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Senate Standing Committees on Environment and Communications
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Canberra ACT 2600

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Submission to the Environment and Communications Legislation Committee

Subject: National Broadband Network Companies Amendment (Commitment to Public Ownership) Bill 2024

Title: The Future of the NBN: Privatisation in a Changing Market Landscape

Introduction:

The government's proposed legislation to ensure the NBN remains publicly owned is a timely step in shaping the future of Australia's critical telecommunications infrastructure. This bill provides an opportunity to reflect on the broader implications of privatisation in a sector undergoing profound transformation. My submission explores the challenges of privatising the NBN, market trends, and the potential risks and benefits of maintaining public ownership.

The Case for Public Ownership

The government's intention to prevent the privatisation of the NBN is grounded in ensuring accessibility, affordability, and sustainability for consumers. The NBN represents a \$51 billion taxpayer investment, and its public ownership helps safeguard equity and long-term planning in telecommunications infrastructure—an essential service in modern society.

Privatisation, while often associated with innovation and efficiency, is not inherently advantageous without stringent regulatory frameworks to protect consumers. Critical infrastructure, such as the NBN, carries responsibilities that extend beyond profit motives, including:

- Ensuring affordable access for underserved communities.
- Supporting national digital transformation initiatives (e-health, e-education, smart communities, smart energy, etc.).
- Providing resilience in times of national disasters, crisis or disruption.

Privatisation challenges in the current market

The telecommunications market is experiencing a slowdown in revenue growth, with global trends revealing increasing financial pressures on operators. In broadband, consumer demand is stabilising at speeds of 50-100 Mbps, while newer technologies such as 5G have

failed to deliver the anticipated revenue boosts. Future increased broadband speeds offered by NBN Co will most likely also not deliver significant increases in revenue.

These trends raise significant concerns about the feasibility of privatising the NBN at this stage:

Investment and innovation risks:

The lack of substantial revenue growth among telcos poses challenges for continued investment in infrastructure upgrades. For a privatised NBN to remain viable, substantial capital investment would still be required—an unlikely prospect in a sluggish market.

Financial realities of NBN Co:

NBN Co is currently operating at a net loss of \$1.4 billion (FY2023) and holds \$42.5 billion in liabilities. Offloading the NBN in such financial circumstances would force the government to accept a significant write-off, making privatisation politically and economically fraught.

Consumer impact:

Privatisation risks driving up costs for consumers as private operators seek to improve margins. This would be particularly detrimental for lower-income households and regional communities, undermining the goals of universal access. While this can be regulated the sale of Telstra clearly shows that in order to keep the sale price high such regulations were not implemented, resulting in decades of anti-competitive and monopolistic behaviour by the company.

Balancing public and private interests

While the arguments for public ownership are strong, there remains a need to explore ways in which private sector expertise can complement the NBN's operations. This could include:

- Partnerships for specific infrastructure upgrades.
- Regulatory mechanisms to foster innovation without compromising affordability.

These approaches could help address the financial challenges facing NBN Co while preserving its public mandate.

Conclusion and Recommendations

The proposed legislation is an important step in securing the future of the NBN as a publicly owned entity. However, further consideration must be given to the following:

A long-term financial strategy for NBN Co:

Develop a sustainable financial model to address the company's growing liabilities and operational costs.

Consumer protections:

Ensure affordability and accessibility remain central to the NBN's operations, particularly for regional and underserved communities. As a monopoly, NBN Co requires robust regulatory oversight to safeguard consumers against monopolistic rent-seeking behaviours and ensure fair pricing and service quality.

Market monitoring:

Conduct ongoing reviews of market trends to determine whether partial private involvement (under strict regulatory controls) might benefit the NBN in the future.

Avoid rushed decisions:

The current market conditions make a rushed privatisation politically and financially unwise. Delaying privatisation allows time to better assess the evolving telecommunications landscape.

This submission supports the bill's intent to safeguard the NBN as public infrastructure while recognising the need for ongoing dialogue about its financial and operational future.

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