

Alliance for Affordable Broadband

An Open Letter to the Independent Members of the House of Representatives

15 November 2010

To the Honourable Mr Adam Bandt (Member for Melbourne), Mr Tony Crook (Member for O'Connor), Mr Bob Katter (Member for Kennedy), Mr Robert Oakeshott (Member for Lyne), Mr Andrew Wilkie (Member for Denison) and Mr Tony Windsor (Member for New England),

Legislation is currently before the House of Representatives calling for the National Broadband Network proposal to be referred to the Productivity Commission for cost-benefit analysis. We encourage you to support it.

AAB represents a cross-section of the telecommunications industry with diverse interests – infrastructure-based carriers, both fibre and wireless, and carriage service providers. We each have different things to gain and lose under NBN, in whichever version it eventually gets built. Some have dismissed our views lightly as being self-interested, even though credible national and international voices have recently expressed their own doubts or criticisms of the NBN proposal. We welcome this debate and are excited to have helped to generate it. We now believe it is time to have a credible, independent, dispassionate and rigorous analysis done of the NBN proposal.

We fundamentally agree that national broadband capability in the 21st Century is what railways and roads were in the 19th Century and agree that this is a once-in-a-generation nation-building project. The settings put in place now will impact the country for generations to come. We do not disagree that a national review of broadband affordability and accessibility is long overdue and that the implementation of a national broadband strategy is paramount to this country's continued development.

We recognise that as a nation we already have some catching up to do to bring broadband services to many areas of Australia, particularly regional and remote areas. But, policy of this magnitude which carries with it fundamental changes to the entire fabric of the national telecommunications landscape and re-creates a new government-owned monopoly requires Members of Parliament to ensure such a policy is the best policy for the future development of the country, and in particular the delivery of the most efficient investment by the Australian taxpayer. Past delays cannot justify panic or cut corners now. Mistakes we make in the design and/or policy settings for the proposed NBN, particularly in the areas of structure, affordability and accessibility, will not be easily fixed down the track and could be disastrous for our international competitiveness. You find yourselves in the position of being able to ensure the Government's policy is sound and that taxpayers' money is spent well and wisely.

The Productivity Commission is experienced in doing this kind of analysis. It is well respected and credible because it is independent and rigorous and conducts its review transparently. It will approach the question independently and dispassionately, and present the facts. Facts are what is missing from this debate.

The NBN proposal now differs significantly from the proposal that was contemplated in the Implementation Study (which already found that the proposal in its then form was unlikely ever to generate a commercial rate of return). No serious analysis has been done of the changed cost implications of those differences. Fundamental features of the project remain unresolved. NBN Co's suggestion that it would prefer a small number of Points of Interconnect nationally has been met with almost universal opposition from the industry, will strand billions of dollars in private investment and thousands of kilometres of optical fibre, and lead to network inefficiencies.

Our view is that the Productivity Commission's review should cover:

- The importance of affordability and accessibility to the overall growth in productivity (as highlighted in the FCC US Broadband Report found here: <http://www.broadband.gov/>)
- Whether the current proposed structure of NBN Co and the creation of a new infrastructure monopoly will be in the long terms interests of consumers
- Guidance and recommendations designed to ensure the future structure, products and services delivered by NBN Co are clearly defined and reduce the risk of mission creep resulting in the removal or reduction of competition in the Australian telecommunications market
- Detailed research on the demonstrated productivity benefits (or lack thereof) from existing FTTH deployments (for example of Korea and Singapore)
- A comparative analysis of the approach taken in other countries (including the UK and the USA) to the issue of a national broadband network and, where they differ, why
- The future technology requirements of mass market consumers versus business, health, education and government users, to enable the costs and benefits of each to be weighed separately and compared
- Placing a value on the cost of losses in innovation and competition as a result of the legislated monopoly and overbuild of the NBN, as well as in the last 4 years because of the overhang and uncertainty of the NBN proposal.

We applaud you for embracing national broadband capability as a 21st Century investment in Australia's future competitiveness and productivity. We ask you to back your instincts with real facts and rigorous analysis by supporting the legislation to have the Productivity Commission do a cost-benefit analysis of the project immediately to report back in six months' time.

This will not delay any of the benefits of the NBN, but it will guarantee the right decision is made and those benefits are actually achieved at the right cost.

David Waldie
CEO – Allegro Networks

Bevan Slattery
Founder – Pipe Networks Ltd

Jason Ashton
CEO – BigAir Ltd (ASX: BGL)

James Spenceley
CEO – Vocus Communications Limited (ASX: VOC)

Paul Broad
CEO – AAPT

Paul Wallace
CEO – Polyfone

John Lane
CEO – EFTel (ASX:EFT)

Tim McCullagh
MD – HaleNET

Chris Deere
CEO – Ipera Communications

Andrew Findlay
MD – Vertel