

EdenBroadway

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"It's better with broadband!"

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Submission on *Connect Australia*

Overview

This submission is based on the practical experience gained, and problems encountered, by the Eden Broadband Broker in managing the **EdenBroadway** project¹. It reflects on the strategy of using a broadband broker and is written from the perspective of a community in a sparsely populated region wishing to

*secure affordable access to ubiquitous, high speed, 'always on' broadband services, and to assist and stimulate social and economic development in the region.*²

It suggests four factors for consideration in the development of a framework for similar projects to be funded through the *Connect Australia* package:

- An 'up front' payment to an incoming Broadband Service Provider (BSP) to reduce the financial risk and cash flow issues associated with establishing new infrastructure and services in a rural or remote region;
- 'Second phase' funding to enable the local broadband broker or Community Technology Centre to support the incoming BSP in its first year of establishing infrastructure and services in a region;
- An integrated subsidy strategy to support the supply of Triple Play services in regional and rural Australia; and
- Regulatory reform covering the supply of VoIP services.

1 Background

1.1 Three key issues were encountered during the **EdenBroadway** project – how to attract BSPs to the region; what local support arrangements should be put in place; and factors working against demand aggregation.

Attracting BSP interest

1.2 A major challenge for a broadband broker is to encourage a BSP to give priority to investing in broadband infrastructure and services in the region. Factors mitigating against this in areas like the Eden region include the cost of backhaul, topographic and demographic challenges, and a population that is relatively broadband 'illiterate'. **EdenBroadway** had the experience of one aspiring BSP withdrawing interest in the Eden region as a consequence of lower risk, more lucrative opportunities elsewhere in Australia.

¹ The views expressed are those of the Eden Broadband Broker and do not necessarily reflect those of the Access Centre

² **EdenBroadway** objective

1.3 The issue is how to secure that priority attention; in other words, what negotiating leverage is available to the broadband broker to attract a BSP to invest in broadband infrastructure and services in the region?

1.4 Currently only a few levers are available – a local knowledge of the region and its businesses, community groups and culture; a local legitimacy based on a network of well-established contacts; and the ability to apply limited resources to market research, educational initiatives, demand aggregation and product promotion.

1.5 While the HiBIS subsidy is central to enabling an incoming BSP to supply broadband services on a commercially sustainable basis, it is not within the control of the broadband broker and therefore is not an effective lever that the broadband broker can use to attract priority BSP attention into the region.

1.6 The levers available to [EdenBroadway](#) were therefore limited to local market research, awareness raising, establishing a local demand register and a (limited) offer of marketing support for the incoming BSP.

1.7 During the course of [EdenBroadway](#), discussions with interested BSPs identified a number of other ways in which a broadband broker potentially could assist an incoming BSP. These related to assistance in obtaining approval for use of suitable sites; creating a local area broadband franchise through which part of the HiBIS subsidy would be allocated upfront to a preferred BSP to cover part of the initial infrastructure installation costs; and adopting a more integrated approach to government (federal, state or local) funding of ICT infrastructure.

Local support arrangements

1.8 In regional and rural communities such as Eden there are real benefits arising from the adoption of an approach that builds upon an existing local not-for-profit community group like a Community Technology Centre. Usually such an organisation is already well regarded and established within the community, is aligned to community interests, is knowledgeable about community needs and its level of technological awareness and has the scope to integrate broadband initiatives into its wider operations.

1.9 A consequence of this approach, however, is the need for the local organisation to 'reinvent' itself to take on the new challenges of marketing, sales and technical support services on a commercially sustainable basis. Some retraining, organisational restructuring and changes of operational procedures are usually necessary. They require time and resources.

1.10 At the same time the local community organisation has little, or no, financial resources with which to fund a start-up business or to assist the incoming BSP establish its operations in the region.

1.11 Regrettably, the [EdenBroadway](#) submission for funding did not include a budget component to cover the evolution of the Access Centre's operations and the start up of a new BSP Partner role.

Factors working against demand aggregation

1.12 One of the most common issues raised in community meetings was “*should I wait for the new services or should I invest now in an ISDN/satellite HiBIS broadband solution?*”. Complementing this was the eagerness of ISPs to encourage local residents to record their interest on the ISPs’ own broadband demand registers. This was compounded by insufficient information being made available by Telstra about network upgrades to expand its ADSL coverage in the region.

1.13 In addition to this, many residents noted that the local public schools had broadband access, and asked whether residential broadband access could be linked to this network. They were not satisfied by the response that this publicly owned private network was not accessible for residential use.

1.14 Further, in the Eden region the level of demand is closely related to the cost savings a person perceives they will receive as result of subscribing to a broadband service. While the benefits of email, online banking, file sharing, distance education and e-commerce are all acknowledged, the deciding factor about upgrading to an email service may be cost. In this regard a major benefit of VoIP was seen to be that a resident might be able to close their fixed line account and thereby save on the monthly rental and call charges.

1.15 The lack of number portability between fixed and VoIP services, the lack of clarity about whether a local fixed line call to a local VoIP number would be charged as an untimed local call and difficulties regarding emergency calls, however, have diminished the value of VoIP as an incentive to take up a broadband service.

2. Suggestions for change

An ‘up front’ subsidy

2.1 Restructuring the per customer HiBIS subsidy to include an ‘up front’ payment to be made to an incoming BSP would have two major benefits.

2.2 First, such a payment would reduce the financial risk for an incoming BSP investing in new wireless infrastructure in a region and so lead to more widespread investment in this new technology. Typically an incoming BSP may require a threshold level of interest (30 customers, perhaps) before deciding to invest in wireless infrastructure. An up front subsidy for this initial investment could lead to a reduction in this threshold level.

2.3 Second, having control over access to this up front subsidy would give a broadband broker more leverage in negotiating with aspiring BSPs, but it is not economically sustainable to make up front payments to all aspiring wireless BSPs in a region. This suggests the option of creating a regional broadband franchise, whereby just one BSP receives the upfront subsidy for investing in a wireless broadband service.

2.4 Early in the *EdenBroadway* project the decision was made to invite proposals for an exclusive 'preferred' wireless BSP in the region. This is proving to be a successful strategy; it would have been even more effective if the selection of the BSP carried with it payment of an up front one-off subsidy.

'Second phase' funding

2.5 As mentioned in the original application for funding, the Eden Access Centre is self sufficient in funding its operations. Nevertheless, it operates on a tight budget with a limited ability to undertake new ventures. This has become particularly relevant as the *EdenBroadway* project has progressed and the evolving nature of the Access Centre's role has become clearer.

2.6 The Access Centre is looking to take on a BSP Partner role. This will generate new revenue for the Access Centre, based on customer take-up of services. This income stream, however, will only commence a number of months after the preferred BSP is announced, and possibly only after the completion of the *EdenBroadway* project itself.

2.7 This Partner role also gives the Access Centre the potential to extend its broadband brokerage role into other areas of the Bega Valley Shire, building on the start made by *EdenBroadway*. Some provision could be made to give a broadband broker project the option to access follow-on funds to extend the project into adjoining areas, in the event that the original project is successful. This would minimise the delays, costs and inefficiencies inherent in running subsequent funding rounds.

2.7 The problem for the Access Centre is one of needing to fund the start up of a new BSP Partner activity or an extension into adjacent areas before any income is received. The *EdenBroadway* project schedule has been adjusted as far as possible within its funding allocation to include such activities.

2.8 Ideally, the *EdenBroadway* budget should have included a provision for a greater level of marketing support for the incoming BSP and for the Access Centre to establish its new Partner role over a 12 month period. This would have supported a more comprehensive approach to setting up the BSP Partner role and to assisting the incoming BSP's entry into the local market.

2.9 Future broadband broker projects could therefore include the option of a 'second phase' funding allocation for such follow on activities, with access to it conditional on a successful outcome to the project (eg. the selection of a BSP).

Integrated funding

2.10 Local residents observe funding being directed towards (i) a private state broadband network for schools; (ii) television and mobile telephony 'black holes'; and (iii) the *Connect Australia* initiative. At the same time there is a USO industry cross subsidy scheme and a major industry investment program to replace analogue TV by a digital TV service.

2.11 In their eyes, however, there seems to be little co-ordinated or integrated strategy behind such schemes that would secure optimal 'value for money' from the various subsidies. Yet they experience a converging industry through the emergence of bundled service offerings and Triple Play services. For example, [EdenBroadway](#) expects that the supply of VoIP and IPTV services into the region will be achieved by mid 2006 by the incoming BSP.

2.12 Broadband has the capability of providing a common technology platform for the delivery of these services. An integrated ICT subsidy strategy could exploit this to the benefit of all living in regional and rural Australia.

Regulatory changes

2.13 VoIP is increasingly being adopted worldwide, perhaps more by industry than the residential sector at this stage. Its significance to the rural and regional sector should not be ignored. In principle it provides the prospect of significant reductions in telephony costs that could be a deciding factor in the widespread take-up of broadband services in that sector.

2.14 Number portability, the cost of calling VoIP numbers and emergency calls are the key regulatory issues that need to be addressed. The fact that a number is attached to either VoIP or PSTN technology should be irrelevant and transparent to a customer (residential or business). The objective of regulatory reform should be to secure an outcome whereby a VoIP number is treated identically to a geographic fixed line number. Numbering should be technology neutral.

3. Concluding comments

3.1 Non metropolitan consumers have first hand knowledge and experience of the benefits and shortcomings of changes in telecommunications technology. On the positive side, they enjoy improved access to broadband services, mobile phone coverage on highways and satellite mobile phone and TV services.

3.2 On the negative side, they see the closure of analogue AMPS services, the impending closure of CDMA, the current transition from analogue to digital television and a perceived lack of investment by Telstra in telecommunications in country areas resulting in a decline in service and quality and/or an additional expense to obtain access to an upgraded service.

3.3 A common theme running through these changes is that they are often driven by government policy. [EdenBroadway](#) has found, however, that regional and rural consumers are not interested in policy considerations; their focus is on getting better services at a cheaper price. If *Connect Australia* brings about the introduction of Triple Play in regional and rural Australia on an equitable and affordable basis, then it would be very well received.

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