

Tasmanian Government submission
to the Australian Government
and the Regional Telecommunications Independent
Review Committee
on policy and funding initiatives to provide enhanced
broadband to rural and remote areas

30 June 2008

1 Introduction

Tasmania's small economy, combined with its relative isolation and mountainous terrain, has proved an ongoing deterrent to investment in broadband infrastructure. This has led to a lack of real competition within the state's broadband marketplace.

Tasmania's biggest challenge in creating state-wide broadband access is the lack of competition on backhaul trunk routes in and out of the state and between the state's population centres. The near monopoly position Telstra Corporation Limited (Telstra) holds in respect of wholesale broadband services in the state has led to commercial disincentives that many retail service providers find hard to overcome when considering establishing within the Tasmanian market.

Those providers that choose to operate in Tasmania often struggle to offer equivalence to their national service offerings. The commercial disincentives increase for service providers as they look to expand away from the major population centres into regional and remote Tasmania.

Tasmania, more than any other state or territory, has relied upon government funding to enable its communities to access broadband. Nearly 60 percent of all telephone exchanges in Tasmania enabled for ADSL broadband required funding under either the Higher Bandwidth Incentive Scheme (HiBIS) or Broadband Connect programs. Some 30 percent of the state's telephone exchanges are yet to be enabled for ADSL broadband.

The 98 percent target outlined under the National Broadband Network Request for Proposal (NBN RFP) process reflects a nationwide aggregation of coverage. The NBN RFP does not oblige bidders to ensure the same level of coverage at the state/territory or regional level. The Tasmanian Government is concerned that national proposals submitted

under the NBN RFP may find it difficult to justify a proposition to extend coverage to 98 percent of the state's properties or population.

The large coverage gaps that existed in the previous OPEL Networks proposal for Tasmania provide an example of this. It is understood that the lack of competitive backhaul infrastructure extending down either the east or west coast of Tasmania were the main reason these regions were excluded from OPEL Networks' plans for the state. For similar reasons, the Tasmanian Government believes that only a state-initiated NBN RFP proposal is likely to ensure the maximum viable coverage of the state's properties and population.

The Tasmanian Government considers it important that:

- the issue of economic viability be considered alongside that of geographical remoteness in delivering funding to support the last '2%', (The difficulty Tasmania faces in encouraging new broadband development demonstrates that the business case for such infrastructure can prove unviable well within a reasonable travelling distance of most of the state's major population centres.) and
- effort should be made to ensure that solutions for remote broadband users (the last 2%) link them back into the NBN, and deliver a similar standard of service capacity, and
- consideration be given to the variety of impediments facing broadband delivery to remote locations, and particularly to that fact that satellite services will not be suitable for all areas which miss out on inclusion in the NBN proper.

2 The Tasmanian Context

Whilst geography does create challenging obstacles for the roll out of broadband, the major hurdle Tasmania faces is that it has the smallest population of all the Australian states and the most decentralised in terms of population distribution¹. Nearly 60 percent of the population lives outside the capital city. This means that a large proportion of the population is likely to be impacted by telecommunications policies aimed at rural and remote areas.

The Tasmanian broadband market is dominated by Telstra. There are 205 telecommunications exchanges operating in Tasmania of which 136 of them are equipped to provide ADSL broadband. Approximately 80 of these exchanges were equipped through grants provided under the HiBIS and Broadband Connect programs. Only three of these exchanges are equipped with non Telstra ADSL equipment.

¹ Source: ABS 1362.6 – Regional Statistics, Tasmania 2007

Telstra recently announced that it had upgraded 44 of its Tasmanian ADSL enabled exchanges to support the ADSL2+ standard of service. This means that less than 25 percent of the state's telephone exchanges are equipped to provide a minimum standard of service comparable with that expected under the NBN RFP.

The recently cancelled OPEL project would have greatly increased the coverage of high-speed broadband within Tasmania but did nothing for the population centres on Tasmania's east and west coast, or for the Bass Strait islands. The Tasmanian Government remains concerned that these same areas are likely to be left out of any national submission to the NBN RFP process in favour of making up the 98 percent coverage quota from areas on the mainland.

3 Policy considerations

The Tasmanian Government believes that the following policy approach should be adopted to ensure all Tasmanians can realise the benefits of high-speed next-generation broadband.

- Involve local government in the deployment of broadband infrastructure in remote or economically unviable locations because of the opportunities created by their involvement in other utility services delivered in these areas;
- Ensure that the service benchmarks (speed and data caps) nominated for a minimum standard of broadband offering under such programs as the Australian Broadband Guarantee are similar to the targets sought under the NBN RFP;
- Recognise that a range of technologies and business models may be relevant, and in particular that satellite services will only be suitable in some areas;
- Ensure the 98 percent coverage objective articulated in the NBN RFP is deliverable at the state/territory, regional, municipal and township level; and
- Ensure that all future funding initiatives aimed at facilitating high speed broadband in "remote" areas are available to economically unviable locations as well as geographically distant places.

4 Funding Approach

The Tasmanian Government believes that the following funding options should be adopted in order to extend broadband into the areas of Tasmania not likely to be covered under the future National Broadband Network:

- A funding model be devised to provide capital subsidies of up to 50 percent of the cost of new broadband infrastructure in areas not covered under the NBN where the existing business case can be demonstrated as unviable;
- A funding program be devised to support the extension of backhaul infrastructure to communities at the extremities of the NBN network that fall outside of the 98 percent coverage area;
- Priority be given under funding programs such as the Australian Broadband Guarantee to Service Providers who link remote subscribers into the NBN; and
- Priority is given to funding programs that aggregate remote subscribers using innovative last mile solutions (such as fourth generation wireless) where these communal networks can then be linked back to the NBN by competitive backhaul extensions that form part of the NBN.