

Chapter Eight

Progress in Tasmania

Overview

8.1 Little has changed in the committee's assessment of the roll-out of the NBN in Tasmania since the publication of its *Third Report*. In that report, the committee stated that:

[T]he roll-out in Tasmania has apparently commenced in what is virtually an information vacuum...there is no structured Business Plan to inform the public how this [Government Business Enterprise] will ensure that it will provide 'accessibility and affordability' in broadband services...

With services due to commence in July 2010, Tasmanians remain ignorant of the prices they will have to pay to access broadband. Details of the level of Federal funding for the Tasmanian roll-out are also sketchy...¹

8.2 Since the publication of that report, the committee received evidence about progress in Tasmania from NBN Co, the Department, and two internet service providers who have contracted with NBN Co for wholesale access to the network and who will offer retail services to end-users in Tasmania from July 2010. The Tasmanian Government declined the committee's invitation to provide a submission on progress.

8.3 The committee remains of the view that progress in Tasmania has been ad hoc, non-transparent, and has largely been made in an information vacuum. The general public was not given a detailed roll-out plan in advance of the roll-out. Instead, the roll-out was announced piecemeal, by press release, and without at any time being accompanied by a comprehensive business plan. The general public was therefore not told, in advance and in a single document, where, when and for how much services over the NBN would be available in individual locations in Tasmania. The same information vacuum has surrounded the equity arrangements for NBN Tasmania, with the public being kept in the dark as to the overall financing arrangements for NBN Tasmania, the total cost of the roll-out, and the expected timing and quantum of each individual equity injection in the company that the Government expects to make.

8.4 The committee believes the piecemeal release of details – usually by press release for each small step being made – has not provided stakeholders and the Australian public with sufficient transparency, accountability and certainty as to the roll-out of the NBN.

1 *Third Report*, November 2009, p. 60.

Ad hoc Government statements of progress

8.5 On 24 September 2009, the commencement of work on a seven-kilometre fibre-optic backbone link between Cambridge and Midway Point in Tasmania was announced.² The link was previously announced, in July 2009, as constituting 'Stage 1' of the NBN roll-out in Tasmania.³ The same press release contained details of the establishment of NBN Tasmania (which did not in fact hold its first Board meeting until 13 August 2009)⁴ and its ownership and operating agreements with the state owned utility company, Aurora Energy.

8.6 In July 2009, the first Tasmanian towns to receive fibre under the NBN roll-out were also announced,⁵ but it was not until October 2009 that the Government announced which towns would be next in the roll-out.⁶ What was to be included in 'Stage 3' of the process, and which further towns were to be included and when, was not announced until March this year. In a joint press release on 1 March 2010, the Government announced that Stage 3 of the roll-out would include the major population centres of Hobart, Launceston, Devonport and Burnie, and would also involve an equity contribution of \$100 million from the Government in NBN Tasmania 'to facilitate the further roll-out of the fibre-to-the-home broadband in that State'.⁷

-
- 2 The Hon. David Bartlett MP, Premier of Tasmania, and Senator the Hon. Stephen Conroy, Minister for Broadband, Communications, and the Digital Economy, 'Construction of key NBN link in Tasmania', Joint press release, 24 September 2009, www.minister.dbcde.gov.au/media/media_releases/2009/090, accessed 24 April 2010.
 - 3 Senator the Hon. Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, 'Stage 1 of the National Broadband Network roll-out in Tasmania begins', Press release, 16 July 2009, www.minister.dbcde.gov.au/media/media_releases/2009/064, accessed 24 April 2010.
 - 4 The Hon. Kevin Rudd MP, Prime Minister of the Commonwealth of Australia, and Senator the Hon. Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, 'Tasmanian NBN Co Limited established', Joint press release, 13 August 2009, www.minister.dbcde.gov.au/media/media_releases/2009/075, accessed 25 April 2010.
 - 5 The Hon. Kevin Rudd MP, Prime Minister of the Commonwealth of Australia, and Senator the Hon. Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, 'Smithton, Scottsdale and Midway point first towns for National Broadband Network in Tasmania', Joint press release, 25 July 2009, www.minister.dbcde.gov.au/media/media_releases/2009/069, accessed 25 April 2010.
 - 6 The Hon. Kevin Rudd MP, Prime Minister of the Commonwealth of Australia, the Hon. David Bartlett MP, Premier of Tasmania, and Senator the Hon. Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, 'Seven new locations to receive superfast broadband in Tasmania', Joint press release, 21 October 2009, www.minister.dbcde.gov.au/media/media_releases/2009/093, accessed 25 April 2010.
 - 7 Senator the Hon. Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, '\$100 million injected into NBN Tas as Stage 3 roll-out is announced', Press release, 1 March 2010, www.minister.dbcde.gov.au/media/media_releases/2010/015, accessed 25 April 2010.

8.7 On 15 March 2010, the Minister opened a 'Proof of Concept Test Centre' in Tasmania which is designed to 'provide retail service providers with access to a live environment to test their services as part of the roll-out of the National Broadband Network'.⁸

8.8 The same press release announced the names of the three Retail Service Providers – iiNet, Primus, and Internode – which will retail internet services to Tasmanians. The committee understands that at the time of the announcement, formal agreements between NBN Co and the three RSPs were yet to be concluded, but that the parties were, in principle, committed to wholesale access terms and had agreed (but not formalised) the wholesale prices that the RSPs will pay to NBN Co for access to the network from July 2010.⁹

Update from NBN Co on progress

8.9 NBN Co CEO, Mr Michael Quigley, provided the committee with an update on NBN Co's progress in Tasmania:

In Tasmania we have been making good progress. We are rolling out to the networks in the towns of Midway Point, Smithton and Scottsdale. We have sent letters to the residents of Midway Point seeking consent to access their properties for the drops into their homes from the network. We have opened the Cambridge Data Centre and three ISPs are currently demonstrating their services on the network in our proof-of-concept centre. The network operation centre in Tasmania is now nearing completion and we are on track for the July [2010] connection of the first operational services.¹⁰

8.10 Mr Quigley also explained the nature of the 'understanding' between NBN Co and the Retail Service Providers as to what NBN Co's interim wholesale pricing in Tasmania will be:

Mr Quigley—...There is certainly an understanding. I would have to come back to you after checking the actual contractual position. As you would understand, you have discussions and you kick things around and then you paper it all up. As to exactly where we are on the actual contracts, I would have to check; I am not 100 per cent sure.

CHAIR—But, whether or not the prices are signed off, they are resolved?

Mr Quigley—Yes.¹¹

8 Senator the Hon. Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, 'First Tasmanian NBN Retail Service Providers Announced', Press release, 15 March 2010, www.minister.dbcde.gov.au/media/media_releases/2010/022, accessed 25 April 2010.

9 Mr Stephen Dalby, Chief Regulatory Officer, iiNet Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 19; Mr Michael Quigley, CEO, NBN Co Ltd, *Committee Hansard*, Canberra, 15 April 2010, p. 47.

10 Mr Michael Quigley, CEO, NBN Co Ltd, *Committee Hansard*, Canberra, 15 April 2010, p. 44.

11 Mr Michael Quigley, CEO, NBN Co Ltd, *Committee Hansard*, Canberra, 15 April 2010, p. 44.

8.11 Although NBN Co has agreed on its interim wholesale prices that it will charge RSPs in Tasmania, it was not in a position to comment on whether retail pricing for end-users has been set. As NBN Co explained to the committee, '[what RSPs] decide to charge their retail customers and end-users is really up to them'. Mr Quigley also made it apparent, however, that NBN Co's wholesale prices in Tasmania are 'interim prices' only and may not be indicative of what the company will charge access seekers in Tasmania or on the mainland in the future.¹²

Update from Retail Service Providers on progress

8.12 Representatives of iiNet Ltd outlined the significant work that that company has taken in preparation for offering retail internet, telephony, and television services to Tasmanian end-users over the NBN network.¹³ These included: increasing capabilities in network infrastructure; building ordering, provisioning and billing systems; and training staff.¹⁴

8.13 iiNet also informed the committee that the company is aiming to offer FTTH services over the NBN to end-users in Tasmania from June 2010, but have not yet commenced marketing or sales activities to customers.¹⁵ iiNet said that it had not yet released the pricing for Tasmania because the wholesale pricing agreement it needs to have in place with NBN Co had not, at that point, been formally executed:

We have not released the pricing for Tasmania as yet because we still have not executed the terms of agreement with NBN Tas. We are fairly comfortable that we have that agreement very close to execution but it is not executed as yet.¹⁶

8.14 As an indication of its expected pricing, iiNet referred to its current pricing of FTTH services in Point Cook in Victoria.¹⁷ Those prices range from an entry level price of \$49.95 per month for a 25 Mbps bandwidth of download speed/1 Mbps upload,

12 Mr Michael Quigley, CEO, NBN Co Ltd, *Committee Hansard*, Canberra, 15 April 2010, p. 47.

13 In addition to the evidence it received from iiNet Ltd, the committee received a written submission from Primus Telecom Australia (Primus Telecom Australia, *Submission 117*) but it was related to other matters and did not address the progress of the NBN in Tasmania. Internode did not respond to the committee's invitation to make a submission.

14 Mr Stephen Dalby, Chief Regulatory Officer, iiNet Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 15.

15 Mr Stephen Dalby, Chief Regulatory Officer, iiNet Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 16.

16 Mr Stephen Dalby, Chief Regulatory Officer, iiNet Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 19.

17 Point Cook is a test site for Fibre to the Premises technology that was launched by Telstra in December 2009.

to 100 Mbps download/5Mbps upload speed for either \$129.95 per month (with 120 GB of quota) or \$159.95 per month (with 180 GB of quota).¹⁸

8.15 Mr Stephen Dalby, Chief Regulatory Officer of iiNet, also sketched for the committee what iiNet's intentions are as to marketing and pricing of its product to Tasmanians, and how it will compare with the current services that such end-users already receive with copper connections:

Mr Dalby—We are planning on fairly targeted marketing to those potential customers [located in the Stage 1 pilot region in Tasmania]. We already have customers connected via the copper network in those locations. They will be our primary group that we will target to offer services via the NBN. As I said, it will not need a massive television campaign; we will do that directly with those customers, because we have their contact details.

CHAIR—To those currently on your copper network, would you expect to be offering them a service at the same price, or a higher or lower price? Clearly, you would be offering them a better service [because fibre services, unlike current services over copper networks, provide guaranteed speeds irrespective of the customer's distance from the local exchange], but do you expect it to be at the same price or at a higher or lower price—or am I asking commercial-in-confidence questions?

Mr Dalby—No, no; that is fine. These numbers are public already. As I said, the fibre products that we are offering to Point Cook [in Victoria] are planned as the basis of our offering over fibre in Tasmania. They are not exactly like for like but, if we compare similar to similar, you can get the DSL2+ service that we offer today on copper for \$49.95 a month. On fibre for Point Cook, there is a 25 megabits per second service, which is similar to what we are offering for DSL2+ on copper, which is also \$49.95. So similar for similar is the same price.¹⁹

8.16 This raises the question how iiNet can offer services on the Fibre to the Premises NBN network (which has somewhere between a \$26–43 billion build figure) at the same prices as those being charged for services on the old 'paid off long ago' copper network. This can only be achieved if the wholesale price is comparative which suggests that either there is subsidisation of the wholesale price or NBN Co is proposing to price below cost in the short-term with an objective of ramping up prices in the long term once the copper network has been forced into retirement because it has lost the economies of scale.

8.17 iiNet was not in a position to estimate its expected take-up rates in either Tasmania or on the mainland. The company expects that its forthcoming experience in

18 Mr Stephen Dalby, Chief Regulatory Officer, iiNet Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 21. See also, iiNet Ltd, answer to question on notice, 14 April 2010 (received 27 April 2010).

19 Mr Stephen Dalby, Chief Regulatory Officer, iiNet Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 23.

Tasmania will enable it to commence making projections of that kind, and will also provide an indication of the likely numbers of connections iiNet will need to be capable of servicing on any one day during the full NBN roll-out.²⁰

8.18 A key concern for iiNet is that landowner consent requirements may obstruct the connecting of prospective end-user's to the network.²¹ As discussed in chapter 3 in relation to progress on the mainland and the experiences in the first-release pilot sites, the matter concerns the extent to which iiNet and other RSPs doing the internal wiring to connect an end-user to the NBN are exempt from landowner consent requirements. The matter is particularly acute for rental properties.²²

8.19 Landowner or building owner consent requirements are also a concern for NBN Co in its roll-out of the network in Tasmania to multi-dwelling units. Mr Quigley explained to the committee that:

It is a little more complex because some of these the multi-dwelling units are private. You cannot just go and wire up inside a multi-dwelling unit even if an individual consumer in a particular apartment would like you to do so, because they do not have title. So our first intention would be to put a piece of equipment in the basement of the building. If the building is already prewired for fibre, it is relatively straightforward; if not, we would try and run fibre in the building. We cannot force the building owners to allow us to run fibre if they choose not to. In that case, if there is copper we have a fallback solution—we could, for example, use VDSL [Very high speed Digital Subscriber Line technology].²³ On a very short length of copper you can get quite high speeds—around 50 megs. That is a fallback. Our first preference would be to wire the building with fibre but if that proves simply impossible we have a fallback.²⁴

Need for more information to end-users

8.20 It appears to the committee that there is a lack of information available to future end-users and other stakeholders regarding the roll-out of the NBN, the products that will be available to end-users following its roll-out (and how they differ from current services), and the prices that will apply.

20 Mr Stephen Dalby, Chief Regulatory Officer, iiNet Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 22.

21 In general terms, NBN Co will be responsible for connecting end-user's premises to the NBN and will take the fibre from the network to that premises. It will be for RSPs to organise the internal wiring of an end-user's premises.

22 Mr Stephen Dalby, Chief Regulatory Officer, iiNet Ltd, *Committee Hansard*, Melbourne, 14 April 2010, p. 25.

23 VDSL technology consists of twisted pair copper wire.

24 Mr Michael Quigley, CEO, NBN Co Ltd, *Committee Hansard*, Canberra, 15 April 2010, p. 47.

8.21 Although the committee understands that there are a number of formal agreements which need to be negotiated as to wholesale pricing in order to determine retail pricing, and that a number of additional matters other than pricing are also involved in such negotiations (such as complaints handling, conditions of access, network standards, and technology interfaces), the committee believes the current dearth of publicly available information is causing unnecessary confusion and uncertainty amongst the community – both in Tasmania and elsewhere.

8.22 Ms Teresa Corbin, Deputy CEO of the Australian Communications Consumer Action Network, explained how future customers and community organisations are struggling to operate and arrange their affairs in an information vacuum:

We would really like to see NBN Co. engaging with the community a bit more. We know that they have some community meetings planned for Tasmania in July [2010]. They really need those community meetings in Tasmania now because we are getting a lot of inquiries from Tasmania about what is going on. They are asking when they are getting their service and what is different to the ADSL connection that they have now. They are asking about the equipment they have to purchase and that kind of thing...

Whilst [end-users] have seen the government announcements and they have even seen local press about it, they have not heard anything more about what this actually means for them...

Our members in Tassie simply do not know what is going on. I have spoken to quite a number of organisations that have simply said, 'We know it's coming, but we don't know what it is or what it means.' So they are commenting to me in a vacuum as well.²⁵

Committee view

8.23 NBN Co has stated it will provide information sessions to Tasmanian end-users in the Tasmanian pilot regions in the near future. The RSPs also clearly intend to provide 'fairly targeted marketing' of their fibre-based retail offerings 'closer to the launch date' in June or July 2010.²⁶

8.24 The committee believes there is a need for additional communication to end-users on a much bigger scale. End-users need to know:

- when NBN services will be offered in their region;
- how the NBN-based products will differ from their current services;
- what preparation of their premises they need to, or should do, prior to installation;

25 Ms Teresa Corbin, Deputy CEO, ACCAN, *Committee Hansard*, Canberra, 15 April 2010, pp 34, 39, 41.

26 Mr Stephen Dalby, Chief Regulatory Officer, iiNet Ltd, *Committee Hansard*, Melbourne, 14 April 2010, pp 19, 22.

- what potential property disruption could be caused to their premises or surrounding areas during the deployment of the NBN or the internal installation of equipment within their premises; and
- how much the services will cost them to purchase from a retailer.

8.25 The above information needs to be conveyed as soon as possible to end-users who are both within, and outside of, the pilot regions.

Recommendation 27

8.26 That the Government and NBN Tasmania create a single public document, to be released as soon as possible, which sets out all remaining stages in the planned roll-out of the NBN in Tasmania, including the expected timetable for the roll-out, and the expected timing and quantum of any future Government-funded equity injections.

Recommendation 28

8.27 That NBN Co make widely available, for all prospective end-users across Australia, information on:

- **when NBN services will be offered in their region;**
- **how the NBN-based products will differ from their current services;**
- **what preparation of their premises they need to, or should do, prior to installation;**
- **what potential property disruption could be caused to their premises or surrounding areas during the deployment of the NBN or the internal installation of equipment within their premises; and**
- **how much the services will cost them to purchase from a retailer.**