

Macquarie Telecom Pre-RFP Submission to the Expert Panel

March 2008

Modular bids and two part bidding process

Macquarie Telecom is pleased to participate in the Federal Government's New Broadband Network (NBN) RFP development process. To ensure that an effective and clear voice for the development of a competitive NBN model is developed, Macquarie Telecom has been involved in the development of two other submissions being that of the Competitive Carriers Coalition and the G9. Accordingly, Macquarie Telecom strongly supports both of those submissions. Macquarie Telecom also takes this opportunity to provide further detail of a specific set of issues that are noted in both of these submissions. Therefore the balance of this submission ought to be read in conjunction with the previously lodged material.

Macquarie Telecom supports the Government's stated intention to allow "modular" bids as part of the NBN process.

Allowing modular bids will encourage the most efficient use of resources in what is clearly a resource intensive process for bidders. For instance, it will allow bidders to take account of locations where there is already a deployment of FTTH last mile access networks. Bidders preparing national bids should not be encouraged to overbuild these deployments, but rather should be encouraged to incorporate them into their planning and bid structure wherever possible. This requirement ought to be reflected in the final RFP as it would ensure that the most cost effective deployment is promoted.

Secondly, there are clearly some potential participants who are interested in bidding only in specific geographic locations. An example of this might be state-based power or water utility companies that already have some communications infrastructure that they would be interested in extending and further investing in this infrastructure as part of an NBN. Clearly significant utilities sector experience could be harnessed in a bid and inform technological innovation absent from the existing telecommunications sector alone.

These entities should not be required to attempt to expand the footprint of their business from one state to the entire country in order to be a part of the NBN process. A modular approach will allow these businesses to engage in the process at the "first round" of the

bidding process and the link in with other bidders to in turn participate in refined “stage two” bids .

However it is crucial that the NBN is truly national in planning and deployment, even if parts of it are built discreet and coordinated manner. The bidding process must therefore reconcile the desirability of attracting modular bids and the need to ensure national co-ordination.

It is likely that there will be potential participants who wish to take the role of network operators, rather than infrastructure owners. These participants are the most likely candidates to provide co-ordination of planning and brokering of arrangements whereby geographically discreet bids are brought together.

The Government’s selection process can facilitate this role by providing for a public, two-part bidding process. The first part would require bidders to present their plans for either a national or a modular proposal. The plans presented in this stage would be non-binding but this stage would allow for pre-qualification of bidders wishing to move forward in the second stage of the process. This first stage would expose both what existing network should be taken into account by national bidders and co-ordination opportunities for geographical constrained bids.

The second part of the process would require final, binding bid offers to be presented. At this stage, participants should be required to identify how they would meet the requirement for a national coverage plan. This might be simply take the form of an agreement with a nominated network operator or manager that in turn has agreements with other participants who wish to build and own network in other locations.

A further advantage of such an arrangement would be that it would facilitate competition between network owners in different states or locations that the network manager would have an incentive to encourage in order to reduce wholesale prices.

Finally, it is also noted that the “two part bidding model” would link in a coherent policy manner with the need for bidders to put forward their proposed legislative amendments. Being required to make public the stage one bid and related legislative conditions precedent, means that critical changes to the law are aired publically. IN essence, stage one would trigger a “public consultation” proccss whereby all parties potentially affected by changes to the law flowing from any particular bid have an opportunity to make submissions to the expert panel albeit in a tight time frame.