



Department of Communications, Information Technology and the Arts
Via email: BC-CN@dcita.gov.au

January 2006

Re: Broadband Connect and Clever Networks Discussion Papers

Thank you for the opportunity to comment on the above Discussion Papers.

The Consumers' Telecommunications Network (CTN) is a national peak body of consumer and community organisations, and of individuals representing community interests who participate in developing national telecommunications policy. CTN's members are national and state organisations representing consumers from non-English speaking backgrounds, deaf consumers, indigenous people, low income consumers, people with disabilities, young people including children, pensioners and superannuants, rural and remote consumers, women and consumers in general.

CTN advocates policies for better access, quality of service and affordability of telecommunications facilities for all residential consumers, and our recommendations aim to achieve these outcomes.

This submission is divided into 2 sections, Broadband Connect and Clever Networks, in order to address the questions posed in the discussion paper.

BROADBAND CONNECT: GENERAL COMMENTS

Our views are underpinned by the following key principles:

- Programs and funding policies need to be strategic and long-term in their approach, to ensure the deficiencies of the HiBIS scheme are not replicated
- Funded infrastructure should be 'future proof' as much as possible, i.e. it should embody capacity and service delivery characteristics that minimise ongoing investment to accommodate future demand (this includes the provision of symmetrical bandwidth)
- Government/public monies should only be spent on infrastructure that is bundled with previously agreed arrangements permitting competitive access. The key objective is to get infrastructure rolled out and services in use, but we need to think about how to maximise efficiencies. This will be achieved by minimising barriers to the sharing of infrastructure and the facilitation of competition.

BROADBAND CONNECT: QUESTION SPECIFIC COMMENTS

Q1

Sustainable solutions are much more likely to be achieved if funded infrastructure is shared by competitive service providers. The long-term commitment of infrastructure partners must be part of the selection criteria. Projects must have regard to the particular needs of the communities that will be receiving the services.

Applications for grants under this program should be assessed with the following key considerations:

- if the infrastructure can be shared;
- if the chosen technology has a demonstrated / planned growth path
- if the solution is able to access sufficient backhaul services.

Q2

To reiterate our point above, we believe funds should only be allocated where competitive access to infrastructure is proposed.

Q3

Projects that receive funding should use incentive payments for the development infrastructure at agreed milestones. A rebate for each user of the service should be provided to key infrastructure providers and resellers, which will encourage investment rather than simply allocate funding with minimal accountability for project outcomes.

Q4

The appropriate solutions will require a combination of services depending on area. The mix of infrastructure types service requirements need to reflect the types of applications which should be able to be accessed, ie. Video on Demand, VoIP, etc.

Q 6-9

The options set forth in questions 6-9 seem to be issues that would surely be covered in any contract for funding. If a provider applies to build infrastructure in a particular area and are granted fund money on this basis, surely they are already formally committed to service the areas they have nominated? What constitutes an area of "greatest need"? Need would seem to be a fairly subjective claim. Consumer demand is often a driver for the roll-out of services, as providers can re-coup their investments- even without funds such as this one. Yet the greatest need may be seen to be in areas with little, if any, known consumer demand. Education about the benefits of broadband and potential applications will play a key role in fostering sustainable demand.

Consideration may be given to the creation of a register of areas requiring services, administered by DCITA, that can receive nominations from communities, local councils, etc. Funding amounts could be allocated taking into account those who are

most in need of subsidising (due to small populations of potential users). This could serve to off-set the risk of low long-term returns for the providers, whilst creating an incentive to supply to those areas.

Probably nothing further can be done to overcome barriers to capital investment, since in less commercially viable regional areas sustainability implies only one set of infrastructure and that would generally be of the incumbent provider.

Q11

All of the registration conditions proposed in the discussion paper are highly relevant and strongly supported by CTN. This information will be particularly relevant to an incumbent carrier being a program participant. We reiterate our earlier suggestion that a portion of payment be withheld until future planned services are delivered to ensure accountability and the timely and full delivery of the promised services.

We also suggest that prior to funding a program, all registered participants should need to submit formal plans for their intentions to deliver service to the area.

Q12-17

Infrastructure that receives funding should not be for short- term solutions (eg. ADSL) that embody asymmetrical bandwidth. Program participants need to commit to deliver solutions that can monitor / deliver minimum quality of service.

Q19-22

Up front payment should only apply to new entrant providers, not incumbents who can draw upon far greater financial resources. It is important that payments are provided when milestones for the project are met.

We are concerned that this program has the potential to subsidise investments that carriers should be making anyway. This should be a consideration in any decision to fund a project under this program.

One option that may be useful to consider is whether or not a subsidy for the cost of a service should be paid to the end user by way of a rebate, rather than to the provider. This may be an incentive for providers to offer attractive services to customers, requiring them to offer a quality service that the customer wants, rather than just offer a service because they were able to receive funding to do so.

Funding should ideally be based on the number of customers connected. This provides an incentive to get larger numbers of customers, rather than just a small number of customers who are profitable (which is a potential outcome in providing services to governments and business, at the expense of residential consumers).

If funding was based on the number of premises with potential access, then we would support funding for infrastructure only, on the proviso that the infrastructure provides shared access.

Q24

CTN would prefer to see standards based on applications supported. As a guideline, in order to support VoIP general consensus is that a minimum 512/128 service is required.

Q25

Speed, limitations and QOS are all crucial to providing adequate services to consumers and should be incorporated in any model chosen.

Q26

We would endorse a strategy that allocated higher payments to solutions that provide significant additional capacity as a means of achieving long term solutions and providing value for money.

Q27

We believe latency is an area of concern and should be covered under QOS parameters.

Q28-30

We do not support an uncapped pricing approach under this program. There is nothing to stop providers offering services at lower prices as it is. The reality is that there may be very little competition between service providers if grants are allocated to provide services in what are considered (due to the lack of current infrastructure) "unprofitable" areas. This will leave end-users exposed to high prices and no way of ensuring affordable services.

The purpose of this program is to bring affordable broadband services to consumers at equitable prices. It is certainly *not* to subsidise service providers who would like to profit from consumers without having to pay for infrastructure at the outset. The market may never be established if pricing were left to the providers alone, and we believe a price cap regime is essential if the large amount of money allocated to this program is to reap the intended rewards.

CLEVER NETWORKS: GENERAL COMMENTS

The feedback we have received on the Demand Aggregation Broker role suggests it has had mixed success. Whilst the DAB process has been successful in getting community support for the development of infrastructure, it is uncertain as to whether the carriers (particularly the smaller ones) have been happy with the final results. It would seem that demand aggregation is incompatible with competition, particularly in regional areas, and a separate review would be needed if it is to be incorporated under this new program. The process of developing and reviewing of the proposed solutions needs some significant review, and our proposed preference toward shared infrastructure solutions may assist with this.

We are also concerned that there is significant overlap in goals of Broadband Connect and Clever networks. There would seem to be grounds for a merge of the

two programs to ensure efficiencies are achieved. It would be better to look at “Clever Networks” requirements driving the standards for Broadband Connect, and then looking to separate the development of infrastructure and the development of applications (or different technologies to deliver content).

A CTN representative attended one of the public workshops for this discussion paper, and noted that comments and discussions from in particular the smaller ISP/ Carriers indicated a clear sense of frustration that the previous scheme has not worked well. In particular problems were:

- Demand aggregation. The outcome of this approach saw small carriers invest into developing infrastructure for an area which Telstra have said is not economic to develop, only to have Telstra introduce services either just prior or after launch.
- Limited development of back haul services for remote areas
- Funding model is prohibitive to small players becoming involved

CLEVER NETWORKS: QUESTION SPECIFIC COMMENTS

Q12

It is crucial that investment under Clever Networks be closely coordinated with that under Broadband Connect, such that one leverages off the other. The most effective way to modify the 'program design' would seem to be to absorb the investment component of Clever Networks into Broadband Connect. We are concerned that separate programs will result in the minimisation of synergies, when the opposite outcome is desirable.

Q13

Applications are key to "Clever Networks" - access to infrastructure should be covered under Broadband Connect.

Q22

We fully support the idea that infrastructure should be made available to parties other than the infrastructure owner. As a broad principle, no government monies should ever be granted to a private service provider for creating infrastructure that will not be shared with competitive providers also serving the same public.

Q23

An incumbent provider would most likely refuse to comply with such an infrastructure sharing requirement, in which case they should not be granted government monies. The benefit of such a requirement is more efficient and effective service level competition.



In all, we see a number of key attributes the Broadband Connect and Clever Networks programs must have if they are to be successful. Programs and decisions must embody a commitment to getting useful outcomes for the end users, rather than seek to simply give money to providers in a way that will encourage them into areas they probably already seek to go. Shared infrastructure will be key to getting services available to consumers, but this may not be the desired outcome for providers. Minimum quality of service parameters and clear milestones for project delivery are required. We urge the Department to ensure that the programs are clear in their end goal- to provide services to consumers who are currently missing out without undermining the principles of competition and consumer choice.

We hope these comments are of use to you. Should you wish to discuss this response in more detail please contact myself or Sarah Wilson at the Consumers' Telecommunications Network on 02 9572 6007 or at ctn@ctn.org.au.

Yours sincerely,

A handwritten signature in black ink, reading 'Teresa Corbin'. The signature is written in a cursive style with a long, sweeping underline.

Teresa Corbin
CTN Executive Director

This submission was prepared by Teresa Corbin, CTN Executive Director, and Sarah Wilson, CTN Policy Officer. It has been approved out of session by the CTN Council.