NBNCo
Bringing broadband to life

28 April 2014

Ms Christine McDonald
Secretary
Standing Committee on Environment and
Communications Legislation Committee
Parliament House
Canberra, ACT 2600

Dear Ms McDonald,

Inquiry into the National Broadband Network (Tasmania) Bill

Thank you for your invitation to make a submission in regard to the *National Broadband Network Companies Amendment (Tasmania) Bill 2014.*

A frequent challenge in public discussions about superfast broadband is a misunderstanding of the role access technologies play in the experience of broadband in homes and businesses. It is inherent in the language used in the Bill under consideration that a broadband service delivered by a Fibre to the Node (FTTN) NBN will be "substandard" and by implication deny Tasmanians access to vital services in the areas of health, education and business. This is simply not the case. FTTN is a proven technology that is being rolled out and used by telecommunications companies around the world, including in countries such as the United States, the United Kingdom, Germany, Switzerland, Austria, Korea and Belgium.

FTTN is capable of very high speeds. Recent trials undertaken by NBN Co delivered raw download speeds of 105 Megabits per second (Mbps) and upload speeds of 45 Mbps[1] on a copper loop length a bit over 100 metres from the node. This obviously bodes well for our 25/5 and 50/20 Mbps objectives.

It is also important to remember that a significant proportion of end-users choose lower speed tiers such as those based on NBN Co's layer 2 12/1 Mbps or 25/5 Mbps services. If the claim is that every Tasmanian requires 1 Gigabit per second (or even 100 Mbps) then the simple exercise of consumer choice means a significant proportion of users are going to fall short, even if the original NBN fibre to the premises (FTTP) plan was enacted in full.

You may be aware that the Australian Government recently issued an updated Statement of Expectations to NBN Co, confirming its support for the recommendations made in the NBN Co Strategic Review December 2013

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[1] NBN Co provides services to its wholesale customers, telephone and internet service providers, and does not provide services directly to end users. This trial involved testing speeds over physical network layers rather than end user speeds. End user experience including the speeds actually achieved over the NBN depends on some factors outside our control like the quality and length of the copper connection from the premises to the node, equipment quality, software, broadband plans and how the end user's service provider designs its network.

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report, having regard to certain policy and commercial issues. The Statement instructs NBN Co to proceed with the rollout of the NBN using the 'optimised multi-technology mix' model proposed in the Strategic Review. This model does not involve a preference for any particular technology or network design. Rather, it provides NBN Co with the flexibility and discretion to leverage existing infrastructure where this makes economic and technological sense, and to deliver superfast broadband using the most cost-effective technology available to it in each part of Australia. Timeliness is critical, but is often overlooked in the debate over access technologies. The longer it takes to roll out the NBN, the longer we must wait until all Australians can participate in the digital economy. NBN Co also will prioritise areas identified as poorly served by the Government's *Broadband Availability and Quality Report* to the extent commercially and operationally feasible. The Strategic Review found that giving these areas priority will mean on average they get upgraded two years sooner than would otherwise have been the case.

Another issue of critical importance in Tasmania is broadband prices. Although the NBN Co currently offers plans roughly comparable to ADSL- equivalent products, the Strategic Review found that to recover the $73 billion of funding required to roll out FTTP to 93 per cent of premises in Australia, the retail price of internet access would have to increase by up to 80 per cent – a price rise of $43/month for a typical household on a 50 Mbps plan. With these changes to the NBN model in mind, I want to emphasise to the Committee my belief that the debate over whether to use FTTN or FTTP overstates the importance of the access technology. As I have said previously, it really doesn't matter what technology is used to provide fast broadband any more than it matters what frequency your television programs are broadcast on or where your electricity was generated. The important goals are to deliver the speeds people need to use the applications and services they value, to achieve ubiquitous availability as quickly as possible, and to ensure the network has the capacity to be upgraded as required.

In regard to the specific areas that the Committee has been asked to consider, I provide below some brief comments that may assist the Committee.

Impact on Tasmanian economic growth and the provision of essential services such as health and education in Tasmania

As outlined above, the most important issue is not what technology is used to deliver fast broadband, but how soon and how efficiently broadband can be rolled out. This, rather than the access technology employed, will be the key point for economic growth. Online health and education services will be available under the multi-technology NBN, but rolling out the NBN sooner will ensure they become accessible more quickly to the many Tasmanians currently without access to fast broadband. In addition, deploying the network at lower cost will help keep retail prices at more affordable levels and encourage higher levels of take-up in the community. It is worth noting again that a significant number of consumers are currently using NBN Co's 12/1 Mbps product – which means any mainstream telehealth or e-Education product delivered on the NBN will need to be accessible to users on this tier of service if it is to be truly ubiquitous and serve the whole market. This is the case no matter what access technology is deployed.

The Committee should note the Government is currently conducting a Cost-Benefit Analysis into the impact of superfast broadband and this is due to report mid-year. Part of this work is likely to involve placing a value on the economic and social benefits to the community arising from superfast broadband. It will no doubt be of interest to the Committee to understand what value is placed on ubiquitous access to fast, reliable and affordable broadband, compared to the value placed on access to very high speed tiers.

Impact on Retail Service Providers (RSPs) operating in Tasmania

Changes being made by NBN Co as part of the new approach are expected to have a positive impact for RSPs in Tasmania and right across Australia. RSPs have been very clear that NBN Co needs to improve its service delivery. NBN Co recognises that occupants of more than a third of brownfields premises passed by the NBN fibre network have been unable to order a service (a situation described as 'Service Class 0') and this has been a particular issue in Tasmania. The company has now instructed the contractors building the network to install 'lead-

ins' (fibre running from the street into premises) and connection boxes to homes and businesses at the time the fibre is laid in the street. NBN Co anticipates this should increase the rate of connection and reduce the time between ordering a service and receiving it. These strong commitments are among a number of service level improvements written into the latest iteration of the Wholesale Broadband Agreement – the contract between NBN Co and its retail service provider customers.

Another positive for RSPs will be increased accuracy in the company's forecasting. In the past, Ready For Service (RFS) dates for various localities (the point at which RSPs can begin selling services) would slip, sometimes quite substantially. This was in part due to the use of metrics such as "construction commenced", which was much earlier in the process than the current metric of' Build Commenced'. This new metric designates premises further along in the process, where design work has been completed thereby making more accurate forecasting possible. NBN Co understands that our success is dependent on the success of our RSPs. One of the early priorities for the Chief Executive Officer, Bill Morrow, will be to rebuild trust with RSPs and with communities. We want them to have faith in our forecasts so when we commit to start work in an area, we do; when we say the service will be ready, it is; and when people take time off work for an installation, they are connected.

Impact on contractors participating in the rollout

Another key priority of the company is providing certainty and stability for the construction industry, where many participants are small family-owned businesses installing and servicing the NBN across Australia. It has been reported that contract issues between NBN Co and its delivery partner in Tasmania slowed the rollout considerably.

NBN Co has been working over the past six months or more to rebuild and strengthen relationships with our delivery partners and ensure the incentives on both sides provide good outcomes for NBN Co, for our contractors, and of course for the people of Tasmania. We are working collaboratively and productively with Visionstream and the FTTP rollout is proceeding in Tasmania—as it is across Australia—while we continue our negotiations with Telstra and plan the implementation of the new model.

I am confident that the NBN Co, under new management and with renewed focus and confidence, will ensure that Tasmania—and indeed all of the States and Territories of Australia—is better served and receives the tangible benefits of a fast, efficient, cost-effective and well-organised NBN rollout.

Yours sincerely,

Ziggy Switkowski
Chairman

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