

## Coalition Senators' Additional Comments

Coalition Senators support universal access to fast and affordable broadband. However, we are concerned about the impact of the Telecommunications Legislation Amendment (Fibre Deployment) Bill 2010 on the cost of greenfield housing development and the associated flow on effect for home buyers, particularly first home buyers.

Coalition Senators are also concerned at the wide ranging powers delegated to the Minister under the Bill and the potential for further regulatory imposts on the property development industry.

### Cost impact

Coalition Senators note the concerns of the property industry which has cautioned the legislation could add \$500 million annually to the cost of new housing.<sup>1</sup>

For instance, the Housing Industry Association noted that:

costs will inevitably be passed on to new homebuyers together with a number of multiplier costs, for example, stamp duty charges on the final cost of the residence.<sup>2</sup>

Submitters to the inquiry also noted the Bill discriminated in its treatment of greenfield home buyers as opposed to purchasers of established dwellings.

Communications analyst Mr Paul Budde, cautioned:

the cost of FttP solutions in greenfield estates will be funded by the end-users, while their brownfield neighbours will get it all for nothing! Having paid for their own infrastructure, residents are expected to pay the same, nationally homogenised service prices that are offered by NBN-based providers.

In response to a question on notice, Master Builders Australia suggested;

There should be equitable treatment of both greenfield and brownfield homeowners in relation to the funding of the national fibre deployment and the NBN project should align with and include the greenfields fibre deployment requirements.<sup>3</sup>

This sentiment was echoed by the Housing Industry Association (HIA) who stated:

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1 *Australian Financial Review*, 22 March 2010, p. 7.

2 Mr Graham Wolfe, Chief Executive Officer, Housing Industry Association, *Committee Hansard*, Sydney, 19 April 2010, p. 20.

3 Master Builders Australia, Answer to Questions on Notice, p. 2.

HIA believes the Bill will create an inequitable system and place an additional burden on (new) home buyers.<sup>4</sup>

Coalition Senators are concerned that the cost impact of the Bill will be borne by purchasers of housing in greenfields estates.

Minister Conroy released the long awaited National Broadband Network Implementation Study six days ago and well after the conduct of hearings for this inquiry.

We note the study recommends that NBN Co take responsibility for the rollout of fibre to greenfields estates. The Government has not publicly responded to the study. It is unclear whether the Government intends to adopt this particular recommendation, and if so, how it will impact the Bill, and its cost implications.<sup>5</sup>

To that end, Coalition Senators note a further recommendation by Master Builders Australia that:

the developer should only be responsible for the provision of pit and pipe reticulation for fibre... that would allow future fibre installation when the super-fast broadband service is available. All other costs should become the responsibility of the Service Provider and/or Government.<sup>6</sup>

In his submission to the Committee, Mr Paul Budde similarly noted:

it would be in the interest of all parties for efforts to be made to align the NBN rollout for brownfield sites with that of the greenfield rollouts.<sup>7</sup>

### **Impact on housing affordability and first home buyers**

Coalition Senators are particularly concerned at the Housing Industry Association's assertion that the cost impact of the Bill would be disproportionately borne by,

...first home buyers who can least afford those additional imposts at the time of the purchase, placing further negative pressures on housing affordability.<sup>8</sup>

Coalition Senators note the Government's intent that subordinate legislation provide for the installation of fibre to be required where it could be installed at a price of \$3000 or less.<sup>9</sup>

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4 HIA, *Submission 3*, p. 2.

5 Senator the Hon Stephen Conroy and the Hon Lindsay Tanner MP, 'Landmark Study confirms NBN vision is achievable and affordable', Joint media release, 6 May 2010.

6 Master Builders Australia, Answer to Questions on Notice, p. 2.

7 Mr Paul Budde, Paul Budde Communication Pty Ltd, *Submission 14*, p. 3.

8 HIA, *Submission 3*, p. 2.

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Urban Development Institute of Australia Chief Executive, Mr Richard Lindsay, cautioned that buyers may be unable to bear such an increase to housing costs saying:

You will find that \$3000... will have a significant impact in the lower income areas.<sup>10</sup>

And,

The market is extremely sensitive in terms of affordability.<sup>11</sup>

Coalition Senators consider that the imposition of this cost on first home buyers is unreasonable.

Master Builders Australia criticised the assertion that the Bill could be justified by aligning broadband as an essential service alongside water, power and sewerage:

...critical services are essential for health and amenity; high-speed broadband is not.<sup>12</sup>

Coalition Senators note these criticisms highlight a direct contradiction between the Bill and Prime Minister's promise prior to the 2007 election about housing affordability. Since then the Prime Minister has commented on housing affordability:

It's a problem growing over time", and that "the case for action could not be stronger.<sup>13</sup>

Well, working families are under financial pressure, and it's very important therefore that Government is involved in the business of helping them with housing affordability.<sup>14</sup>

Obviously however, there are real problems in terms of housing affordability. They continue, and we're going to have to continue to work on this in the future.<sup>15</sup>

### **Uncertainty – too much left undone; too little time to do it.**

Telstra cautioned that the broad scope of Ministerial discretion provided by the Bill could fuel greater uncertainty and impose further constraints in the housing sector.

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9 Department of Broadband, Communications and the Digital Economy, 'Proposed subordinate legislation to give effect to fibre in new developments – Position Paper', 16 April 2010, p. 7.

10 Mr Stephen Albin, CEO, Urban Development Institute of Australia, *Committee Hansard*, Sydney, 19 April 2010, p. 36.

11 Mr Stephen Albin, CEO, Urban Development Institute of Australia, *Committee Hansard*, Sydney, 19 April 2010, p. 36.

12 Master Builders, Answer to Questions on Notice, p. 2.

13 'Rudd Determined to Act on Housing Affordability', *The Age*, 3 March 2008.

14 Transcript, Prime Minister's Doorstop Interview at Liverpool Hospital, 3 May 2010.

15 Transcript, Prime Minister's Doorstop Interview at Liverpool Hospital, 3 May 2010.

In particular, Coalition Senators note comments by Telstra that the Bill:

only provides a framework for the exercise of a series of broad Ministerial discretions which will determine how the policy applies in practice.

The Urban Development Institute of Australia also noted the lack of certainty:

there is still a significant lack of knowledge in relation to NBN Co's Network deployment plans and technical specifications, as well as the ownership and cost implications of the FTTP provision in Greenfield developments.<sup>16</sup>

In response to a Question on Notice, Master Builders Australia noted:

we were cautious in our submission about the Bill; because the implementation detail is not yet settled and this detail is all-important.<sup>17</sup>

Master Builders Australia told the Committee that the Bill afforded little time to educate developers on requirements that would be in place on 1 July 2010.

National Director of Technical and Regulatory Policy at Master Builders Australia, Mr Robert Appleton warned:

July 1 is not far away, and to effectively educate our members as to what their new responsibilities will be in that period of time without knowing what they are going to be, would appear to be pretty difficult.

Coalition Senators are concerned that the Bill will impose a raft of legislative requirements on developers and builders by 1 July 2010, the communication of which is difficult given they are still being developed, and once developed, will leave little-to-no 'lead' time.

In these circumstances, it is unreasonable to expect industry to be ready for a 1 July 2010 start date.

Coalition Senators believe the Government cannot remain intent on 1 July 2010 commencement, without first having addressed the issues outlined by submitters to the inquiry.

### **Additional regulation**

Coalition Senators note several warnings that the Bill will add an additional layer of regulation to an already heavily regulated sector.

Telstra made clear the ramifications of over-regulation, saying:

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16 Urban Development Institute of Australia, *Submission 15*, p. 8.

17 Master Builders, Answer to Questions on Notice, p. 1.

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The proposed requirements need careful consideration as unworkable requirements may cause the installation of fibre in new developments to cease altogether.<sup>18</sup>

Likewise, Master Builders Australia noted they 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.<sup>19</sup>

## **Concluding Remarks**

Coalition Senators support universal access to fast and affordable broadband, and reiterate comments by Master Builders Australia that developers should provide 'pit and pipe' infrastructure in greenfields estates to facilitate future installation of fibre.

We note evidence by LandCorp that it and other developers are already installing such infrastructure as a matter of course.

Regardless, Coalition Senators remain concerned that the Government has failed to adequately develop the Bill's operational details with industry, or to consult with key stakeholders to ensure awareness of, and preparedness for, a 1 July 2010 start-date.

Coalition Senators do not support Government moves to force developers to pay for the installation of fibre in greenfields estates. Evidence to the Committee suggests such a move would inflate housing prices and be particularly damaging for first-home buyers and those least able to bear any increase in costs.

## **Recommendation 1**

**At this stage, for the reasons outlined above, Coalition Senators recommend that debate on the Bill be postponed until the Government:**

- (1) Publicly issues its response to the Implementation Study for the National Broadband Network;**
- (2) Adequately consults with industry on the practical and operational issues related to the Bill and any subordinate instruments;**
- (3) Reduces the scope of the Bill and any subordinate instruments to the provision of 'pit and pipe' infrastructure in greenfields estates (which will facilitate future installation of fibre);**
- (4) Ensures that neither the Bill nor any subordinate instruments require or effectively force developers to pay for the installation of fibre in**

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18 Telstra Corporation Limited, *Response to the 'Position Paper' dated 16 April 2010 from the Department of Broadband, Communications and the Digital Economy on the proposed subordinate legislation to give effect to fibre in new developments.*

19 Master Builders, Answer to Questions on Notice, p. 1.

**greenfields estates (which costs developers would pass onto homebuyers);  
and,**

**(5) Undertakes that neither the Bill nor any subordinate instruments will  
unduly impact first home buyers, young families and housing affordability  
generally.**

**Senator Mary Jo Fisher  
Deputy Chair**

**Senator the Hon. Judith Troeth**

**Senator the Hon. Ian Macdonald**