

Submission to the Panel of Experts
appointed by the
Department of Broadband, Communications and the Digital Economy
to assist with development of
Requests for Proposal Documentation
for a
National Broadband Network

30 March 2008

Outcomes of the National Broadband Network

Elders Communications submits that the National Broadband Network (NBN) must achieve a number of important outcomes, including:

- Price** Australian residents and businesses shall have quality broadband products and services at prices similar to other developed economies.
- Prices for wholesale products and services (and other non-price terms) shall allow viable competition amongst retail broadband service providers.
- Priority** A NBN shall be deployed with priority to areas that do not currently have high speed broadband, or at a minimum in parallel with deployments in currently served areas. This will also assist in preserving the expectations of regional and rural Australians for the use of the \$2 billion Communications Fund.
- Parity** Australian residents and businesses in regional and rural areas shall have a choice of broadband services which are on par in price, performance and service/repair speeds with services offered in metropolitan areas.
- An open access regime should be imposed on the NBN provider that is tailored to ensure it is fair both to access seekers and the provider. The open access regime should take into account reasonable volume and term commitments but also extend to limit non-price factors that could benefit the retail arm of an NBN wholesale provider (should this be the case).
- Products** The wholesale products available from the NBN shall include:
- broadband access, which service providers can augment to provide differentiated retail services;
 - transmission, which service providers can utilise for their own access networks and provide differentiated retail services; and
 - facilities access, allowing service providers ready access to and sharing of facilities such as buildings, towers, cabinets and ducts.
- Performance** Wholesale products of the NBN shall meet performance criteria which enable quality retail broadband services to be offered from multiple retailers.
- Porting** Any porting of services from a current technology to an NBN platform shall be achieved with no cost to customers and no net cost to the current retail service providers. This may require compensation for providers which are adversely affected by NBN deployments.

The Request for Proposals documentation should require that the above outcomes are met by respondents. Further discussion is provided below on each of these required outcomes.

Price

If Australia is to prosper and compete in global markets it must provide consumers, businesses, not-for-profit organisations and government agencies with suitable broadband services at similar prices to other developed economies. The positive economic impact of broadband is well documented, as is the high price of broadband in Australia compared to other countries such as those of the Organisation for Economic Cooperation and Development (OECD).

The social impact of broadband is ever-increasing with online access to services, support, entertainment, content and many everyday functions such as banking. Affordable broadband is essential for social equity.

Retailers can only offer suitably priced broadband services to customers if they have access to suitably priced wholesale products on which they build their service offerings. Hence the price for NBN wholesale products must allow for reasonable service provider margins and costs in order for suitable end prices to be charged to customers.

Priority

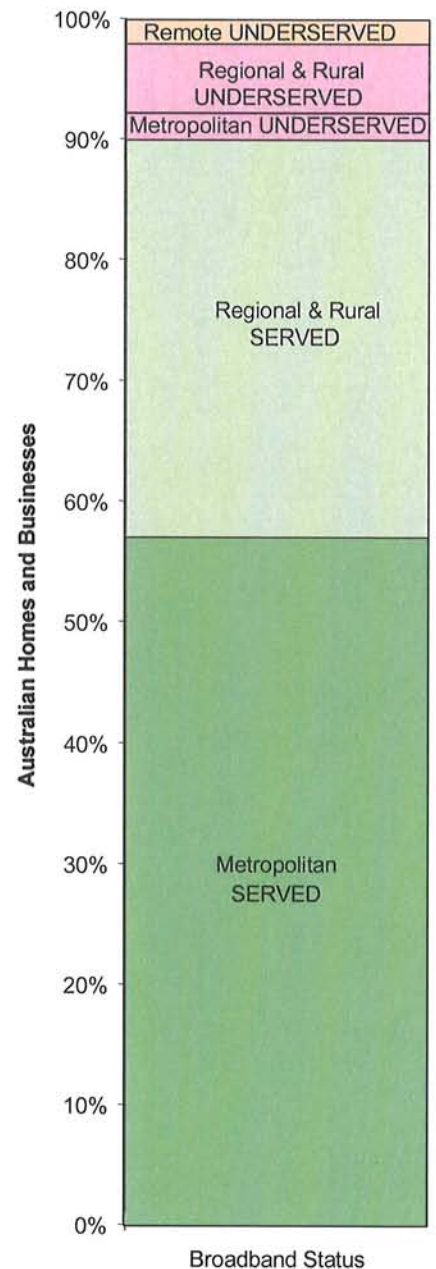
The objectives of the NBN are clear in providing broadband access for 98% of the Australian population. What is not clear is when certain areas will get services. The question of priorities arises. Will the NBN have a priority for providing faster and better broadband to areas which currently have high speed broadband (such as ADSL1/ADSL2+), or will it prioritise areas which currently have no broadband?

The vast majority of underserved (where currently no suitable broadband is available) are the homes and businesses in regional and rural Australia. This is also where over 130,000 farms are operating businesses, trading in global commodity markets and producing in excess of \$40 billion in exports and farm products. Remoteness, combined with limited broadband availability, also means rural and regional Australians have a far greater need for broadband than the comparatively well serviced metropolitan areas.

The allocation of priorities should not be left to the NBN provider(s). If it were, priorities would most likely go to maximising returns from metropolitan areas – churning customers with existing broadband services to new broadband services, and achieving operational savings in the process. Economic and social benefits would not be optimised.

The adjacent chart shows the approximate percentages of served and underserved for areas of Australia. Approximately 90% of Australian homes and businesses currently have access to high speed broadband – albeit not all at the uniform rate of 12 Mbit/s to be achieved by the NBN.

The Government, in contributing \$4.7 billion to the NBN, should ensure that there is incentive, or rulings, to achieve a priority deployment in the regional and rural areas. This will accelerate the achievement of a good level of broadband to 98% of the population. Given that \$2 billion is currently being proposed to be taken from the Communications Fund set aside for regional, rural and remote Australia, a priority deployment in regional and rural areas will ensure that valid broadband expectations of improved services will be realised.



The priority deployment to regional and rural areas is achievable and consistent with the NBN objective of Fibre to the Node architecture. In low density areas the nodes can be Broadband Wireless Access technology, complementing DSLAM technology in higher density underserved locations. The connection to the nodes would be fibre wherever available or economically feasible to provide. If fibre cannot be provided initially then a radio spur could be used to get to the node, to be replaced later with fibre as demand increases and fibre routes are extended. Waiting for a complete fibre solution would result in many years of unnecessary delay.

We also consider that the current Federal Government funding under the Australian Broadband Guarantee program should be extended to assist with remote areas for so long as such a program is needed.

Parity

Australian residents and businesses in regional and rural areas need accessible and affordable broadband that is equal on price, performance and service/repair timeframes to equivalent services offered in metropolitan areas. It can be argued that telecommunications, including broadband, is much more important the further you live from our cities, making parity a critical consideration.

As part of the funding package, which is likely to include regulatory changes, the Government needs to ensure that a clear and well documented open access regime is imposed on the NBN provider. This regime will support the achievement of the Governments funding objectives including the maintenance of a competitive and innovative group of service providers that are selling and supporting differentiated retail products to consumers and businesses.

The open access regime should take into account reasonable volume and term commitments but also extend to limit non-price factors that could benefit the retail arm of an NBN wholesale provider (should this be the case) such as priority access to IT systems, advance notice of wholesale product sets or geographic deployment information. This is required to avoid the NBN wholesale/retail provider from establishing its own services in the market ahead of competing retailers, thus achieving first to market advantage and/or market dominance.

Products

To achieve the NBN objectives and create an environment that fosters innovation in broadband service provision, which in turn delivers better economic and social benefits, the **wholesale** products available from the NBN shall include:

Broadband Access

Service providers shall be able to purchase broadband access for individual customers which are aggregated to their network centre(s). The service provider can augment the basic access service and provide differentiated and innovative retail services which can include broadband data, internet, video and voice.

Transmission

Service providers shall be able to utilise transmission services from the NBN provider (typically backhaul from regional and rural centres to metropolitan areas) on price and non-price terms that will support commercial deployment of competing access networks capable of providing differentiated retail services (such as WiMAX or WiFi). This provides a level of infrastructure based competition whilst not duplicating expensive infrastructure (such as optical fibre based services) which can readily and cheaply be partitioned for multiple users.

Facilities Access

Although providing facilities access is required as a telecommunications licence condition, the processes and the allocation of facilities does cause difficulties in gaining ready access and remains a barrier to improved competition and service provision. The NBN offers an opportunity to make facilities access more of a product for which access seekers have information and confidence in purchasing. The NBN provider should be required to provide information on facilities capacity (third party audited), and have set performance indicators for processing applications and allowing access, at prices that don't allow the charging of monopolistic rents. Additionally the NBN providers own retail service components should have the same location and facilities as those available to other access seekers.

Performance

Wholesale products of the NBN shall meet performance criteria which enable quality retail broadband services to be offered from multiple retailers. Performance shall include, but not be limited to:

- access speed, upload/download;
- contention ratios;
- minimum performance requirements;
- applicable standards for interconnection and data transfer; and
- multiple grades of services on access to support data, voice, video and other applications.

The NBN provider will have a privileged position in that it will be able to control various network elements in a way that can impact the delivery, performance or price of certain types of services or applications. The regulatory conditions should cater for such services and applications and ensure they don't fall outside the regulated access conditions which may prevent or limit market take-up.

Porting

Any porting of services from current Broadband technologies to an NBN platform should be achieved with no cost to customers. One example is that customer modems would most likely need replacing.

There should also be no net cost to the current retail service providers to transition a service to the NBN platform. This may require compensation for providers which are adversely affected by NBN deployments.

Elders encourage the Expert Panel to include in the RFP documentation that these outcomes be achieved by the NBN.

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