



Submission to the Regional Connectivity Program Discussion Paper

September 2019

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NBN Co Limited (NBN Co) welcomes the opportunity to respond to the Australian Government's *Regional Connectivity Program (the Program) Discussion Paper 2019* which seeks feedback from stakeholders to inform the design of the Program and development of Program guidelines.

NBN Co notes the issues examined in the Discussion Paper comprise:

- Key Design Principles,
- Other Design Principles, and
- Proposed Assessment Criteria.

NBN Co offers the following comments on the 13 questions contained within the Discussion Paper.

Question 1: Are there additional key elements that should be incorporated into the design of the Regional Connectivity Program?

NBN Co supports the Key Design Principles, but has documented below its views regarding certain aspects of the proposed Program.

In regard to Key Design Principle 5 (also assessment criteria 5), NBN Co suggests this be clarified so that it is clear the provision of retail services for 10 years after asset completion means that the assets need to be operational and available for retail use, and not that the telecommunications carrier of the services is a retail operator. NBN Co is of the view the Program should require that any funded access infrastructure should be wholesale-only, open access to ensure retail-based competition and provide greater choice for consumers. Furthermore, NBN Co is of the view that such networks should be required to meet the requirements of a 'qualifying telecommunications network' for the purposes of the draft Statutory Infrastructure Provider regime, and the relevant carrier should be designated the 'Statutory Infrastructure Provider' for the relevant designated service area served by that fixed-line network.

The Program should also enable telecommunications carriers to support an evolving suite of service delivery models across jurisdictions in Australia. This includes having the flexibility to enter into direct contractual arrangements with State and Territory Governments to deliver public services, such as education, health or emergency management.

NBN Co has already nominated a technology for every premises in Australia covered by the **nbn™** access network based on the least cost to taxpayers. However, NBN Co also acknowledges that some business premises and locations such as schools and hospitals in the non-fixed line footprint could benefit from a fixed-line connection to meet emerging community-development, social, health or educational needs. NBN Co sees an opportunity through the Program to work with local, State and Territory Governments to upgrade or complement technologies, with financial and logistical support from these other bodies. NBN Co is open to discussions that take into account, for example, future revenue to offset construction costs (particularly committed revenue from demand aggregation programs), potential avoided costs that may have been incurred in the absence of particular projects, and also proposals from third parties that would reduce construction costs. An example of such a project could be extending fixed-line services to business parks that are currently served by **nbn™** Fixed Wireless or **nbn™** Sky Muster satellite (Sky Muster) due to their distance from regional centres. An indication from business park residents of willingness to take-up services, assistance



from local government in regard to planning approvals or access to existing infrastructure, and an assessment of avoided costs are factors NBN Co could consider taking into account.

NBN Co considers there is scope for the Key Design Principles to focus on specific areas or projects that demonstrate an innovative approach to problem solving or enabling access to telecommunications, particularly where the results could be readily reproduced. This might encompass a category for trial activities, noting that alternate voice service trials in remote areas is one of the other measures to be delivered under the Program. Other pilot activities with potential to enable full participation in the digital economy for regional communities and businesses could include use of Internet of Things (IoT) in the agricultural sector.

Question 2: Should other parties, for example local government authorities, business organisations or industry groups, be allowed to lead a bid for Regional Connectivity Program funding?

Local, State and Territory Governments are positioned well to demonstrate a business or community need or priority for telecommunications services. Local government, business organisations and industry groups should be able to lead a bid for funding under the Program. Likewise, NBN Co is supportive of corporations of all sizes and any partnership, joint venture, or consortium applying for funding. However, applications for funding should consider the full telecommunications landscape and provide a long term solution that can meet growing data demand and capacity requirements.

We also consider the lead applicant in a collective that applies for funding does not need to be the licensed telecommunications carrier, but that at least one member of a partnership, joint venture, or consortium should be. As long as effective contractual arrangements are in place that bind all parties to the delivery of the project, it should not matter who the contracted party is for the purpose of the grant. The licensed telecommunications carrier must have experience in deploying and operating broadband infrastructure and a demonstrated track record of project delivery.

Question 3, Are there other organisations besides local, state and territory governments that could be considered “trusted sources of information” for the purposes of identifying local telecommunications priorities?

NBN Co suggests that its status as a Government Business Enterprise, operating a wholesale only, open-access network in line with its non-discrimination obligations encourages it to act in the public interest and be relied on as a trusted source of information, particularly in relation to technological solutions and deployment costs. NBN Co has already considered a number of community-based projects either to meet its own anticipated need for capacity improvements or in response to other state-based funding proposals. NBN Co has the people and expertise to work with local, State and Territory Governments to identify, cost and execute projects that meet local regional priorities.

NBN Co’s local community and stakeholder engagement team, known as **nbn™ local**, also regularly connects with organisations and individuals in regional and remote Australia. Since October 2016 **nbn™ local** have conducted ongoing outreach to better understand commercial growth opportunities in local areas and intent to take up future services.



Local businesses and industry sectors in and around eligible geographic areas as well as community groups and organisations, local landholders and Indigenous councils may also offer useful insights regarding bespoke telecommunications requirements and supply and demand in the market.

Question 4: Are there ways that the Department can facilitate linkages between potential infrastructure providers and local communities?

Yes, the Department can suggest to communities the types of projects that may be of benefit to their local area and facilitate discussions between State and Territory Governments and local communities where State and Territory Governments have reserved funds for regional development opportunities. These additional sources of funding in combination with the Federal Government's contribution made under the Program may have the effect of enabling a project to cross the line financially and proceed to implementation, or to achieve synergies that allow expansion of the project's benefits to a broader number of people.

There may also be an opportunity for the Department to coordinate a demand aggregation program whereby groups or communities can make a form of commitment to taking up a service once the infrastructure is in place. This would provide some certainty around revenue and assist in establishing a business case in these areas. At one end of the spectrum, a demand aggregation program could seek a non-binding indication of interest from communities and at the other end it could be a commitment to a certain monthly spend over a specified length of time.

Question 5: Are there any comments that you wish to make in relation to co-contributions?

NBN Co is supportive of working with local communities and all tiers of government to determine the feasibility of upgrading and/or changing the **nbn™** access network technology type in regional locations and how and where this could be implemented.

In order to provide the **nbn™** access network to all premises in Australia, NBN Co has needed to execute a plan based on rolling out the most cost-effective technology in every location. So that fairness and equal treatment is maintained, NBN Co provides a Technology Choice program which gives applicants an option to upgrade to an alternative access technology provided they are willing to meet the incremental, additional cost between the technology that was to be rolled out and the more expensive technology chosen. A financial co-contribution by a local, State or Territory Government in combination with a grant under the Program could potentially meet this incremental cost.

In addition to the Technology Choice program, NBN Co has worked with a number of State and Territory Government agencies on programs to address their regional development priorities where State and Territory investment is involved. NBN Co is keen to participate in such projects where additional investment could facilitate faster upgrades, specifically deepening fixed-line penetration, for selected areas where practicably feasible, and with regard to NBN Co's fiscal obligations.

Question 6: What type of projects should be considered for funding through the Regional Connectivity Program?

NBN Co supports the funding of solutions to improve end-user experience and commercial investment conditions in local regional areas. NBN Co considers that funded projects should include



the build and or upgrade of infrastructure for broadband access services in order to lift the digital capability of regional and rural Australia. For example, those that improve the digital capability and connectivity of Indigenous Australians including community-based access. It will be important for funded projects to have a robust business case that clearly outlines the ongoing support, upgrade and maintenance of potential new solutions.

NBN Co agrees that applicants seeking funding under the Program must demonstrate that the proposed solutions are not currently or foreseeably being provided in the geographical area. NBN Co has virtually completed the design of the **nbn™** access network based on a least-cost-to-taxpayers approach. However with additional funds there may be areas that could benefit from a change of access technology to meet an increasing demand for services, and to address business or community needs. NBN Co has already identified some high-potential areas, some of which are in regional and remote Australia, and would be willing to work with local, State and Territory Governments or other interested financial contributors to develop and mobilise these projects.

NBN Co notes that in line with the Government's Statement of Expectations of 24 August 2016 it is required to deliver a network that provides wholesale broadband peak service speeds of 25/5 Mbps to all premises across Australia. NBN Co considers that any funded fixed line or fixed wireless solutions under the Program should be capable of meeting a peak speed requirement of at least 25/5 Mbps or have demonstrated scalability, so that the local area can be provided increased speeds at a future date through network capacity upgrades. Funded solutions should also be capable of interconnection with other networks to eliminate the potential for stranded assets, such as stand-alone fixed wireless services or transit links or prohibitively high backhaul costs.

Question 7 Are there any comments you wish to make in relation to the proposal that all Funded Solutions will provide retail services for a minimum of 10 years after the asset has become operational?

NBN Co considers it important that any investment in the build or upgrade of access infrastructure has been informed by a need and/or demand for services now and into the future. Regional and remote areas of Australia are generally considered more challenging to connect to access infrastructure because of the vast land mass, low population density and significant cost involved in making these connections. NBN Co believes the Program may incentivise investment in new access infrastructure, however note realistic estimates would need to be made of demand for services in these areas given their remoteness and often non-commercial nature. In view of this, the proposal to require commercially binding commitments from RSPs to use the infrastructure to deliver services for at least 10 years may be challenging.

NBN Co understands the intent of the condition is that the funded solution continues to support the operation of services for at least 10 years, and we support this principle. However, we are a wholesale operator whose contracts for the provision of wholesale services to retailers typically are of two years' duration, with the expectation that the wholesale contracts will be renewed (with new and updated provisions) while retail services are still operational, offering continuity of service. NBN Co has more than 200 RSPs selling services over the **nbn™** access network. We therefore suggest this criterion be updated to require that the funded solution be capable of supporting a



retail service and ongoing operational support for a minimum of 10 years, or simply that the applicants will commit that any funded access infrastructure should be wholesale-only, open access for at least 10 years of operation.

Question 8: Are there any comments in relation to the proposed eligible and ineligible areas?

NBN Co agrees on the proposed approach for defining eligible areas under the Program.

NBN Co is also supportive of the focus on funding areas of high economic, social and public safety significance in predominantly Sky Muster service areas. However, noting growing demand for data in some more populated areas with **nbn™** Fixed Wireless coverage, investments to provide additional capacity via fixed-line rollout in Fixed Wireless areas should also be considered.

Program funding should be focussed on specific outcomes that fulfil technological needs that aren't already available to the community or local businesses. This means attention on areas that don't have fixed-line infrastructure unless the proposed project identifies business demand for speeds that cannot be delivered by existing fixed-line technologies, including those that are experiencing very low ADSL2+ speeds. Funded solutions should provide superior services to those already available, and not replicate services for the purposes of competition or diversity.

Questions 9: Are there any comments that you wish to make in relation to the proposed eligible and ineligible expenditure?

The list of eligible expenditure is not exhaustive and it is expected other examples of merit will emerge. NBN Co agrees that projects that are already planned/budgeted/in the construction or design phase for an area are ineligible for funding under the Program, together with the other ineligible criteria listed.

In building the **nbn™** access network, NBN Co has rolled out a multi-technology mix network using technology best matched to each area of Australia and at least cost. The Government's Statement of Expectations requires NBN Co to ensure upgrade paths are available as required. NBN Co already offers a program that allows applicants to contribute to the cost of choosing a different **nbn™** access technology to the one being deployed. Given that NBN Co is already funded by the Federal Government it wouldn't be appropriate for NBN Co to provide additional funds to upgrade technologies in specific areas. However, were NBN Co to partner with a local, State or Territory Government some consideration should be given in the assessment of the project to the value of the expertise contributed by NBN Co and the fact that it will take on future operating responsibility for any network infrastructure it rolls out.

NBN Co considers funding allocated under the Program should be for capital works in projects that demonstrate they can be sustainably operated in the longer term without the requirement for operational funding support. Program grants should also reflect an appropriate contribution from the applicant to the project.

Question 10: Are there any particular circumstances where it may be appropriate for the Commonwealth to make some contribution to ongoing operating expenses?

NBN Co suggests the majority of funding issued under the Program goes toward the capital costs of projects, but also accepts that there may be some exceptional cases that lend themselves to



operational funding. These projects should be required to demonstrate an alignment with the Program and policy objectives, state the length of time these costs are to be covered, and provide information or research that confirms wider benefits that go beyond the specific purpose of the project.

Question 11: Is there a case for a third category, for highly localised solutions for projects that, for example, are seeking funding of less than \$200,000 (GST inclusive)?

NBN Co does not consider a third category of eligible applications is necessary, noting there is no minimum or maximum number of projects for either of the two current proposed categories under the Program.

Instead, NBN Co suggests that incorporating as much flexibility as possible into the Program guidelines will deliver optimal outcomes. For example, funding allocations should not be based on ensuring a balance of projects across all categories, but rather on the strength of the solution to deliver on the Program objectives.

Likewise, the number of solutions funded should depend on the strength of the applications received. There may be some applications for highly-localised solutions that could have merit and only require minimal funding under the Program in order to progress. These could include small projects that have a satellite backhaul component such as localised Wi-Fi for Indigenous communities.

NBN Co considers it may be useful to fund trials of the IoT functionality to be available over the **nbn™** Business Satellite Service, for example, to encourage use in specific applications such as agriculture or environmental monitoring, as long as the research findings and other learnings were made available for others.

Question 12: Are there any other principles that should be considered?

NBN Co has outlined above its views on the proposed Program principles. NBN Co also considers the timely assessment and delivery of funded solutions as important for delivering on the Program and policy objectives.

Questions 13: Do you have any comments on the proposed assessment criteria?

NBN Co is supportive of the proposed assessment criteria, but again notes its concerns with the requirement to maintain retail services during the 10-year operational period of the asset as opposed to ensuring the asset is capable of supporting these retail services for this timeframe. NBN Co is also of the view that project viability and demonstrating adequate planning and capacity to manage the funded solution over this length of time is essential. This includes ensuring services are capable of being upgraded over time as technology advances and user needs increase. A further requirement should be the financial capacity of the applying organisation to support the project through to completion and for an ongoing period without further operational funding.

Consideration should also be given to any innovation or research produced by a project, such as trial projects where there is a wider benefit that can be replicated in other regions or industries. This might include new uses of satellite for agriculture, mining or environmental research.



NBN Co looks forward to the next phase of engagement on the Program and would be happy to discuss any of these suggestions or positions with Department of Communications and the Arts.