

Submission to the Panel Conducting a Cost-Benefit Analysis and Review of Regulatory Arrangements for the National Broadband Network

NewSat Limited (NewSat) is pleased to make this submission to the Panel. As a member of the Communications Alliance and the Satellite Services Working Group (SSWG), NewSat is also party to that organisation's submission. While we agree with the central premise of the industry submission, NewSat holds alternative viewpoints in some key areas. These are addressed in our submission.

Company Background

NewSat is Australia's largest pure-play satellite communications company. NewSat specialises in global satellite communications and provides tailored teleport, VSAT and satellite services to 75% of the earth's surface from its two teleports in Adelaide and Perth. The company has established a strong presence in the mining, oil and gas, telecommunications, government and military markets.

NewSat has a strong relationship with most satellite operators offering services into Australia and our region from the 23 large antennas in our teleports, and our position as an independent provider in the Australian market uniquely positions us to express the views expressed in this submission

Through its Jabiru Satellite Program, the company will also launch a fleet of next generation geo-stationary satellites. NewSat recently announced the successful financial close on a USD\$620M financing package for the Jabiru-1 spacecraft, due for launch in 2015. A smaller hosted payload, Jabiru-2, is also awaiting launch in May 2014.

NewSat is recognised internationally as a provider of quality services and has been a regular top 3 finalist in the World Teleport Awards and Satellite Provider of the Year. NewSat is an Australian public company listed on the Australian Stock Exchange.

Submission

NewSat agrees with the recommendation in the SSWG submission that the ownership and operation of the NBN satellites and services should be privatised. To this end, NewSat lodged a proposal with the Government prior to Christmas to purchase the NBN satellites from NBN Co and to operate them as a wholesale service provider to NBN Co.

The NewSat proposal envisages the NBN Co paying a fee for the wholesale service for the life of the satellites plus one renewal. The fee must be guaranteed and must enable the purchaser to service debt and return a profit on the service in order for the business case to be sustainable.

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Because the NBN Co is constrained to offer remotely disadvantaged NBN users a service at a comparable price to urban fibre users, the business case for providing the service is not sustainable based on the expectation of 3% of the user population. Therefore, with or without privatisation, the satellite service will have to be subsidised by NBN Co.

NewSat contends that privatisation will benefit the NBN Co by dramatically reducing debt and de-risking the provision of the service by introducing an experienced, efficient quality service provider. It is anticipated that this would also result in a significant reduction in staffing required by NBN Co.

NewSat believes that this type of agreement, subsidising specified services for a defined target population should underpin the sale and operation of the NBN satellite assets and service provision.

Additional Services

NewSat believes that there is scope for the successful purchaser to use the NBN satellites to offer services beyond the subsidised services outlined above, provided, of course, that the provision of the subsidised services at agreed service levels is always the priority. These should be offered by the purchaser of the satellites as commercial satellite products and should not be subsidised services.

NewSat strongly opposes extending the range of satellite services offered by NBN Co to include enterprise users, particularly if the pricing of the services is fixed by a regulator and could benefit from subsidies. This will run a real danger of negatively impacting the commercial satellite marketplace through artificially fixing prices and through dumping subsidised satellite capacity into an already competitive marketplace.

The intrusion of NBN Co into the commercial satellite sector could also result in unwanted outcomes such as services subsidised by the Australian taxpayer being sold to foreign entities and effectively subverting the market.

The negative consequences may also include discouraging satellite operators to invest in Australian coverage and may lead to their retreat from the market, with a consequent impact on competition and supply.

NewSat believes that, as the successful bidder, it could offer commercially viable services into the marketplace and return a percentage of profit to the NBN Co. NewSat is not constrained by the same pricing regulation as the NBN and is highly motivated to foster a vibrant satellite industry in Australia. We therefore believe that this approach is much more desirable and beneficial than allowing NBN Co to expand its reach in the satellite sector.

Expanded role for Satellite in Australia

NewSat is very active in satellite industry and educational areas, and has a proud record of sponsoring industry initiatives and innovation.

NewSat also offers scholarships to students of the International Space University Summer School and donates its teleport facilities to the universities running the summer school.

NewSat is also in the process of building a state of the art Flight Operations Centre and Payload Operations Centre attached to its Adelaide teleport. Besides their primary function, these facilities represent an invaluable resource for future collaboration.

NewSat believes that there is considerable potential to utilise unused capacity on the NBN satellites to foster industry development and innovation in emerging technology areas. NewSat would bring a commercial and pragmatic approach to these activities, with its focus on excellence in implementing satellite services in difficult real-world situations.

NewSat believes that the opportunity exists to utilise the infrastructure of the NBN satellites to expand high technology employment and growth in the satellite industry in Australia.

Summary

NewSat endorses the concept in the industry paper that the NBN satellites should be privatised in order to gain the maximum efficiency and benefit for the NBN Co and for Australia.

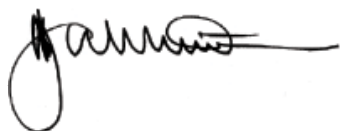
NewSat does not endorse the expansion of services offered to NBN Co or any extension of NBN Co's target markets for satellite services.

NewSat believes that services beyond the subsidised services necessary to provide universal NBN coverage and price equalisation should be supplied by commercial satellite operators, not the NBN Co. This includes any opportunities presented by the unused capacity on the NBN satellites.

NewSat contends that the optimum use of additional capacity to foster industry growth and innovation lies in collaboration between successful commercial satellite operators and educational institutions, just as NewSat is presently doing.

NewSat appreciates the opportunity to make this submission to the panel and would welcome the opportunity to elaborate on any of the points raised herein.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Adrian Ballintine', with a large loop at the end.

Adrian Ballintine
Founder / Chief Executive Officer