



Axia Submission to the National Broadband Network Expert Panel

Observations and Suggestions Regarding the Development of a
National Broadband Network Request for Proposal

Submitted by:
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March 28, 2008

Objective: Build a Digital Economy

The Labor Government's recognition that the Digital Economy is no longer a futuristic concept but instead is today's economic reality is built right into the key department's title. Given this recognition, Axia offers the following observations:

- ❖ The ultimate policy object of the Australian Government must be to foster and develop a **competitive, innovative and vibrant** Application Services Sector.
- ❖ It is this sector that delivers the **ultimate benefit and user experience** to the digital economy.
- ❖ It is this sector that will deliver on the Government's public goals of enabling access to at least a **12 Mbps service to 98% of the population** of Australia.
- ❖ The only way to have a vibrant and competitive Application Services sector is to **create a no-conflict open access fibre backhaul network** with a very low rate structure that the industry can rely on.
- ❖ The industry is in universal agreement (with the possible exception of Telstra) that such an open access fibre backhaul network is **critical and simply does not exist** in any sort of national form today.

Therefore, Axia respectfully submits its assessment of some of the challenges that exist in creating a National Broadband Network (NBN) along with our recommendations on a policy framework and NBN Request for Proposals (RFP) structure that will address these challenges.

Challenge: Appropriate Use of Government Funds

- ❖ The justification for the use of government funds needs to be understood by industry players so that they can plan their investments knowing the Government's intervention policy.
- ❖ Public funds should be directed to the creation of true public infrastructure that may be used by all rather than the provision of commercial/retail services that are best left to the competitive Application Services sector.

Policy Approach:

- ✓ The Government has determined that market forces alone will not solve the regional, rural, and remote new digital infrastructure needs of the citizen, businesses and government.
- ✓ Government grant or ownership funds shall be targeted solely to solve these market failure situations.
- ✓ The approach to be used should be one that creates sustainable competition where practical and the appropriate regulatory oversight where effective competition is not achievable.
- ✓ The Government recognizes that Federal Government policy objectives in Education, Health Care, and Security and e-Government overlap with State duties and

objectives in the same areas and each depend on the availability Next Generation Network Transport Services in metropolitan, regional, rural, and remote locations.

- ✓ The Government has determined that the critical needs for both Federal and State level governments, in particular those for the Government's Education, Health and Security initiatives cannot be met utilizing the current telecom infrastructure.
- ✓ The Government believes that the proper mix of regulation and open access to NGN infrastructure would create a sustainable vibrant competitive entrepreneurial private sector that does not depend on government ownership or grant funding in order to provide end users NGN Application Layer services that meet their needs.

RFP Design Approach:

- ✓ Community inter-connect backhaul connectivity outside the five greater metropolitan areas, and FTTN/FTTP within the five metropolitan areas, will be considered for funding under this RFP.
- ✓ The acquisition or construction of infrastructure for the purpose of providing NGN transport services to either Federal or State government locations will be considered for funding under this RFP.
- ✓ Funds shall not be available under this RFP for strictly Application Layer Services.

Challenge: Appropriate Network and Local Access Technologies

- ❖ For a truly National Broadband Network the Federal initiative must extend beyond the metropolitan character of FTTN and FTTH and include the fibre community inter-connect of ALL Australian communities – Metropolitan, Regional and Rural.
- ❖ Once the community inter-connect is in place, there are a number of alternate local access technologies - the Incumbent's copper local loops, WiFi, WiMax, licensed frequencies for mobility and FTTH are all appropriate for different situations.
- ❖ The market should be allowed to determine which technology is appropriate for a particular jurisdiction.
- ❖ Functional competition amongst these various approaches will thrive if given access to backhaul connectivity that is not compromised by depending on a competitor as the supplier.

Policy Approach:

- ✓ The Government preference should be to create a playing field for the private sector that will allow various alternative local access approaches to evolve in response to end-user needs.
- ✓ The Government recognizes that if it uses government grants or ownership funds to enable a single party to provide end users Local Access NGN transport services in a region, that approach will compromise the viability of other parties.
- ✓ The Government will focus its efforts on ensuring the open access backhaul is available throughout Australia for the local access providers to leverage.

- ✓ The Government will ensure open and regulated access to copper local loops throughout Australia
- ✓ The Government will ensure regulated access to Telstra nodes and central offices to enable easy interface between the new no-conflict open access back-haul network and the copper local loops.

RFP Design Approach:

- ✓ The RFP should consider proposals by parties that limit their scope to providing community inter-connect backhaul services provided they can demonstrate to the government's satisfaction that the competitive market place will function to provide end- users the choice of local access services that meet the Government's 12 Mbps and 98% coverage targets.

Challenge: State Government Participation

- ❖ State Government demand for NGN Services is key to creating sustainable regional and rural open access backhaul connectivity.
- ❖ Each of the State Governments and the Australian Government have fiduciary duties in respect of the procurement of goods and services.
- ❖ The RFP challenge is to allow collaboration between State and Federal governments to enable the effective uses of each level of government spend.

Policy Approach:

- ✓ The Government of Australia should encourage proposals that meet the Federal Government Policy objectives and provide State governments the option of working with the Federal Government and the private sector to obtain optimal solutions.
- ✓ The Government of Australia acknowledges that State Governments are under no obligation to participate in any fashion and State Governments may limit their participation the State Government's commitment to be a customer of the NGN network transport services.

RFP Design Approach:

- ✓ The NBN RFP should allow proposals from the private sector that include a condition that the proposal is dependent on the parties acquiring State Government agreement.
- ✓ The Australian Government evaluation process and contracting process for a bid that includes such State condition should first be done making the assumption that the State would agree with the condition. If such a proposal is the most attractive to the Federal Government using its evaluation criteria then it should be given priority and the State will be involved to determine if such condition is acceptable to the State.

- ✓ In the event that there is no agreement between the parties reached in respect of that proposal within timelines determined by the Australian Government, then that proposal will be rejected and the Australian Government will engage with the proposal ranked next attractive.

Challenge: Telstra Domination

- ❖ Telstra is the only party with a nationwide network and is involved in every aspect of the telecom sector including media rights.
- ❖ Given Telstra's dominant position, there will be no competitive tension in an NBN competitive bid process unless the RFP is explicitly designed to create such competitive tension.

RFP Design Approach:

- ✓ The Government should insist that parties cannot aggregate proposals beyond the geographic coverage of a single state.
- ✓ Any proposal that covers more than one state must be segmented so that the Government can choose individual state proposals independent of other state proposals.