



Australian Government
Department of Communications and the Arts



Australian Government
Department of Finance

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The Hon Sussan Ley MP
Chair
Joint Standing Committee on the National Broadband Network
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Chair

Inquiry into the business case for the National Broadband Network

Inquiry into the rollout of the National Broadband Network in rural and regional areas

The Department of Communications and the Arts and the Department of Finance welcome the opportunity to make submissions to the Committee's inquiry into the business case for the National Broadband Network (NBN) and the inquiry into the rollout of the NBN in rural and regional areas.

The joint submission to the inquiry into the business case for the National Broadband Network (NBN) is at Attachment A.

The joint submission to the inquiry into the rollout of the NBN in rural and regional areas is at Attachment B.

Yours sincerely

Mike Mrdak AO
➔ April 2018

Rosemary Huxtable PSM
↵ April 2018

Inquiry into the rollout of the National Broadband Network in rural and regional areas

The rollout of the National Broadband Network (NBN) in rural and regional areas is the most significant public investment in improving regional communications undertaken in Australia. In addition to providing NBN fixed line broadband services to approximately 2.5 million regional premises, the Government is investing more than \$2 billion in capital expenditure on NBN Co Limited's (nbn) fixed wireless network and approximately \$2 billion on the Sky Muster Satellite service.

Today, NBN broadband services are available from Australia's northernmost islands in the Torres Strait to the southern research facilities on remote Macquarie Island; to the east as far as Norfolk Island - some 1600 kilometres from the mainland; and to the external Indian Ocean Territories of Christmas and Cocos (Keeling) islands. From remote Indigenous communities in central Australia, to distance education students from the School of the Air in Longreach, regional communities are using the NBN. For many, this is the first time they have been able to access fast broadband services at affordable prices.

Planning, mapping and eligibility for NBN services

While many difficult to serve premises in regional and rural areas are, and can only be, served by satellite services, it is important to note that the vast majority of regional premises will be served by NBN fixed line and fixed wireless broadband services. Further, all Australian premises, regardless of technology, will have access to download speeds of at least 25 megabits per second (Mbps) by 2020, which is comparable to other developed countries such as the United States and the United Kingdom.

nbn is a Government Business Enterprise (GBE) and as such operates at arm's length from Government. GBEs are governed by the *Public Governance, Performance and Accountability Act 2013* and the *Public Governance, Performance and Accountability Rule 2014* (the PGPA Act and Rule), and the associated *Commonwealth Government Business Enterprises – Governance and Oversight Guidelines Resource Management Guide No. 126* (the GBE Guidelines).

Many of the issues that the Committee is inquiring into are predominantly operational rollout matters for which nbn is best placed to respond. The Government, through its Shareholder Ministers, the Minister for Communications and the Minister for Finance, has issued a Statement of Expectations (SoE) that provides guidance to nbn to help ensure its strategic direction aligns with the Government's objectives for the delivery of the network. The SoE also provides nbn with flexibility and discretion in operational, technology and network design decisions, within the constraints of the Government's broadband policy.

In relation to this inquiry, the SoE states (in part) that the Government is committed to completing the network and ensuring that all Australians have access to very fast broadband as soon as possible, at affordable prices, and at least cost to taxpayers.

It is the Government's expectation that the network will provide peak wholesale download data rates (and proportionate upload rates) of at least 25 Mbps to all premises, and at least 50 Mbps to 90 per cent of fixed line premises as soon as possible. To achieve these objectives, nbn is required to roll out a multi-technology mix network and build the network in a cost effective way, using the technology best matched to each area of Australia. Further, when planning the rollout, nbn is required to prioritise locations that are poorly served, to the extent commercially and operationally feasible.

In line with these objectives the NBN rollout in regional areas is more advanced than in metropolitan areas, with 90 per cent of premises outside major urban areas able to order services or with network construction underway by mid-March 2018.

Future capacity of NBN services

The SOE also ensures that nbn works on product development with retailers on an ongoing basis. In addition to expanding the range of products available over fixed line and fixed wireless services, the company has undertaken, from the time the satellite service became available, to ensure that the capacity limited satellites can best be used to provide services that meet users' needs. This includes services for distance education students, Public Interest Premises, the Royal Flying Doctor Service and businesses.

nbn is also actively examining technologies that will assist in upgrading the network and monitoring the network to ensure any upgrades necessary to maintain quality of service are completed. For example, in February 2018 the company announced an accelerated program of upgrades to a number of fixed wireless towers to address emerging congestion, which is the result of higher than forecast take-up and usage.

To ensure that services are provided to premises after the NBN rollout is complete, the Government has legislation before the Parliament that will place 'statutory infrastructure provider' (SIP) requirements on nbn and other carriers where appropriate. The SIP will require nbn, or another carrier, to connect premises to a superfast broadband network on reasonable request. This will provide industry and consumers with certainty that all premises in Australia, regardless of their location, will have access to infrastructure that supports the delivery of superfast broadband.

The legislation will also establish the Regional Broadband Scheme (RBS), which will secure long term funding for nbn's fixed wireless and satellite infrastructure. These networks are expected to incur losses of around \$9.8 billion (net present value) over 30 years. The RBS will level the playing field by requiring all NBN-comparable fixed line broadband providers to contribute equitably to these costs.

Together, the SIP and the RBS will ensure regional, rural and remote Australians continue to enjoy all the benefits of high speed broadband into the future. The Bills implementing the SIP regime and the RBS are currently before the Parliament.

Alternative providers of satellite, fixed wireless and fixed line services

Australia has an open and competitive telecommunications market in which different providers are free to supply services and roll out networks in response to commercial opportunities, subject to regulatory requirements. This is reflected in the number of different telecommunications providers operating in new developments, and the proposed SIP legislation.

Mobile broadband services, although not specifically mentioned in the inquiry's terms of reference, are another important component to consider in servicing the telecommunications needs of rural and regional Australians. These services deliver substantial economic and societal benefits to the Australian economy and community. The mobile network operators have made significant investments in improving mobile coverage and competition in regional Australia. This investment has been made commercially and also in partnership with Governments through initiatives such as the highly successful Mobile Black Spot Program.

Access to spectrum is a critical element of the delivery of telecommunications services, whether those services are delivered by satellite, fixed wireless, or mobile. Having a fit-for-purpose regulatory framework for the management of and access to spectrum is as important as having a fit-for-purpose telecommunications regulatory regime. Spectrum is integral to any communications network.

Recognising that the benefits of spectrum are, in part, dependant on the effective management of this finite resource, the Government is implementing the recommendations of the Spectrum Review, which will reduce the regulatory burden and improve access to new technologies.

In the meantime, the 3.6 Gigahertz (GHz) spectrum re-allocation will provide opportunities for Australians to access new broadband services, including 5G. We acknowledge that the Government's decision to re-allocate the 3.6 GHz band for spectrum licensing has led to concerns from some incumbent licensees, including wireless internet service providers operating in regional areas.

The Minister for Communications carefully considered the implications for regional Australians in making this decision, and has provided protections for incumbent users in the band. An unprecedented seven-year re-allocation period in regional Australia will allow regional fixed wireless broadband operators to continue to deliver services until the middle of next decade. These incumbents could continue to deliver services beyond the re-allocation period if agreed with a new spectrum licence holder.

In addition, the ACMA will work with wireless internet service providers to establish site-based, coordinated licensing arrangements in the 5.6 GHz band, and is investigating the possibility of licensing in alternative bands. Re-allocating the band will benefit business, encourage economic growth and support the delivery of services to Australians living in regional areas.

Other related matters

The Department of Communications and the Arts will continue to work with regional and rural stakeholders as well as other agencies and interested parties to ensure that people have the skills and knowledge to make the most out of the significant Government investment in the NBN. To that end, the next Regional Telecommunications Review will be conducted this year. The Review is conducted under Part 9B of the *Telecommunications (Consumer Protection and Service Standards) Act 1999* and the independent review committee has a broad remit to review telecommunication services in regional, rural and remote Australia.