



NEW SOUTH WALES

Minister for Roads
Minister for Commerce

14 NOV 2007

M07/00740

Mr P Costa MP
Chair
Legislative Assembly Standing Committee on Broadband
in Rural and Regional Communities
Parliament House
Macquarie Street
SYDNEY NSW 2000

Attention: Ms Cheryl Samuels

Dear Mr Costa

I write in response to the call for submissions to the *Inquiry into Telecommunications (including Broadband) and other Technological Services in Rural and Regional New South Wales*, currently being undertaken by the Legislative Assembly Standing Committee on Broadband in Rural and Regional Communities.

I enclose for the Committee's consideration the Department of Commerce's submission to the Inquiry. The submission notes that while responsibility for regulating telecommunications is a matter for the Commonwealth Government, the establishment of the NSW Government Broadband Service has delivered competitively priced services for broadband to areas in rural and regional New South Wales where these services have not previously been provided.

The submission also refers to the need for the Commonwealth Government to resolve longstanding issues about how best to regulate for competitively priced and open access to Telstra's fixed line services.

Thank you for the opportunity to comment on this matter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Eric Roozendaal', with a wavy underline.

**HON ERIC ROOZENDAAL MLC
MINISTER FOR ROADS
MINISTER FOR COMMERCE**

**NSW DEPARTMENT OF COMMERCE
SUBMISSION TO
PARLIAMENTARY INQUIRY INTO TELECOMMUNICATIONS (INCLUDING
BROADBAND) AND OTHER TECHNOLOGICAL SERVICES
IN RURAL AND REGIONAL NEW SOUTH WALES**

OCTOBER 2007

1. INTRODUCTION

The NSW Department of Commerce notes that the Commonwealth Government is responsible for the regulation and provision of telecommunications (including broadband) and other technology services.

However the Department of Commerce recognises the strategic importance of telecommunications, especially broadband and other technology services, in rural and regional communities and believes those communities are entitled to the same standards of access and service available to metropolitan areas.

People First; the NSW Government ICT Strategic Plan identifies a comprehensive work program for telecommunications. While the prime focus of the work program is to reduce the cost of telecommunications services to Government agencies, the establishment of the NSW Government Broadband Service has improved access to high-speed, high capacity data communications for regional communities and local businesses.

The Minister for Commerce represents the NSW Government on the Online and Communications Council (formerly the Online Council) that was established in 1997. The Online and Communications Council is the peak ministerial forum across governments for consultation and coordination of information and communication issues of national strategic importance. The Council's strategic priorities are broadband policy; regional and indigenous communications services; ICT capability; e-security and the online environment; e-government; and the digital divide. The NSW Department of Commerce provides support to the Minister and is represented on the Council officials committees.

Department of Commerce participation in Commonwealth programs depends on the potential to leverage Commonwealth funding initiatives to improve telecommunications access and services to rural and regional communities in NSW.

The Department of Commerce acknowledges that Commonwealth Government subsidies have delivered some local-specific solutions to rural and regional communities, but the lack of a strategic and coherent regulatory framework at the Commonwealth Government level means that these solutions have not translated into the development and implementation of a broader sustainable business model across all rural and regional communities. The Commonwealth's inability to resolve issues about how best to regulate for competitively priced open access and interconnection to Telstra's fixed line services for telecommunications providers while ensuring that social obligations are met, results in ongoing disputes between Telstra, the Australian Consumer Competition Commission and the Commonwealth Government. Disincentives and barriers to the provision of telecommunications services to rural and regional communities will not be removed until the Commonwealth Government takes a strategic approach to providing a national telecommunications network for Australia.

2. RESPONSE TO TERMS OF REFERENCE

a. The availability of telecommunications (including broadband) and other technology services in rural and regional communities

The NSW Department of Commerce recognises that significant numbers of households and businesses in the more isolated and sparsely populated areas of NSW are unable to access the broadband services available to metropolitan areas.

To address this, the Department of Commerce has leveraged available Commonwealth funding initiatives to improve access to telecommunications for those communities. The Department of Commerce has also worked to ensure that the establishment of the NSW Government Broadband Service incorporated an open access regime for telecommunications providers.

Leveraging Commonwealth funding initiatives for regional broadband

As part of the first and second tranche of the sale of Telstra (T1 and T2) the Commonwealth Government funded programs with the aim of providing improved telecommunications services to rural and regional Australia. In 1997 the Australian Government established *Networking the Nation*, in 2001 the *National Communications Fund* and in 2003 the *Coordinated Communications Infrastructure Fund*. The NSW Department of Commerce, on behalf of the NSW Government, successfully applied for and used these funding opportunities.

Under the National Communications Fund, the NSW Government participated in three broadband projects. These were:

- Regional Towns Local Fibre project (NCF27); Commonwealth provided \$3.5 million towards a \$7.5 million project to construct fibre local loops in 16 country towns. Partnership between the Departments of Commerce, Education and Health, Country Energy and Soul Telecommunications.
- New England Broadband project (NCF12); Commonwealth provided \$5.5 million towards an \$11 million project to provide Telstra broadband services for the then New England Area Health Service.
- Satellite Education project (NCF44); Commonwealth provided \$5.8 million to Optus Communications to deliver satellite education services to remote students and schools in partnership with the Departments of Education in NSW and Northern Territory.

Under the Coordinated Communications Infrastructure Fund initiative, the NSW Government participated in two broadband projects. These were:

- Lithgow to Dubbo Fibre Link project; Commonwealth provided \$4.0 million towards a \$10.5 million project to construct a fibre optic trunk link between Lithgow, Bathurst, Orange and Dubbo. This project is led by the Department of Commerce in partnership with Charles Sturt University, AARNet & Soul Telecommunications.

This project addresses a major gap in NSW broadband telecommunications infrastructure and enables these regional towns to be interconnected into the State Government's Broadband Network. It allows for high capacity connections to regional hospitals in Bathurst and Orange, the Department of Lands mapping databases in Bathurst and the campuses of Charles Sturt University in Orange and Bathurst.

- Newcastle and Hunter Fibre project; Commonwealth provided \$750,000 towards a \$2 million project to construct fibre links in the Newcastle and lower Hunter Valley. This project is led by the Hunter Economic Development Corporation in partnership with the Departments of Commerce, Education and Health and Energy Australia.

Under the Coordinated Communications Infrastructure Fund program, the NSW Government provides in-kind contributions to the projects. Commonwealth funding is used to contribute to and leverage the required capital investments.

As part of its third tranche in the sale of Telstra (T3), the Commonwealth Government made available \$1.1 billion under the *Connect Australia* Program to encourage the development of broadband infrastructure and the delivery of broadband and related telecommunications services to regional, rural and remote Australia. The NSW Government has received some limited funding for a project manager to encourage access to broadband in rural and regional NSW communities.

The Department of Commerce acknowledges that leveraging these Commonwealth funding opportunities has provided benefits to specific local communities in NSW, but the Department considers that delivering broadband on a long-term sustainable basis to rural and regional NSW also requires a strategic approach.

The NSW Government Broadband Service

The key NSW Government initiative that supports improved access to broadband in rural and regional New South Wales has been the establishment of the NSW Government Broadband Service. In 2005, the Department of Commerce, on behalf of the NSW Government, signed a contract with Soul to establish the Government Broadband Service to provide a high-speed, high capacity data communications core network intended to progressively interconnect schools, hospitals, court houses, police stations and Government offices across NSW. Over time it is expected that all major Government agencies will be connected to the Government Broadband Service through head offices, data centres or major regional offices.

The Service has the potential to reach over 3,000 locations. Network access points have been constructed in twenty-four regional centres and in Sydney and Parramatta to enable Government agencies to connect head offices or data centres which require high bandwidth directly to the core network. The network access points are located in the following regional centres: Albury, Armidale, Bathurst, Bega, Broken Hill, Coffs Harbour, Dubbo, Gosford, Goulburn, Grafton, Griffith, Lismore, Lithgow, Maitland, Muswellbrook, Newcastle, Nowra, Orange, Port Macquarie, Queanbeyan, Tamworth, Taree, Wagga Wagga, and Wollongong.

The primary purpose of the Government Broadband Service is to improve and accelerate the delivery of key Government services such as education, health, police, justice and general government services to the residents and businesses of rural and regional NSW. The Government Broadband Service enables agencies to:

- provide specialist teaching to small or remote schools;
- provide access to expert medical advice from regional hospitals;
- distribute complex real time information for emergencies;
- provide video conferencing of court and other proceedings; and
- share geospatial data for integrated planning and conservation work.

However the use of the Government Broadband Service is not restricted to Government agencies. The Government's status as anchor tenant leverages investment and competition in rural and regional New South Wales in the following ways:

- providing investment in breaking out and extending existing fibre networks (eg Nextgen, TransGrid) to major NSW regional centres;
- establishing a standard open interconnect arrangement called a Reference Interconnect Offer that provides timely and predictable access to the Core Network for other providers;
- ensuring that the Core Network provider must provide backhaul access to the Core Network to other approved suppliers; and

- establishing network access points that act as carrier meet-me-points to provide interconnection and backhaul.

The construction of the NSW Government Broadband Service has resulted in Telstra acting to enable DSL in the Telstra exchanges located in the regional centres where Government Broadband Service network access points exist. This has meant access to competitive and scalable trunk capacity for most major population centres in New South Wales for the first time. The Government Broadband Service enables:

- aggregation of traffic on trunks to develop regional infrastructure and points of presence;
- promotion of sustainable infrastructure based competition in regional areas;
- stimulation of competition at the local access level;
- reductions in the price difference for regional broadband services as the open interconnection arrangement can pass on lower cost service to the wider community; and
- acceleration of broadband deployment leading to investment and productivity benefits to the NSW economy.

The NSW Government Broadband Service is not only delivering significant savings in terms of bandwidth per dollar spent but has brought competitively priced services to places where these services were not previously available.

b. The benefits and opportunities for rural and regional communities of having access to telecommunications (including broadband) and other technology services

The NSW Department of Commerce recognises that the development of telecommunications and in particular, broadband infrastructure and services is strategically important for NSW. Broadband is increasingly the twenty first century equivalent of railway and road infrastructure. Broadband is important because:

- it is an enabler for the delivery of government services;
- it is seen as a right that the community have access to metro-comparable broadband; and
- it is an essential infrastructure to support modern business development and innovation.

Broadband access is especially critical to rural and regional Australia where the tyranny of distance makes other means of communication and interaction difficult, time consuming and expensive. Broadband offers new means of delivering quality health care, equality of educational opportunity, life-long learning and improved quality of life for every age group. Without broadband, regional and rural communities will continue to see a decline in population and sustainability, inevitably placing increasing pressures on our urban communities

Improved telecommunications, in particular access to high speed broadband, enables communities to showcase the advantages and benefits of their geographic locations (coastal, alpine, rural, rural/lifestyle), their people, their products and services, their business activity, education initiatives, lifestyle opportunities, health services, business development and growth opportunities.

Acknowledging the importance of telecommunications infrastructure in the economic development of rural and regional communities can add significant value to existing products and services, and assist the development of new products and services, new tourism ventures, new business opportunities, employment and growth in towns

and rural areas throughout the region. Better telecommunications infrastructure can stimulate economic development and growth by allowing business to take advantage of lower cost structures in regional and rural towns. It can create telecommuting opportunities for rural and regional communities and reduce pressure on young people to relocate from the country to the city. This offers opportunities for city based professionals, and for country based professionals to remain living and working within their community.

Rural and regional communities benefit from access to improved telecommunications through accessing professional on-line advice, networking with other entrepreneurs, identifying market trends, obtaining small business training and trading globally via Web based interactive services. Improved broadband services, for example, can allow farmers to keep up to date with developments in the agricultural industry, to access trading information and obtain chemical certifications, weather information and information about new equipment on their farms.

Improved broadband infrastructure can enhance business productivity and provide better quality online services in banking, trading and shopping for rural and regional communities. The establishment of the NSW Government Broadband Service has demonstrated how access to improved broadband supports key strategic service delivery initiatives, such as telemedicine and online learning and training programs across NSW.

c. Disincentives and barriers to the provision of telecommunications (including broadband) and other technology services to rural and regional communities

The NSW Department of Commerce considers that the difficulties of providing basic telecommunications infrastructure and services to a relatively sparse population spread over a large geographic area are compounded by unresolved regulatory and competition issues at the Commonwealth Government level. The key issue is how best to regulate for competitively priced open access and interconnection to Telstra's fixed line services for telecommunications providers. Particularly in the broader context of ensuring social obligations are met in a regulatory environment which emphasises competition. This issue is played out in the ongoing disputes between Telstra, the Australian Consumer Competition Commission and the Commonwealth Government.

Providing access to the broadband to rural and regional NSW requires upgrading or replacing the existing telecommunications infrastructure in those areas. Telstra has proved unwilling to enable all its telephone exchanges with DSL, but DSL availability to individual properties is also constrained by distance from the telephone exchange as well as the quality of the infrastructure connecting individual properties to the nearest exchange (the last mile). In addition the quality and capability of the legacy copper network has deteriorated over time; many lines are of poor quality and cannot support basic DSL service delivery. This has resulted in debates about whether wireless broadband can be an effective substitute or a complement for a fixed line access network or whether fibre to the node can eventually replace the copper access network.

The Federal Government and the Federal Opposition have different solutions to the problems of providing broadband access to rural and regional communities. In June 2007 the Commonwealth Government announced that *Connect Australia* would provide funding to OPEL, a consortium of Optus and Elders, to build and to operate a national wholesale broadband network intended to cover almost 9.5 million premises across Australia and offer broadband speeds initially up to 6Mbps and increasing to

up to 12Mbps by June 2009. The Federal Opposition proposes using the \$2 billion Commonwealth Communications Fund to build an \$8 billion national broadband network that will include a fibre-to-the node network to deliver minimum speeds of 12 Mbps to 98 per cent of Australians and improved services to the remaining 2 per cent using the best-available new satellite, wireless and microwave technology.

The NSW Department of Commerce considers that the proposed OPEL network appears to be a band-aid solution which will deliver last mile local access services by a mixture of wireless and copper technologies. The Department of Commerce also has concerns about how the OPEL network can complement the NSW Government Broadband Service infrastructure and ensure there is no unnecessary duplication or over-building. The NSW Department of Commerce considers that the Opposition proposal will provide a genuine national network which benefits rural and regional communities as well as metropolitan areas.

d. The consequences for rural and regional communities of not having, or not having adequate, access to telecommunications (including broadband) and other technology services, having regard to likely future industry and technological developments

The NSW Department of Commerce considers that the shift to an information economy requires improved telecommunications, including a high-speed national broadband network, to access worldwide markets and compete internationally for goods and services. The gap between those who are able to access and use telecommunications services and associated information and communication technologies is often described as the 'digital divide'. The lack of metro-comparable broadband services contributes to the growth of the digital divide in rural and regional NSW.

The urgent need for a new generation of voice, data, video, telemetry and telematics products and services has been identified in every industry sector: mining, forestry (forest farm and plantation), broad-acre farming, water resources, emergency, environmental management, government service delivery, meat and livestock, transport, rural business and manufacturers and agribusiness generally. Without these services, rural and regional NSW will miss out on the productivity gains and enhanced service delivery available in metropolitan centres.

As indicated previously, Commonwealth Government subsidies have delivered some local solutions but have not translated into the development of a broader sustainable business model which could be implemented across all rural and regional communities.

e. Options for encouraging providers of telecommunications (including broadband) and other technology services to extend services to rural and regional communities

The NSW Government Broadband Service provides competitive broadband to major regional centres, and its status as anchor tenant encourages telecommunications providers to extend services to rural and regional communities. As indicated previously the Service does this by providing access to the Core Network through:

- a standard open interconnect arrangement called a Reference Interconnect Offer provides timely and predictable access to the Core Network for other providers
- the Core Network provider is obliged to provide backhaul access to the Core Network to other approved suppliers; and

- network access points act as carrier meet-me-points to provide interconnection and backhaul.

This provides opportunities for telecommunications providers to aggregate traffic on trunks to develop regional infrastructure and points of presence, as well as reducing price differences for regional broadband services as the open interconnection arrangement passes on lower cost services to the wider community. Resolution of regulatory and competition issues at the Commonwealth Government level would enable telecommunications providers to take advantage of the opportunities provided by the Government Broadband Service and bring considerable benefits to rural and regional communities in NSW.