



AUSTRALIAN INDUSTRY
GROUP

Submission to the

**Senate Select Committee Inquiry on the National
Broadband Network**

July 2009

Senate Select Committee Inquiry on the National Broadband Network

Introduction

The Australian Industry Group (Ai Group) welcomes the opportunity to provide further input to the Senate Select Committee on the National Broadband Network (NBN).

As a membership based organisation, Ai Group, which, through with its 50 affiliates, represents 60,000 businesses employing more than 1.2million people across a variety of industry sectors. Our member companies are active participants in the delivery of ICT products and services; as well as those that are everyday users of broadband in industries representing automotive, transport & logistics, mining, construction, food & beverage as well as health and pharmaceutical industries.

The proposed network is set to be one of Australia's largest public-private-partnerships and one of the most ambitious infrastructure projects we have embarked upon.

An high-speed network has the potential to raise productivity and deliver better goods and services at lower cost. It is enabling infrastructure with benefits across sectors. These include the manufacturing, agricultural and extractive industries as well as services industries.

Ai Group's own research suggests that two thirds of Australian businesses expect to benefit greatly from the spread of high speed broadband. The ambitious, higher-speed nature of the new proposal will add further to the scope for these important productivity gains. As evidenced by Australia's strong productivity growth in the nineties, the effective deployment of ICT and rapid adoption of Internet technology can have a profound economic effect.

The benefits extend beyond productivity-based benefits into areas such as health, education, efficiency of government services and quality and convenience of service more generally.

Naturally there are a lot of questions yet to be answered about the details of the public-private partnership model; regulatory arrangements; and the eventual sell-down of the Government's shareholding.

With such a big and important investment total transparency at all stages in the development of the new Network is essential.

A critical element in the development of the Network will be to ensure that domestic businesses have full and fair opportunities to contribute to the rollout. Ensuring domestic suppliers have good, solid and fair access will add substantially to the domestic economic benefits.

Public-Private-Partnership & Investment

In broad terms the proposed pattern and evolution of ownership looks sensible. Ai Group supports the proposal as one that is capable of delivering the best outcome for the economy as a whole. Meeting this potential will require strong design, flexibility in implementation, particularly at the early stages and disciplined adherence to cost benefit restraints.

Government majority ownership will assist in breaking through the inefficiencies of the existing market and its regulation.

- Inviting private sector participation has the potential to contribute existing infrastructure and building and management capabilities as well as finance.
- We see considerable merit in the proposed sell down of the government stake once the network is up and running.
- In relation to the proposed use of bonds, Ai Group supports the development of the project using an appropriate level of debt finance.

Regulatory Convergence

The network architecture and design will require a convergence of technologies across optical fibre, wireless and satellite. Regulatory structures will also be required to follow suit. The NBN provides an opportunity to initiate an enhanced, increasingly converged, regulator and regulatory framework.

We also fully endorse the 5 Best Practice Guidelines issued by the International Telecommunications Union Global Symposium for Regulators which state that Next Generation networks must include:

- Establishment of an effective regulator separated from operators;
- Adoption of clear and transparent regulatory processes;
- Regulatory flexibility and technology neutrality to promote technological innovation;
- Regulatory certainty for both incumbent and competing providers, so as not to stifle innovation;
- Regular reviews to remove undue regulatory barriers to competition and innovation.

Service availability, competition, choice and costs

As has been illustrated internationally, the commercial realities associated with rolling-out high-speed broadband networks have the potential to create divisions in the level of service provided between metropolitan and rural areas.

Ai Group believes that the rollout of the NBN should be seen not as a debate over the application of technology but rather as an instrument of economic policy. As such, we believe that a principles-based approach must be adopted when considering the way forward. Ai Group believes the following principles should underpin any decision on the future structure/operation of the NBN. The rollout of the NBN should:

- Promote competition.
- Promote investment.
- Promote access and inclusivity.
- Promote flexibility.
- Promote fair and open markets.
- Provide a strong regulatory framework without excessive regulatory intervention.

Ai Group believes it is imperative that Australia gets the pricing and access regimes for our National Broadband Network right. These are deeply complex issues that provide challenges

for Government and industry alike; but it is clear that we need to ensure that the correct policy and regulatory framework goes hand-in-hand with any deployment of fibre on the ground.

Procurement from Australian companies

A critical element in the development of the Network will be to ensure that domestic businesses have full and fair opportunities to contribute to the rollout.

We urge the Government to look at the procurement process associated with the NBN on the basis of long-term 'whole of life' costs rather than narrow, short-term fixed costs. Ai Group does not, in any way, advocate a protectionist approach (by either direct or indirect means) but it is our view that every legitimate step should be taken to maximise local content, wherever appropriate to do so.