

Submission to Senate Inquiry "The provisions of the Telecommunications Legislation Amendment (Fiber Deployment) Bill 2010"

http://www.aph.gov.au/senate/committee/eca_ctte/fibre_deployment/index.htm

This submission addresses the issue of financing broadband connections, for both greenfields and brownfield sites. The central idea is to fund broadband infrastructure through the government allowing building owners to take out interest free equity loans to be repaid automatically through payments from the future use of the broadband connection. After the loan is repaid some of the income from the usage could be given to the National Broadband Network to further develop and enhance the network and some could be used to reduce the cost to the users of the broadband connection.

The advantage of the approach is that it can supply all the funds needed for the NBN infrastructure without impacting the Federal Government Budget. That is, the government does not take out any loans but supplies credit to the owners of buildings connected to the network to purchase the connection. The title to the broadband connection becomes part of the title to the building on which the connection is established. Provision in the way the contracts and loans are written can ensure that this does not restrict future use and development of the whole network. The approach allows uniform charges for broadband to apply across the nation but means that some loans will take longer to repay than others.

The government can give the National Broadband Network the right to take out interest free loans through a financial intermediary such as one or more commercial banks where the interest free money is supplied to the banks directly as interest free loans given by the Reserve Bank specifically for this purpose.

Using the current approach to funding infrastructure the government will take out loans from commercial banks. Because banks are required to charge interest on money they generate if the government uses the banks to fund infrastructure the banks are required to use interest bearing money. Rather than use interest bearing money to fund infrastructure the government can fund the infrastructure with loans that are not interest bearing. As the benefit of the interest free loans are distributed widely throughout the community this is equitable. It does not cause inflation because the loans are used to create assets that have value. In fact it is less inflationary than funding the infrastructure with interest bearing loans because the cost is less because there are no interest charges.

The government can use this approach to fund any community infrastructure. This idea is further explained in another submission to the Senate Inquiry into small business finance at http://www.aph.gov.au/senate/committee/economics_ctte/small_business_10/submissions.htm

There are other ways to organise the generation and distribution of interest free loans. Giving them to existing owners of dwellings and attaching the title to the dwelling is one fair and equitable approach.

For the above suggestion to be implemented it may be necessary to allow the fibre connection to the home to be included in the title to the dwelling and this legislation may be an appropriate place to define how this can occur.

In summary the government can fund the National Broadband Network both brownfields and greenfields sites for no cost to the government. It can do it through the issuing of interest free credit where the credit is used solely for the NBN and is repaid by future users of the Network. It can do it so that usage costs can be constant across the nation where the variation in costs is handled by some loans taking longer to discharge than others.

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