City of **Wagga Wagga**

25 October 2007

Standing Committee on Broadband in Rural and Regional Communities
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Sir/Madam

NSW Legislative Assembly Standing Committee on Broadband in Rural and Regional Communities

Please find attached Wagga Wagga City Council's submission to NSW Legislative Assembly Standing Committee on Broadband in Rural and Regional Communities.

For any further enquiries please do not hesitate to contact me on 02 6926 9201.

Yours faithfully

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Submission to: NSW Legislative Assembly Standing Committee on Broadband in Rural and Regional Communities

From: Wagga Wagga City Council

This submission has been prepared by Wagga Wagga City Council in response to the inquiry by the committee into broadband in rural and regional communities.

Our response to terms of reference (a) to (d) are covered directly in this paper. The response to terms of reference (e) is covered in an attached paper previously prepared as a discussion paper for a group of the larger regional centres in inland NSW, outlining a suggested approach to stimulate or encourage telecommunications providers to extend services into rural and regional areas.

In regard to terms of reference (a) to (d) our response is simple.

The availability of broadband telecommunications is already one of the most important enablers of regional economic growth, and it will become even more important over time. Global trends to increase speed and availability of broadband in both OECD and developing nations reflect the importance of this infrastructure to growth opportunities (in both an economic and social sense) and it is evident that Australia is currently lagging in the availability of this technology.

Access to metro comparable broadband speeds at metro comparable prices is a fundamental requirement for continued growth and competitiveness of regional communities. Broadband access is the 21st century equivalent to telephone access in the 20th century and its impact on every aspect of life in regional NSW cannot be underestimated.

The benefits of broadband technology to regional communities is well documented and we do not intend to reiterate the problems that will inevitably arise if there is inadequate broadband infrastructure provided to regional and rural areas.

The city would like to bring to the attention of the committee an approach promoted by Wagga Wagga City Council to a group of regional cities in inland NSW in response to a call for submissions to the Federal Government for "Connect Australia" funding. This paper is relevant to terms of reference (e) looking at options to encourage deployment of broadband infrastructure into rural and regional areas.

A copy of the proposal is submitted below:

NSW Inland Regional Cities – Broadband Deployment Project

Background

The development of new telecommunications infrastructure in regional NSW is without doubt one of the most critical requirements for our future prosperity. The speed with which new broadband technology is being established around the world is extraordinary and our regional cities risk being left behind unless we are able to attract new investment to build new broadband networks to connect us to the world.

The ability of our business sector to engage effectively in trade and commerce will largely be dependent upon the availability of suitable telecommunication connections. The days of simply relying on the phone for communication are gone. Access to high speed data and video communication are now basic requirements for any business looking to remain commercial and competitive in the global economy.

Broadband is also becoming an essential part of most homes with people using the internet to obtain all sorts of information from music, videos, information for schoolwork, on-line banking and paying bills and so on. There is also a strong push from Government and industry to do more and more on-line, which will require higher speed communication to be effective.

Next generation broadband provides the ability for industry, businesses and residents to communicate on a different level than otherwise was previously available. This ability provides the region with a transformational opportunity to:

- *Diversify its economic base;*
- *Increase its productivity;*
- *Implement a platform for innovation;*
- *Facilitate its involvement in the knowledge economy;*
- *Facilitate international trade;*
- *Attract new businesses and investment;*
- *Improve social inclusion;*
- *Establish World class infrastructure.*

In regional cities in inland NSW we currently have access to a broadband network called ADSL which is supplied through the Telstra copper network. This technology provides entry level broadband for businesses and homes at the moment but is unlikely to be capable of delivering the bandwidth required to cater for the demand for on-line services (business applications and

entertainment) in the next few years. This is evidenced all around the world, where most countries are moving away from legacy copper based networks and are building next generation networks based on fibre optics and wireless technologies that are able to carry more data and video content at much faster speeds for a lower cost. They are doing this to ensure their communities remain competitive by having access to the best information, services and access to advanced information and communication technology applications.

In Australia there have been vast amounts of money spent by the Federal Government in the last five years or so attempting to get new broadband networks in place to provide competition in the marketplace with the existing network. Most of this funding has gone into projects which have either been too small to seriously compete with the incumbent network provider or which have not had personnel with the commercial telecommunications experience to operate an effective business and service. Much of this failure relates to project scale. So we find ourselves five years on in regional cities in NSW still with one copper network providing ADSL broadband and no, or very few, alternatives available (other than local wireless providers that are likely to have difficulty sustaining a presence in the longer term, or satellite services). In contrast, in metropolitan areas there are a range of broadband offerings from infrastructure based competition creating more price competition and improved access speeds.

Now, however, we believe the time and the circumstances are right for the development of some commercially sustainable new broadband networks in our regional centres that will provide choice for consumers and competition for the incumbent network provider.

In the last 12 months a number of developments have occurred that support this view.

a. *The Federal Government has announced the Connect Australia Fund, which will allocated $1.1Billion to extend broadband infrastructure into regional Australia.*
b. *A number of new participants in the broadband telecommunications market are emerging who are intending to build next generation networks in regional Australia. These companies are large enough to compete effectively in the market place and have a focus on regional Australia as their primary market.*
c. *A group of the larger regional cities in inland NSW have started thinking about collaborating to create a large market demand that is attractive to the companies considering building new infrastructure.*
d. *Recognition at all levels of government that there is market failure in the timely delivery of next generation telecommunications infrastructure in regional areas and without intervention regional Australia will become economically disadvantaged.*

Our Proposal

The idea we are proposing is that the larger regional cities in inland NSW (Albury, Armidale, Bathurst, Dubbo, Orange, Tamworth and Wagga Wagga) co-operate with each other to attract these companies to invest in and build next generation networks within our cities. Given that the telecommunications business is one of scale, from an infrastructure supplier's perspective any one of these cities by themselves is a relatively small market (from 25,000 to 60,000 people at most) which presents risk. Jointly however, the cities represent a potential market of about 250,000 (¼ million) people.

The idea then is for the cities to identify a preferred company (or companies) that can establish a competitive broadband network into each of the cities, and to negotiate an alliance agreement with that company (or companies) to build the network at their cost. In return, the cities would each assist the company by promoting them as the "preferred supplier" of broadband service in the city and, subject to price and performance, act as anchor clients and facilitate access to existing infrastructure able to be reused to provide telecommunications infrastructure. In discussions already held with a number of companies it appears that this approach is feasible in the regional cities.

The benefit of this alliance approach is that the telecommunications company has the comfort that it is working with the cities to establish the infrastructure which minimises their start-up risks and the cities have the comfort that the telecommunications company has the capacity and expertise to operate an effective competitive network. Additionally, the network that is established is of a scale that is far more commercially sustainable than a small network established for an individual city or town.

The approach also creates another important opportunity for our regions. While it appears that the larger regional cities will attract private investment in new infrastructure, the surrounding towns are clearly too small to attract commercial infrastructure development. This has been evident to date, with heavily subsidised solutions (such as HiBis) being the only solution offered to these communities. Clearly these solutions are not sustainable in the longer term when the subsidy disappears. It is important for our regional areas that not only the cities but also the surrounding towns have access to the new infrastructure as this will strengthen our intra-regional trade and commerce.

Government funding provides an opportunity to fund the capital establishment of new infrastructure in the smaller towns within our regions. If this infrastructure is developed as part of a commercially sustainable solution for the large regional centres, which has been funded by the private sector, we believe a compelling business case can be mounted for Government funding for infrastructure development in the smaller towns.

The Federal Government has been receptive to our proposed approach for development of next generation infrastructure for the smaller towns, as it is part of a large commercially sustainable solution, rather than being an ad hoc

allocation of funds for the establishment of infrastructure in one town by small operators. They recognise that a strategic and coordinated approach is more likely to result in the establishment of infrastructure and services that will survive in the longer term due to the scale of the market and the companies undertaking the project.

In short, we are proposing that:

(i) The regional cities consider entering into a collaborative agreement to pursue the establishment of new competitive broadband infrastructure (next generation including wireless and/or fiberoptics) in the cities.

(ii) The cities identify a "preferred company(s)" and enter into an alliance agreement with that company(s) for the roll-out of the new next generation broadband network into the cities.

(iii) As part of that alliance agreement, the cities and the preferred company(s) apply jointly for grant funding from Government to build broadband networks in the smaller towns surrounding the cities that could be commercially sustainable as part of the network, provided the capital is injected as a grant from Government.

The cities have in fact already experienced support from alternative broadband suppliers, in particular AUSTAR, who has implemented a wireless broadband network in both Wagga Wagga and Tamworth as a pilot. This wireless network is the same as the network operated by Unwired in the metropolitan markets which allows seamless migration for businesses when they are working in the regional centre or in the capital city. The key issue now is how these networks can be extended into the surrounding smaller towns, and it is clear that Government subsidy for the capital costs of the network is needed.