



MASTER BUILDERS
A U S T R A L I A

**Submission to the
Commonwealth Senate Standing Committee on
Environment, Communication & The Arts
on the
*Telecommunications Legislation Amendment
(Fibre Deployment) Bill 2010***

April 2010

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building australia



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EXECUTIVE SUMMARY

This submission sets out Master Builder's comments to the Commonwealth Senate on the recently released *Telecommunications Legislation Amendment (Fibre Deployment) Bill 2010*.

Master Builders, in its submission, takes as given the premise that that the Government's Fibre-To-the-Premises (FTTP) is the optimal communications technology for the future and that the bill is intended to help implement the Government's policy for the FTTP to be installed in new developments that receive planning approval from 1 July 2010.

Master Builders has serious concerns regarding the approach of this Bill at this time. The uncertainty of the detail as to the implementation of the Bill and the later "legislative instruments" is creating major concerns across the industry. Master Builders therefore finds it difficult to support the Bill until the details of implementation are finalised.

The major cost that the developer/builder may face over and above the price for telecommunications within the development is inadequately covered in the Explanatory Memorandum, i.e. the backhaul of telecommunications from the new development to an appropriate point of interconnection in an existing telecommunications network. If new backhaul infrastructure is required, the costs can be significant. Backhaul for some developments can cost \$400,000 - \$700,000 or more depending on the circumstances. This cost would need to be recovered and is likely to have a deleterious impact on home affordability. This is unacceptable to the industry and is at odds with Government's housing affordability objectives.

The cost of the FTTP will come in addition to other new government requirements, such as the new 6-star energy efficiency requirements and the access for the disabled Premises Standards and can only make worse the increasing problems associated with housing affordability.

Master Builders strongly supports the principle of nationally consistency in regulatory systems and would be very concerned if the introduction of the FTTP produced another set of state, territory and local government variations to Greenfield sites. Experience shows this occurring on a regular basis.

Master Builders would be concerned if local government were to introduce further increased stringency on Greenfield and building requirements without adequate justification or proving a cost-benefit to the community. The Government should ensure controls on local government, so that it does not have the ready ability to add more regulations and conditions that inflate costs and hinder development.

1 INTRODUCTION

- 1.1 This submission is made by Master Builders Australia Ltd (Master Builders).
- 1.2 Master Builders Australia is the nation's peak building and construction industry association, federated on a national basis in 1890. Master Builders Australia's members are the nine Master Builder State and Territory Associations.
- 1.3 Over the past 120 years the association has grown to represent 31,000 businesses nationwide, including the top 100 construction companies. Master Builders is the only industry body that represents all three building and construction sectors: residential, commercial and engineering.

2 THE BUILDING AND CONSTRUCTION INDUSTRY

- 2.1 The building and construction industry is a major driver of the Australian economy. It makes an essential contribution to the generation of wealth and the welfare of the community, particularly through the provision of shelter. At the same time, the wellbeing of the building and construction industry is closely linked to the prosperity of the domestic economy.
- 2.2 According to the ABS, the value of work done by the building and construction industry was \$152.5 billion in 2009, excluding \$20 billion of smaller renovations work. Residential building work done was \$43.3 billion, non-residential building \$32.5 billion and engineering construction \$76.7 billion. At February 2010 the construction industry employed 995,400 people.
- 2.3 The cumulative construction task over the next decade will require work done to the value of \$2.2 trillion. The residential building sector will require nearly \$1 trillion worth of work and the non-residential building and engineering construction sectors combined more than \$1.1 trillion worth. The construction workforce currently represents close to 9 per cent of the total Australian workforce with the number of jobs expected to increase by more than 200,000 to around 1.2 million employees by 2020.

3 PURPOSE OF THIS SUBMISSION

- 3.1 This submission sets out Master Builder's comments to the Commonwealth Senate on the recently released *Telecommunications Legislation Amendment (Fibre Deployment) Bill 2010* that was tabled in the House of Representatives (18 March, 2010) and which has been referred to the Commonwealth Senate Environment, Communications and the Arts Committee for inquiry and report.

- 3.2 Master Builders, in its submission, takes as given the premise that that the Government's FTTP is the optimal communications technology for the future and that the bill is intended to help implement the Government's policy for the FTTP to be installed in new developments that receive planning approval from 1 July 2010.
- 3.3 Master Builders also notes that the policy of having fibre installed in new developments complements the Australian Government's announcement on 7 April 2009 that it would establish a company that will invest up to \$43 billion over eight years to build and operate a National Broadband Network (NBN) delivering super fast broadband to Australian homes and workplaces. We also note that the Government considers it does not make sense to roll-out the NBN fibre network to up to 90 per cent of premises in brown-field sites, leaving new developments to be possibly serviced by old technology.

4 COMMENTS – GENERAL

- 4.1 Master Builders supports the policy of improving access to high-speed broadband for businesses and the community and for Australia's future economic prosperity but believe it should be achieved in an equitable and cost-effective way, without causing unjustifiable hardship to industry, businesses or to the individual household.
- 4.2 It is our understanding that the FTTP will generate an increase in the cost of buildings. Affordable housing remains a legitimate community concern. The added cost for the FTTP here may be substantial for many and particularly low income households. The increased cost and the ability of the industry to meet the very tight implementation time lines are a major concern that, unless well managed and implemented, could easily lead to major disruptions within the industry.
- 4.3 Master Builders strongly supports the principle of nationally consistency in regulatory systems and would be very concerned if the introduction of the FTTP produced another set of state, territory and local government variations to Greenfield sites. Consistency has meant that builders can work more seamlessly across state, territory and local government boundaries.
- 4.4 Master Builders would be concerned if local governments were to introduce further increased stringency on Greenfield and building requirements without adequate justification or proving cost-benefit to the community. The Government should ensure controls on local government for the FTTP rollout, so that it does not have the ability to add more regulations and conditions that inflate costs and hinder development.

4.5 The Government needs to ensure that the introduction of the FTTP does not negatively impact on the building industry by inflating costs or by setting up a cumbersome administration processes. The existing level of national consistency in building regulations has provided a large degree of certainty for clients and investors and this has brought benefits in lowering the cost of building. This has resulted in improved productivity, with Australia's building and construction industry judged to be one of the most productive in the world.

5 COMMENTS – SPECIFIC

5.1 The Bill will add a new Part 20A to the Act, the effect of which will be to require that:

- *where fixed telecommunications lines are installed within a specified new development or an identified class of new developments, the lines must be optical fibre lines, and any other specified conditions must be met ('the fibre connection requirement');* and
- *where fixed-line facilities (such as pits and ducts) are installed within a specified new development or an identified class of new developments, the facilities must be "fibre-ready facilities", and any other specified conditions must be met ('the fibre-ready infrastructure requirement').*

5.2 The proposed Part 20A of the Act is intended to apply to all types of new developments, including green-field (broad-acre) estates, urban infill and urban renewal projects. Developments or classes of developments in which these rules apply (the trigger) would be set out in a legislative instrument made by the Minister of Broadband, Communications and the Digital Economy (DBCDE). Similarly, the Minister would have the responsibility for deciding who pays the cost of various parts of the implementation of the FTTP.

5.3 Master Builders has serious concerns about this approach. The uncertainty of the detail as to the implementation of the Bill and the later "legislative instruments" is creating major concerns across the building and construction industry.

5.4 Two parameters are the key to the discussion of implementation of the fibre in greenfields policy; the number of premises involved and the cost of providing telecommunications to premises. At this stage, no full Regulatory Impact Statement has been carried out to demonstrate the benefit to the community for this policy implementation. Also it is not known how the requirements will be triggered. For instance what will it be the number of lots and what should that number be; will it be the cost per lot of installing the fibre and what should that be or some other possible arrangements? This is not covered in the Bill and will be

- decided by later legislative instruments. This uncertainty is of serious concern to the building industry.
- 5.5 Master Builders is therefore reticent in supporting this Bill until the details of implementation are finalised.
- 5.6 There are currently around 150,000 new dwellings constructed each year. In addition, it is estimated that there are around 60,000 other premises such as commercial, industrial and government premises constructed per annum (National Housing Supply Council 2008 State of Supply Report). Most of these would be caught up in this legislation. The new owners of most of these buildings will not have a choice as to whether they want high-speed broadband infrastructure built into their building or not or whether to pay for it or not. There will be no discretion for building owners.
- 5.7 It is practice at the moment that developers and builders bear the costs of building services initially and recover them to a greater or lesser extent from the purchasers. This legislation will introduce the need to provide another service, FTTP which will be similarly passed on.
- 5.8 It is estimated by the DBCDE that the supply of FTTP to new premises will be about \$2,500 per lot, including house fibre, terminations, trenches and conduit and fibre along the street front and to the house. This cost is used throughout the document but acknowledges it may be more depending on circumstances.
- 5.9 The major cost that the developer/builder may face over and above the price for each lot is barely mentioned, i.e. the backhaul from the new development to an appropriate point of interconnection in an existing network. If new backhaul infrastructure is required, the costs can be significant. Backhaul for some developments has cost \$400,000 - \$700,000 or more depending on circumstances. This cost would also need to be recovered on a lot by lot basis and have a serious impact on building and housing affordability. This is unacceptable to Master Builders and to the industry. Our view has been ignored during stakeholder consultation.
- 5.10 The cost of the FTTP will come in addition to other new government requirements, such as the new 6-star energy efficiency requirements and the access for the disabled Premises Standards and can only make worse the increasing problems associated with housing affordability.
- 5.11 The Government advises of three broad options in the Explanatory Memorandum:

1. *the provision of fibre in new developments could be left to the market, noting that the rate of installation, while low, is accelerating; or*
 2. *there could be a requirement that fibre-ready infrastructure, such as appropriate ducting, be installed at the time of construction so that FTTP can be retrofitted more efficiently and cost-effectively at an appropriate time in the future; or*
 3. *there could be a requirement that FTTP be installed when a new development is constructed.*
- 5.12 The Government acknowledges that these three options are not necessarily discrete; some combination of them may be the most practicable solution. Master Builders has supported providing Option 2 but only including the house and connection to the front property line. We have maintained during the consultation phase that the Government should be responsible for all other costs, including backhaul. This would minimise the up-front cost to the home or building owner while allowing easy connection to high-speed broadband if desired. The Government is in favour of full fibre installation during construction so the owner simply has to plug in and decide on a service provider for broadband use. This is an expensive approach, requires the developer/builder to recover the total cost of total development installation and backhaul and removes any option by the building or home owner. This is not comparable to the existing homeowner who doesn't pay for the infrastructure up-front and has a choice whether or not to use high-speed broadband and install the infrastructure in the house if necessary. Master Builders questions the equity of the Government's approach.
- 5.13 The Government's intention is to release this subordinate legislation for comment in parallel in advance of debate on the Bill. Master Builders believes that this subordinate legislation should be released before the Bill is debated.
- 5.14 The Bill also amends Part 6 of the Act, which deals with industry codes and standards, to more readily enable the development of industry codes and standards relating to fibre optic lines and related facilities, and to give further examples of the types of topics which industry codes or standards might cover. In addition to providing necessary guidance on relevant technical matters, these measures respond to calls from stakeholders for such guidance to promote nationally consistent network and service outcomes. Master Builders supports this approach.
- 5.15 The Government has advised that given the nature of the proposed arrangements in ensuring that appropriate forward-looking telecommunications infrastructure is installed in new developments, it is likely that the proposed arrangements will

become part of the package of building regulation for the provision of utilities such as water, power and sewerage to new developments. Master Builders questions the necessity for doing so. The other services are essential for health and amenity, high-speed broadband is not.

5.16 Master Builders recommends that the effectiveness of the legislation be reviewed within 5 years of enactment.

5.17 Master Builders, while understanding the Governments desire to introduce this Bill quickly and have it in effect by 1 July 2010, believes the timeline to be unrealistic. There will be time needed for industry training and education. Further, many developments are 2-5 year projects that are already in the development approval phase or in advanced design where redesign would be prohibitively expensive.

6 CONCLUSION

6.1 This submission sets out Master Builder's comments to the Commonwealth Senate on the recently released *Telecommunications Legislation Amendment (Fibre Deployment) Bill 2010*.

6.2 Master Builders, in its submission, takes as given the premise that that the Government's Fibre-To-the-Premises (FTTP) is the optimal communications technology for the future and that the bill is intended to help implement the Government's policy for the FTTP to be installed in new developments that receive planning approval from 1 July 2010.

6.3 Master Builders has serious concerns regarding this approach of this Bill at this time. The uncertainty of the detail as to the implementation of the Bill and the later "legislative instruments" is creating major concerns across the industry. Master Builders therefore finds it difficult to support the Bill until the details of implementation are finalised.

6.4 The major cost that the developer/builder may face over and above the price for telecommunications within the development is inadequately covered in the Explanatory Memorandum, i.e. the backhaul of telecommunications from the new development to an appropriate point of interconnection in an existing telecommunications network. If new backhaul infrastructure is required, the costs can be significant. Backhaul for some developments can cost \$400,000 - \$700,000 or more depending on the circumstances. This cost would need to be recovered and is likely to have a deleterious impact on home affordability. This is

unacceptable to the industry and is at odds with Government's housing affordability objectives.

- 6.5 The cost of the FTTP will come in addition to other new government requirements, such as the new 6-star energy efficiency requirements and the access for the disabled Premises Standards and can only make worse the increasing problems associated with housing affordability.
- 6.6 Master Builders strongly supports the principle of nationally consistency in regulatory systems and would be very concerned if the introduction of the FTTP produced another set of state, territory and local government variations to Greenfield sites. Experience shows this occurring on a regular basis.
- 6.7 Master Builders would be concerned if local government were to introduce further increased stringency on Greenfield and building requirements without adequate justification or proving a cost-benefit to the community. The Government should ensure controls on local government, so that it does not have the ready ability to add more regulations and conditions that inflate costs and hinder development.