

Supplementary information to the Senate Standing Committee on Environment and Communications on the *Telecommunications (Regional Broadband Scheme) Charge Bill 2019.*

OptiComm was pleased to be able to recently appear before the Senate Committee to provide information that we hope will assist the achieving the best possible outcome with regard to the Morrison Government's proposed new Internet Tax. Further responses are detailed below.

Readiness of industry to charge the new Internet Tax?

At last week's Senate Committee hearing, the subject was raised on whether the industry would be ready to charge the new Internet Tax if it commenced 1st July 2020. In the unfortunate event the new Internet Tax goes forward in the current proposed form, we can confirm that, for the most part, OptiComm can have the processes and changes to invoices/billing in place by that date. Monthly invoices would detail the new Internet Tax with the following addition:

The Morrison Government's new INTERNET TAX

Every Internet Service on this invoice includes an amount of **\$X.XX** for collection of **the Morrison Government's new INTERNET TAX**, which will be used for additional NBNCo funding. This **NEW TAX** charge will grow over the next 5 years, reaching over **\$85/year** for each service. For transparency, we recommend all RSPs separately identify **the Morrison Government's new INTERNET TAX** on monthly invoices that are sent to end user families and individuals.

*Please note, while OptiComm has added Goods and Services Tax (GST) to this invoice (including applying GST on **the Morrison Government's new INTERNET TAX**), it is up to each RSP to determine whether they should be applying GST on top of **the new INTERNET TAX** when charging end user families and individuals.*

Also raised by the committee at the recent hearing, was the question on whether Retail Service Providers (RSPs) would need to add GST to the new Internet Tax when they charge end user families and individuals. While OptiComm will be adding GST to the tax on its invoices (which would be fully recovered by the RSPs in their monthly BAS returns), we are unsure of the correct treatment in relation to charging GST on top of the Internet Tax when billing end user families and individuals. It is up to each RSP to obtain their own tax advice (as needed) to determine this.

Purpose of the Tax

At last week's Senate Committee hearing, the purpose of the new Internet Tax was very unclear. There were two main theories:

1. "To deter companies, such as TPG, from overbuilding NBN infrastructure"?

One of the key reasons for the tax was noted to be the revenue leakage caused by companies that overbuild NBNCo's network, thereby taking customers that would otherwise use NBNCo's network and therefore provide revenue to NBNCo. While TPG is often mentioned in relation to this approach, due to the fibre to the basement network TPG has deployed, there are many other companies that are also overbuilding NBNCo's network. These include the fixed wireless internet players, the mobile players providing NBN Bypass broadband products on 4G and now 5G mobile networks, and other fixed line players overbuilding NBNCo infrastructure in city apartments – all taking customers off NBNCo's network.

Related comments from last week's hearings included:

- *"Ziggy Switkowski begged Malcolm Turnbull" for the internet tax to "prevent competition from TPG".*
- *"that a levy should be used to deter companies, such as TPG, from overbuilding NBN infrastructure in high-density residential areas because that would lead to unproductive revenue leakage and undermine the NBN business model."*
- *"Optus is already offering a 5G home broadband plan for \$70 a month with unlimited data and guaranteed speeds of at least 50 megabits per second. This is clearly aimed at taking away NBN Co's market share" in areas where NBNCo has built network.*

If this is the purpose of the internet tax, then the legislation should be written to reflect that purpose – currently it does not. The internet tax should be charged on services provided to premises to which NBNCo has network infrastructure.

To reiterate – the current structure of the tax fails to deliver on the above purpose.

2. "To provide sustainable funding for the regions"?

A number of participants referred to the new tax as providing "sustainable funding for the regions", however in its current form that outcome is NOT achieved by this tax. NBNCo has had huge cost over-runs to date, and while having to pay 95% of the cost for the regions, will continue to be incentivised to cut costs wherever it can. We have already seen an example of this reported, where NBNCo reduced its spend on fixed wireless networks by \$200 million in FY19, and an NBNCo spokesman advised the funds were redirected into the cities for the HFC and FTTC rollout.

In recent months we have seen some poor judgement in some political areas in relation to concern for the bush. We strongly encourage those parliamentarians, interest groups, companies and individuals who genuinely care about the bush to take an interest in this terribly designed Internet Tax. As it is currently structured, the tax will help cement the digital divide between the city and the bush for many years to come.

Are there obstacles preventing the right tax design?

Given the detrimental outcome of the internet tax, and the positions taken by some of the parties, we have had to ask if there is an arrangement in place to protect home mobile broadband NBN Bypass providers from an internet tax for NBNCo. For example, does the confidential definitive agreement between Telstra and NBNCo prohibit a tax being applied on Telstra to assist in funding the NBN? We are unaware if this is the case, but it would explain the ongoing avoidance of applying the tax to home mobile broadband NBN Bypass, which will be taking customers directly off NBNCo in areas where NBNCo has built network. We believe, if there is such an arrangement in place, that the Australian public has a right to know.

Please don't forget that the current design will have neighbours, both receiving high speed broadband services, but with one contributing to the bush internet (fixed line) and the other making no contribution to the bush internet at all (home mobile broadband NBN Bypass provider). That scenario would be, to use a term popular with the Prime Minister Morrison, Un-Australian and not pass the "pub test".

In summary:

OptiComm is supportive of meaningful subsidies to support regional broadband and help close the digital divide between the cities and the bush.

The structure of the currently proposed RBS tax fails to achieve either of its two discussed objectives (refer above):

- To deter companies from overbuilding NBN infrastructure
- To provide sustainable broadband funding for the regions



Fail

A broad industry tax would genuinely provide sustainable funding for NBNCo to provide, maintain and upgrade robust regional telecommunications networks and services. OptiComm strongly encourages the parliament to support the regions by broadening the structure of the currently proposed internet tax.