

**Broadband Connect  
and  
Clever Networks**

**Comments on the**

**Draft Program Guidelines**

**January 2006**

from the

**Department of Corporate and  
Information Service**

**Northern Territory**

## **Key Findings / Recommendations**

**Issue:** No competition in the interstate 'backhaul' telecommunications market.

**Recommendation:** The Connect Australia package must;

1. Recognise that competition in the Territory must begin in the wholesale trunk market and provide for competitive development of an alternative interstate fibre optic link;

**Issue:** No competition in the remote NT telecommunications market.

**Recommendation:** The Connect Australia package must;

2. Recognise the lack of competition in the NT telecommunications market and eliminate or minimise the requirement to tender for developments;

**Issue:** Network infrastructure development and provision of appropriate services (including voice) to remote communities.

**Recommendation:** The Connect Australia package must;

3. Accept single applications that source funding from one or more of the elements of the Connect Australia package, where appropriate;
4. Employ an evaluation process that considers as the primary assessment the benefits to the communities that the proposed project will service, rather than the number of services provided, number of people affected etc; and
5. Accepts applications that will deliver large scale network infrastructure development.

**Issue:** Access in remote communities.

**Recommendation:** The Connect Australia package must;

6. Provide for the development of community access points along with ongoing funding for support, for a period of at least two years.
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7. Be cognisant of the unique needs and issues of specific locations and account for them in the assessment process, in particular in assessing the need for non Commonwealth contributions;
8. Accept applications from third parties, including the NT government on behalf of communities or regions; and
9. Support collaborative development of applications in remote communities by communities, NT government, and non-government bodies jointly.

### **Comments on HiBIS**

(a) Minimum services do not cover all socio economic markets.

**Recommendation:** The introduction of a throttled back or choked product that is targeted to the residential market. This service will allow customers/families to only use their budgeted allocation and will not be charged for down loading above their limit.

(b) Vendor changes to the AUP.

**Recommendation:** The AUP should afford customers equal rights to those given to ISP's, by giving customers the option of withdrawing from the contract in the event of changes in the AUP.

(c) Dispute process.

**Recommendation:** An active involvement by DCITA in dispute resolution.

(d) MBC Threshold Service and failure to meet HiBIS Threshold Service.

**Recommendation:** Clarification of the HiBIS threshold for service outages. That penalties are set for ISP's that do not meet their obligations to the customer.

(e) Proposed incentive payment levels.

**Recommendation:** A third proposed incentive payment involving up front infrastructure payments

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# Broadband Connect & Clever Networks

## Introduction

Broadband Connect is an initiative in two phases, the current HiBIS program extended for six months and a revised HiBIS program after consultation process. Clever Networks provides funding for new infrastructure and upgrade costs.

## The NT Telecommunications Environment

Over one quarter of the population of the NT live in remote and isolated locations. The bulk of this population is Indigenous. This group of people is amongst the most disadvantaged in Australia.

To paraphrase the *Telecommunications Action Plan for Remote Indigenous Communities, Commonwealth of Australia, 2002*,

“they [Indigenous people in remote communities] are more likely to be unemployed or receiving lower incomes, be less educated, be imprisoned or in care, be homeless or living in overcrowded conditions, mostly in rental accommodation, and be unwell or dying early.

Telecommunications services have the potential to assist in alleviating this disadvantage. These difficulties are closely linked with broader social disadvantages faced by these communities.”

Telecommunication services in the majority of the populated remote locations in the Territory, are at best described as patchy, with most locations receiving some level of voice communications only.

Targeted, but significant investment is required to improve network infrastructure, products and services, and access delivery platforms for the Indigenous population to be able to reap the benefits of connecting to the rest of the world. Much of such required investment would raise the level of telecommunications services to a level that has been available to the vast bulk of the Australian population for many years.

One critically restricting element is the lack of competition in the telecommunications market in the Territory, particularly in the remote areas. These very ‘thin’ markets provide little attraction for sustainable competition.

To date, incentives and initiatives from both Commonwealth and Territory Governments have not generated substantial competition in the Northern Territory telecommunications market.

The HiBIS, subsidised broadband services to 787 premises within the Territory. The indications are that most of these services were in regional centres associated with mining ventures or to non Indigenous residents in remote communities or to pastoralists. There is no evidence to support the view that HiBIS has bridged the gap to provide comparable and equitable telecommunications services in the remote areas of the Northern Territory.

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In addition, the Northern Territory government has, for the past six years, aggregated its telecommunications requirements across the whole of government under a single contract. This limits the government's ability to leverage telecommunications services for remote communities, on a selected community's basis.

## **Issues**

With the substantial changes in the telecommunications market that will come with the sale of Telstra, capital investment in the non-competitive remote and regional telecommunications market will become problematic. This is the last opportunity for the remote communities in the Northern Territory to 'catch up' and receive the same level of communications enjoyed by the majority of the rest of Australia.

The four significant issues that must be resolved if Territorians are to have access to telecommunications on a par with the rest of Australia, are:

### **Competitive Backhaul**

One key issue in the development of competition in the Territory is the lack of competitive backhaul capacity.

Advice from major and local telecommunications companies (ISP's) is the major barrier for deploying competitive ADSL is the high cost of back haul to/from Darwin. While Darwin has adequate capacity and fibre diversity to connect to other major national and international trunk routes, there is no competitive supply, as Telstra own the only fibre links into and throughout Territory. The information available indicates that the charges for interstate connections to and from the Territory are three to four times the wholesale price for similar connections for Brisbane to Cairns or Adelaide to Perth. This substantially limits the prospect of competition and any new market offerings.

Whilst sustainable in the long term, a competitive fibre optic link between Darwin and Adelaide will require part funding by Government to ensure commercial viability to a telecommunications company or investment consortium.

### **Access in Remote Communities**

More Commonwealth and State government agencies are moving to online service delivery and online financial services are proving popular with remote communities. Access to the Internet and these programs will become critical for the individual of these remote communities.

Most indigenous households are grossly over crowded not allowing space for private ownership of computers. Community based online access centres resolve these issues and provide a means to expand the adoption of ICT based services in remote communities. Such Community Online Access Centres need to be manned to provide support and guidance.

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### **Appropriate voice communications**

Prepaid services in remote communities are proving effective in reducing debtor problems. Prepaid telephone services are only now becoming available with the product of choice being prepaid mobile phones. There is growing evidence across northern Australia demonstrating the rapid and sustained uptake of mobile services in preference to terrestrial services.

### **Network Infrastructure**

The delivery of mobile telephony requires significant network capacity, as does the provision of broadband. Of the 113 remote Indigenous communities with populations greater than 100, 53 have access to mobile telephony, but not ADSL, and 12 more have the network infrastructure capacity to deliver mobile telephony and ADSL. The balance, 48 communities, require significantly upgraded network infrastructure to enable the provision of mobile services and ADSL. At present 1.3% (2 communities) of remote Indigenous communities have access to ADSL.

## **Connect Australia Package**

The Connect Australia package is unlikely to provide significant benefits to the most needy of Territorians unless the four key issues noted above can be addressed through the funding provided under the various elements in the Connect Australia package.

To that end the Connect Australia package must:

1. Recognise the lack of competition in the NT market and eliminate or minimise the requirement to tender for developments;
  2. Recognise that competition in the Territory must begin in the wholesale trunk market and provide for competitive development of an alternative interstate fibre optic link;
  3. Accept single applications that source funding from one or more of the elements of the Connect Australia package, where appropriate;
  4. Employ an evaluation process that considers as the primary assessment the benefits to the communities that the proposed project will service, rather than the number of services provided, number of people affected etc;
  5. Be cognisant of the unique needs and issues of specific locations and account for them in the assessment process, in particular in assessing the need for non Commonwealth contributions;
  6. Accept applications from third parties, including the NT government on behalf of communities or regions. As an example, applications from the Department of Employment, Education and Training on behalf of a number of homeland schools;
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7. Accept applications that will deliver large scale network infrastructure development; and
  8. Provide for the development of community access points along with ongoing funding for support for a period of two years.
  9. Support collaborative development of applications in remote communities by communities, NT government, and non-government bodies jointly.
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## **HiBIS – Comments on the current structure and implications for Broadband Connect**

### **(a) ‘Throttled Back’ or ‘Choked’ Product**

HiBIS program must provide a product equivalent of 256k/64k, 500MB download limit as the base line for broadband services. A product level that has a larger download limit where the service is ‘throttled back’ or ‘choked’ rather than charging excess usage fees would greatly enhance a product range. This product would target residential areas where cash strapped family budgets can purchase a plan and know that they will not encounter any extra costs for excess usage.

Anecdotal evidence from payments for telephone and power has shown that prepaid services are the best method of payment for remote Indigenous communities.

### **(b) Acceptable User Policy**

Acceptable User Policy (AUP) is generally part of the contract requirements between customers and their ISP. Most AUPs include a condition that allows for the provider to amend the AUP or change the service conditions at any time as long as the customer is notified. It does not afford the customer equal or reciprocal rights to terminate the contract should the AUP be changed and the new conditions are then unacceptable to the user.

One issue that occurred under the HiBIS program was the use of peer to peer computer applications. Such applications can adversely affect available bandwidth, particularly where the service is provided over satellite. It is understandable that the vendor limits usage of this application, if not, commercial viability may become marginalised. The ISP should have allowed customers who used this application, to churn to a new vendor when the AUP and service conditions were changed.

### **(c) Disputes Process**

Disputes between vendors and customers under a HiBIS contract have taken too long to resolve. Most disputes require the intervention of the Telecommunications Industry Ombudsman (TIO) and DCITA before customers can be released from their contract. Customers are confused as to the roles of DCITA and the TIO. Under the HiBIS requirements, complaints must first be lodged with the appropriate vendor. If the complaint is not resolved, to the customer’s satisfaction by the vendor, the matter is progressed to the TIO.

DCITA’s role in the HiBIS contracts dispute resolution process is extremely confusing. The role DCITA plays needs to be clarified and the powers of all parties in the resolution process clearly spelled out for the benefit of potential customers. The DCITA web site adds to this confusion with the statement that “the Telecommunication Ombudsman is the office of last resort”. A linear

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progression of rights and obligations of each of the parties needs to be spelled out for the purposes of transparency and natural justice.

#### **(d) HiBIS Threshold Service and Penalties**

HiBIS has no provision for service level agreements between customers and vendors. Minimum requirements contained in the contracts are quite ambiguous. The HiBIS Guidelines state that the services must be working for 99% of the time in a three-month period, this equates to 21.6 hrs of outage for a service. There is no indication as to whether this is for a single fault in that period or whether it is cumulative and for multiple faults. There is no indicated penalty imposed should the vendor not meet this requirement. There would appear to be little merit in imposing such conditions via an SLA if no recourse to the consumer is offered should a material breach occur.

HiBIS sets a minimum level to be met by the vendor in the terms of speed, such that products of 256k/64k are required to be available at 60% of the speed for 75% of the time. This equates to 153.6k/38.4k for only 18 hours a day. Presumably if the service drops below this very low threshold the service would be deemed to have had an outage.

For a residential user, this means that during the peak usage period (6pm – 12am) services may reduce in speed to a point that is similar to current dial up services and the provider incur no penalty, as they have met the service requirements during the rest of the day.

#### **(e) Incentive Payments Levels**

There are two incentive payments for the HiBIS. The eligibility criterion for applicants' is where they are located within the HiBIS maps (on DCITA's web site). There are two levels and this is based on access to services at the start of the program. Incentive payments are not tied to how long an applicant is waiting for a service. Customers may not want satellite services, as the inherent idiosyncrasies with a satellite may not allow certain applications to work. This may leave customers on the HiBIS register as no vendor could provide a service for the customer's specific application. In this case a time incentive may help vendors to enter this marginal market.

The system could look like:

1. Standard Incentive Payment \$1540: payable for New HiBIS Services provided to premises that have ISDN Access.
  2. Higher Incentive Payment \$3300: payable for New HiBIS Services provided to premises that have no ISDN Access, or have been waiting on the Standard Incentive for more than twelve months.
  3. Infrastructure Incentive: an up front payment of 50% of HiBIS Incentive Payment for signed up registered customers in the vendors footprint and the outstanding balance after a threshold level of
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customers have signed up. This would provide greater incentive for local providers to establish new infrastructure with an up front payment to help meet initial infrastructure costs. Contractual agreements between DCITA and the ISP for an up front loan could be put in place under similar conditions to current BARN Infrastructure funding or 'Clever Networks'.

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