanian Government proposal is currently being prepared for submission to Senator Conroy in the near future. The Tasmanian Government encourages the Panel of Experts to design RFP documentation to be sufficiently flexible to allow for regional proposals outside of a single national solution, so that strategies such as that briefly outlined here could be considered.

Yours sincerely

A handwritten signature in black ink, appearing to read "Evan R Rolley". The signature is fluid and cursive, with a long horizontal stroke at the end.

for Evan R Rolley  
Secretary

28 March 2008