

# Coalition Senators' Minority Report

Coalition Senators do not support the recommendation in the majority report and do not believe the bill should be passed.

Coalition Senators consider that there are strong arguments against both aspects of this bill, namely:

- the repeal of section 158ZJA requiring that the balance of the fund be maintained at not less than \$2 billion; and
- the amendment to section 158ZE (and associated amendments) expanding the purposes to which the money in the Communications Fund may be put to include 'purposes relating to the creation or development of a broadband telecommunications network'.

## **Maintaining the capital of the Communications Fund**

The repeal of the requirement that the Minister take reasonable steps to maintain the Communications Fund above \$2 billion will stand as one of the first official acts of financial mismanagement by the new Labor Government. It takes savings intended to deliver in an ongoing way for Australia's future – savings that were delivered as a result of the sound economic management of the previous Government – and puts them at risk in one as yet unjustified measure.

Labor's as yet unjustified, uncosted and unplanned \$4.7 billion promise to build a national fibre broadband network intends a raid on two pots of savings for the future. Most of the funds are expected to come from the Future Fund – savings that were also delivered by the previous Government – and the Communications Fund. It leaves open the very real possibility that not just some, but all of the money in the Communications Fund could be expended on this one election promise.

This fund was established as a surety for Australians living in regional, rural and remote areas. It was a surety designed to help ensure that the communications needs of such Australians were better met into the future and the unique communications challenges faced in such areas better overcome. Establishment of the fund was a realisation that there will always be additional costs associated with the delivery of some communications services to regional Australia and a provision of an ongoing source of funds to help meet those costs.

The New South Wales Farmers Association succinctly highlighted the benefits of the fund, stating that:

The Communications Fund was established on firm and principled public policy grounds, to ensure that rural and remote communities were able to see

investments in telecommunications infrastructure where examples of inadequate services were identified.

The original purpose of the fund was to generate income to fund the Government's response to the recommendations of the Regional Telecommunications Independent Review Committee. The committee was required to commence its first review before the end of 2008, which has occurred under the chairmanship of the highly regarded Dr Bill Glasson.

Dr Glasson's committee has continued to take evidence from people living in regional areas around Australia about their many communications requirements now into the future. The Minister for Communications has even had the gall to encourage people to participate in the hearings of this review, despite his government's plans potentially stripping all hope for funding of future recommendations.

The income stream from the interest earned on the \$2 billion fund Communications Fund, invested conservatively as was the legal requirement, was expected to be approximately \$400 million every three years. It was quarantined to be used to finance the government's response to these independent reviews of regional communications services.

The funds would have been available for infrastructure upgrades in regional and remote communities such as the construction of additional mobile phone towers, the availability of broadband or even backhaul fibre capabilities. Where price was prohibitive in certain services for people living outside the metropolitan area the fund could have been targeted at means to address that price barrier, through programs such as the Australian Broadband Guarantee.

This bill puts all of that in jeopardy. It opens up the potential for the use of all of the capital in the fund on one project and offers no alternative arrangements for how such projects would be funded into the future.

Coupled with the cancellation of funding for the OPEL project, identified by the NSWFA as having a negative affect on the rollout of broadband technology in regional Australia, this stripping of the capital from the Communications Fund is a double blow for regional Australia. But worse still, this is a lasting blow, as it takes away the opportunity for guaranteed, ongoing investment in communications services on a regular basis that would have ensured regional Australia wasn't left behind.

### **Expanding the purposes to include a national broadband network**

A core concern of the Coalition Senators and one expressed by the NSWFA is that the bill would change the use of the fund so that it is not "solely benefiting regional Australia". Far from it. The fund, though established for the sole benefit of regional Australia, could under this bill be expended in its entirety on a project which is overwhelmingly for the majority benefit of metropolitan Australia.

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NSWFA expresses concerns, recognised in the majority report, that the Government's national broadband network is "city-focussed" and "may take until 2013 to actually reach many regional areas". These are not only problems associated with the use of the fund, but are flaws in the Government's overall approach to broadband policy.

Having cancelled the OPEL contract the Government is now putting all of its eggs in one ill-defined, unjustified broadband project. It has not successfully mounted a case to justify the use of \$4.7billion in public funds to build a network much of which has been and would continue to be provided by the private sector.

The Parliamentary Library Bills Digest related to this bill states that "the details of which are thin" when discussing the Government's plan for a national broadband network. Such as it has been defined, with the release of a request for proposals, it has been criticised in the *Financial Review* (12/4/08) for its "lack of clarity on key competition and regulatory issues". In the same article, Optus chief executive Paul O'Sullivan criticised the "compressed time frame" and "the lack of detail" surrounding the proposal.

Even this bill highlights the Government's uncertainty as to the approach it intends to take with \$4.7billion of taxpayers savings. In section 128ZH the bill allows for the Government's funds to be put towards shares, debentures or trust units or to go towards grants for the creation of the networks, grants for the supply of the service, purchase of assets for the network or in paragraph (j) "a purpose incidental or ancillary to a purpose set out in" the aforementioned options.

The only thing that is clear in the development of this network is that the Government is seeking a broad and blank cheque to commit these funds to an end it doesn't know how to achieve. Coalition Senators believe it would be irresponsible in the extreme to grant the Government this blank cheque with taxpayer savings.

## **Conclusion**

The Parliamentary Library Bills Digest states that:

...the Bill leaves open the possibility that the original focus on telecommunications in rural, regional and remote Australia will be abandoned. It is possible that the Communications Fund could be applied largely to a broadband network in areas not originally intended to be assisted by the Communications Fund. It is also possible that the Government may commit the entire Communications Fund to the national broadband network leaving nothing in the Fund for its response to the RTIRC.

This possibility is unacceptable to Coalition Senators. Australians living in rural and regional areas deserve better than to see funds committed to their future well being squandered on an ill-conceived Labor Party election promise.

It is clear from that considerable work is still required on best practice structures and achievability of the proposed national broadband network and it would be precipitous

at best to support the allocation of valuable funds and savings towards this unknown outcome at present.

Coalition Senators stand by the original intention of the Communications Fund and agree with the NSWFA that:

...any withdrawal, dilution or diversion of the fund and any future interest earned, could have devastating consequences for farm businesses, farm families and rural communities.

For these reasons we recommend that the Bill not be passed.

**Senator Simon Birmingham**  
**Senator for South Australia**

**Senator the Hon Rod Kemp**  
**Senator for Victoria**

**Senator Stephen Parry**  
**Senator for Tasmania**