



Australian Government

**Department of Communications,
Information Technology and the Arts**

BROADBAND CONNECT

REQUEST FOR EXPRESSION OF INTEREST

June 2006

Contents

A. OVERVIEW: THE BROADBAND CONNECT OPPORTUNITY	1
B. FURTHER BACKGROUND	3
C. PURPOSE OF THE EOI.....	5
D. STATUS OF THE EOI.....	6
E. GOVERNMENT OBJECTIVES.....	7
F. PROPOSED ALTERNATIVE APPROACH.....	8
TRANSITIONAL ARRANGEMENTS.....	9
LINKAGES WITH OTHER <i>CONNECT AUSTRALIA</i> PROGRAMS.....	9
G. PROPOSED ASSESSMENT CRITERIA	10
KEY ASSESSMENT CRITERIA	10
POSSIBLE OTHER CONSIDERATIONS	11
H. INFORMATION REQUESTED	12
I. CONDITIONS OF RESPONSE.....	14
J. TIME FOR SUBMISSION AND CONTACTS	15
K. FURTHER INFORMATION	16

A. OVERVIEW: THE BROADBAND CONNECT OPPORTUNITY

Since 1997 the Australian Government has demonstrated an ongoing commitment to improving the quality of communications services in regional areas, particularly where the competitive market has not proved fully effective in bringing the benefits of the digital revolution to regional communities. Well over \$1 billion has been provided to boost access to communications services, particularly affordable mobile phone and Internet services. A further \$3.1 billion has been committed to maintain and extend these improvements into the future.

Since the independent Estens Committee reported in 2002, Australian Government funding support has focused on extending the reach of sustainable and affordable broadband services across regional areas.

Largely as a result of the highly successful Higher Bandwidth Incentive Scheme (now Broadband Connect), many regional communities now enjoy greatly improved access to broadband services. This improved access has been the driving factor behind the rapid increase in broadband take-up in regional areas.

The Australian Government remains committed to continuing to provide targeted funding to support equitable access to high quality, sustainable broadband services across regional and rural Australia. It is becoming increasingly apparent that next generation broadband, characterised by multi-megabit capacity able to support advanced multimedia applications and improved delivery of government services, is becoming essential to Australia's economic and social prosperity. While such services are increasingly available in the major metropolitan areas, there is concern that the purely commercial roll-out of these services may not occur in regional and rural areas in a timely way.

The \$1.1 billion *Connect Australia* package, and particularly the \$878 million Broadband Connect funding, gives the Australian Government a unique opportunity to drive the extension of next generation broadband infrastructure widely across Australia. The Australian Government intends to test the feasibility of using a substantial portion of the Broadband Connect funding to facilitate a small number of major infrastructure projects that would also leverage significant commercial investment in order to drive a major advancement in the capacity and reach of Australia's regional broadband networks.

Consistent with its pro-competitive approach to telecommunications, the Australian Government would aim to achieve this roll-out in a way that stimulates competitive outcomes and competitive access to broadband networks in regional areas. To support broad industry involvement, the Australian Government proposes to encourage collaboration and partnerships between participating entities. This is intended to build the necessary capacity to establish project proposals for infrastructure investment of the scale and scope which the Australian Government is seeking.

This Expression of Interest (EOI) seeks industry's views on the Australian Government's proposed alternative approach, and invites industry members to put forward ideas, plans and proposals to bring to fruition the Government's broadband objectives. The opportunity to provide a response to the EOI is available to all interested parties, including carriers and service providers.

B. FURTHER BACKGROUND

On 17 August 2005 the Government announced the \$1.1 billion *Connect Australia* regional telecommunications package.

Connect Australia has four key elements.

- \$878 million for **Broadband Connect** to provide Australians in regional areas with affordable broadband services. These funds are to be applied to geographic areas within the Broadband Connect service area¹.
- \$113 million for **Clever Networks** to fund broadband networks in regional areas to improve health, education and other essential services.
- \$30 million for **Mobile Connect** to improve mobile coverage.
- \$90 million for **Backing Indigenous Ability** to improve vital communications services for remote Indigenous communities.

Broadband Connect, the most significant funding component of the *Connect Australia* package, builds on the Higher Bandwidth Incentive Scheme established in 2004. The Higher Bandwidth Incentive Scheme and Broadband Connect have used an incentive-based approach to enable extension of broadband service coverage across regional Australia. As a direct result of these programs, almost 1000 additional exchanges have been enabled by Telstra for ADSL, a large number of new satellite and wireless providers are offering competitive services, and more than 700 000 additional premises have gained access to terrestrial broadband.

This incentive-based approach has been effective in quickly stimulating investment in new sustainable broadband infrastructure in areas with no existing terrestrial coverage. However, there are a significant number of areas (and premises) that do not have access to broadband infrastructure that allows for the provision of services comparable in price and quality to metropolitan services ('metro-comparable') in a sustainable way (that is, without the need for ongoing Australian Government subsidies). These areas are considered to be under-served and broadly occur either where:

- gaps are created by technology barriers in otherwise commercial areas (for example, due to pair gains); or
- incentives have not stimulated the roll-out of terrestrial infrastructure in more remote, and less commercial areas.

Given the nature of these remaining gaps, it is possible that the current Broadband Connect approach may not be the most effective and efficient way to enable metro-comparable broadband access in these areas.

¹ See Broadband Connect Guidelines:
www.dcita.gov.au/tel/broadband_connect/broadband_connect_guidelines

Since the announcement of the *Connect Australia* package, the Department of Communications, Information Technology and the Arts (DCITA) has undertaken substantial consultation involving:

- the release of discussion papers on Broadband Connect/Clever Networks, Mobile Connect and Backing Indigenous Ability – all of which sought and elicited stakeholder comment, which DCITA has fully considered;
- a series of forums in all capital cities and two regional centres;
- consultation through the National Broadband Strategy Implementation Group; and
- bilateral consultations with many key industry stakeholders.

These consultations have supported the Australian Government's view that an alternative approach for achieving the policy objective of equitable access to high speed broadband services across regional Australia should be tested and assessed.

The growing importance and take-up of higher speed broadband services in major metropolitan areas and the need to stimulate investment in higher speed, multi-megabit broadband infrastructure in regional Australia also suggests that an alternative approach may be warranted. Major developments since the *Connect Australia* announcement have included Telstra's Fibre to the Node and 3GSM proposals.

It is currently anticipated that up to \$500 million could be available for an alternative Broadband Connect approach whereby financial assistance is provided through a competitive grants process to large scale broadband infrastructure projects primarily aimed at addressing currently under-served premises and areas. If a decision was made to proceed with such an alternative approach, the aim would be to stimulate and leverage additional contributions to projects, including through:

- major private sector investment;
- the support and involvement of other tiers of government; and
- building effective linkages with other elements of the *Connect Australia* package, including Mobile Connect, Clever Networks and Backing Indigenous Ability.

Under this approach Australian Government funding support would not be available for investments that were otherwise commercially viable. Funding support would be targeted at supporting the provision of infrastructure to service under-served areas that otherwise would not get timely access to metro-comparable services through commercial investment alone.

C. PURPOSE OF THE EOI

This request for Expressions of Interest (EOI) is being undertaken to:

- inform the industry and other stakeholders of the details of an alternative approach to achieving equitable access to broadband in regional Australia through a competitive grants process;
- set out the requirements and assessment criteria that the Australian Government is considering applying if it were to proceed to a competitive grants program as described in this document;
- seek comments from stakeholders about both the proposed approach and the likely requirements and selection criteria for a competitive grants program, as set out in this document;
- seek comments from stakeholders about the information and data that funding applicants would require (for example, data on coverage gaps) to enable applications to be properly developed and submitted under the proposed approach;
- seek input from industry about possible feasible projects that could be put forward under this approach, including projects that might also relate to other elements of the *Connect Australia* package (particularly Mobile Connect);
- seek indicative information from industry about the details of potential project proposals (subject to Broadband Connect funding);
- enable the Australian Government and its advisers to use information provided in responses to assess the feasibility of proceeding with a competitive grants program as described in this document, and potentially to inform the development of other *Connect Australia* programs; and
- enable the Australian Government and its advisers to use information provided in responses to assist the Australian Government in the design of a competitive grants program and to use, reproduce, adapt, modify and develop information included in responses for this purpose.

D. STATUS OF THE EOI

This EOI is being undertaken on the following basis.

- This EOI is to provide advice to the industry, and to receive information from the industry. The EOI process is not a formal application or procurement process, nor in any way a part of any subsequent application or procurement process under a competitive grants program that may be undertaken by DCITA to provide funds under Broadband Connect.
- Responding to this EOI is voluntary. Responses will be considered but not assessed. It is not necessary to respond in order to qualify to participate in any future competitive grants program that may be established under Broadband Connect. Responses to the EOI will not bind respondents in any way, nor will they be considered as part of any assessment process that may take place under a competitive grants program under Broadband Connect.
- As noted at Section C, responses to this EOI may be considered by the Australian Government in assessing whether to proceed to a competitive grants program under Broadband Connect, and in designing any competitive grants program that may be put in place.
- Subject to the Commonwealth's rights of disclosure (see Section I 'Conditions of response'), DCITA will hold in confidence those parts of responses so identified by respondents.
- Undertaking this EOI does not indicate a commitment by the Australian Government to proceed to a competitive grants program, either through the approach set out in this EOI or through any other approach.

Respondents should refer to the conditions for responding (listed later at Section I).

Information contained in this EOI is to be used for the purpose of compiling a response only, and intellectual property rights that exist in the information contained in this EOI remain the property of the Australian Government.

E. GOVERNMENT OBJECTIVES

The Australian Government's primary objective for any future competitive grants program would be to achieve sustainable equitable access to broadband in regional areas by supporting the extension of metro-comparable broadband services into currently under-served areas (as described in Section B of this document), on a basis that would provide access to such services without the need for ongoing Australian Government subsidies.

The Australian Government is seeking to achieve this objective in a way that

- supports the development of advanced higher speed broadband capacity as far as possible into regional areas; and
- promotes fair and reasonable wholesale access arrangements for regional broadband across regional areas covered by projects, including wholesale access to higher speed broadband services.

The Australian Government also has an objective to optimise the allocation of funds under the overall *Connect Australia* package by establishing effective linkages where feasible between the different elements of *Connect Australia*.

F. PROPOSED ALTERNATIVE APPROACH

Subject to consideration of the responses to this EOI process, the Australian Government is considering implementing a competitive grants program under Broadband Connect, with the following features and/or aims.

- Financial assistance for a small number of major projects of significant scale and service coverage, collectively providing sustainable broadband infrastructure coverage as widely as possible across the geographic areas covered under the existing Broadband Connect program, and addressing currently under-served premises and areas (see Section K for details of further information available on these areas).
- Encouragement of the provision of advanced higher speed broadband coverage, on a fully commercial basis, in parts of the Broadband Connect Metropolitan Exclusion Area identified as unlikely to gain access to such services within a reasonable timeframe. This would be an additional benefit beyond the primary aim of addressing currently under-served premises and areas.
- Encouragement of collaboration and partnerships to build consortia, joint partnerships, or other collective arrangements to achieve sufficient scale to address the Australian Government's objectives, noting that such collaboration will not be a necessary requirement for proposals.
- A neutral approach to technology choice by project proponents with proposals assessed on the basis of the technical quality, performance, cost-effectiveness and scalability of services (to higher speed capacity) proposed to be provided over project infrastructure, rather than requiring or mandating any particular technology.
- Encouragement of major commercial investment as part of project proposals, both in broadband infrastructure in existing commercially served areas, and as a contribution to providing broadband services in under-served areas. As part of this approach, the Australian Government would not subsidise otherwise commercial investments. Proposals would be required to clearly demonstrate the need for Australian Government funding to supplement commercial investment in under-served areas that are not fully commercially viable.
- State and territory governments would be encouraged to participate in projects, either as providers of infrastructure to be used in projects, or through agreements to use services provided over funded infrastructure.
- Applicants would be required to establish fair wholesale access arrangements for services provided through infrastructure established or used in funded projects. This would require minimum levels of wholesale access for broadband services provided over that infrastructure, to enable retailers of those services to offer metro-comparable broadband services to end-users. The Australian Government would also seek commitments from applicants to provide wholesale access for other services provided over that infrastructure, particularly for services where bottleneck characteristics may apply. Such other wholesale services could include end-user services provided over project infrastructure (for example, voice services), or network services (for example, transmission services) to be offered to other carriers or service providers.

- Proposals that could benefit or link to other *Connect Australia* programs would be encouraged. For example, projects that use broadband to provide improved access to government services or linked to projects in the health and education sectors (Clever Networks), to mobile networks (Mobile Connect) or to services in remote Indigenous communities (Backing Indigenous Ability).

Transitional arrangements

During 2006–07 the Australian Government will continue the incentive-based program, along the lines of the current Broadband Connect program, while the alternative approach is assessed.

Linkages with other *Connect Australia* programs

The Australian Government would seek to establish effective linkages between other elements of *Connect Australia* and projects funded under the competitive grants approach proposed in this EOI. In particular the Australian Government is considering how the \$30 million Mobile Connect program and \$113 million Clever Networks program could be managed to complement the approach proposed for Broadband Connect, and to make sure outcomes from these programs were consistent with, and built on, outcomes from the Broadband Connect program.

G. PROPOSED ASSESSMENT CRITERIA

The following assessment criteria would likely apply under a competitive grants program, should the Australian Government choose to proceed with such a program following this EOI. These criteria may require further consideration and adjustment (including as to their relative weighting) if a competitive grants program proceeds, informed by the responses to this EOI. The assessment criteria would be used to determine cost effectiveness and overall value for money, as a basis to choose successful projects.

Key assessment criteria

In relation to the amount of Australian Government funding sought, it is proposed that proposals would be assessed based on the extent to which they met the following criteria.

Primary criterion

1. Provide improved broadband coverage in identified under-served areas in the Broadband Connect area, and provide appropriate justification that Australian Government funds are required to supply broadband infrastructure and wholesale access in those identified under-served areas.

Other important criteria

2. Offer wholesale access to all broadband services provided across infrastructure proposed to be established or used in projects, including for an agreed contracted period, and on terms and conditions (including price) that enable effective access for retailers of broadband services. It is proposed that the minimum benchmark for assessing such access would be the extent to which it would enable provision of retail services on terms and conditions at least equivalent to service levels currently mandated under Broadband Connect, and at a prices that allow retail services at metro-comparable prices (as defined under the existing Broadband Connect guidelines).
3. Offer improved multi-megabit broadband speeds and a technology platform that is scalable, including the capacity to achieve even higher speeds into the future.
4. Contribute commercial investment to proposed projects to provide broadband infrastructure where such investment can be justified on a commercial basis. It is intended that all proposals would be required to contribute at least a minimum level of commercial investment, to be measured against the percentage of Australian Government funds sought.
5. Demonstrate a sustainable business case to provide ongoing wholesale services on a commercial basis without further Australian Government funding.
6. Demonstrate service and technical quality.
7. Demonstrate sound financial and corporate capability.
8. Result in the timely roll-out of new broadband infrastructure.

Possible other considerations

The following approaches, which could be applied to proposals with a particular focus, are also considered to be potentially of benefit, and may be taken into account in the assessment process where relevant.

These are proposals that:

- demonstrate effective collaboration between industry participants, universities, non profit organisations, and/or with state, territory and local governments;
- demonstrate linkages with other *Connect Australia* program elements (with particular reference to Indigenous communities); and
- offer commercial investment and improved multi-megabit broadband capacity in existing commercially served areas within the Broadband Connect Metropolitan Exclusion Area.

Mandatory compliance criteria may be established to apply to all proposals received, should a competitive grants program proceed.

H. INFORMATION REQUESTED

Responses are invited to this request covering the following areas (responses should be limited to the information sought below):

1. Comments on the proposed approach (Section F).
2. Comments on the proposed assessment criteria and other considerations (Section G).
3. Comments on the information and data that funding applicants would require (for example, data on coverage gaps) to enable proposals to be developed and submitted under the proposed approach, and comments specifically on the information and data provided as part of this EOI process.
4. Key information on potential projects (subject to Broadband Connect funding), including:
 - geographic coverage of infrastructure to be included under the potential project or projects, preferably identifying local government areas to be covered;
 - the nature of broadband services proposed to be provided over the infrastructure, including service capacity and functionality, and any other services proposed;
 - the extent of the proposed commercial and other public sector contributions (including both existing and new commercial infrastructure); and
 - indicative funds to be sought from the Australian Government.
5. Further information on potential projects (subject to Broadband Connect funding) including:
 - proposed partners and contributors, and proposed relationships/arrangements between partners/contributors (including proposed ownership, management and operational structures);
 - indicative prices and/or a pricing methodology;
 - the extent to which proposals could include a mobile telephony element that would include broadband capacity that could be supported under the Mobile Connect program;
 - for proposals with a wireless component (mobile telephony or otherwise), details of the strategy to ensure adequate availability of spectrum to provide the proposed broadband services;
 - other features of the proposed approach to providing infrastructure;
 - technical platforms (including the future development path for proposed technologies); and
 - the proposed wholesale arrangements.

In developing potential project proposals, respondents are encouraged to consider developing options and providing information under this EOI process by:

- providing a range of coverage options for potential projects, including the amount of commercial contribution and the indicative amount to be sought from the Australian Government for each of the coverage options; or
- proposing a number of discrete project proposals, offering quite distinct service offerings and/or geographic coverage areas and/or technology solutions, and providing indicative commercial contributions and amounts to be sought from the Australian Government for each discrete project option.

Comment on all the areas above is desirable, but not mandatory.

I. CONDITIONS OF RESPONSE

By submitting a response, each respondent acknowledges and agrees that:

- the Australian Government will not meet any costs or expenses incurred by the respondent in submitting a response;
- neither this EOI nor any response will create any legal or other obligation upon the Australian Government, and in particular, will not create any obligation on the Australian Government to conduct the EOI or any future funding process in any manner, or at all;
- the Australian Government will own responses;
- while the respondent will as between itself and the Australian Government own intellectual property rights that exist in the information contained in a response, the Australian Government and its advisers may reproduce, adapt, modify and develop such information for the purposes set out in Section C 'Purpose of this EOI' and to the extent necessary the respondent licences the Australian Government to do so; and
- the Australian Government may disclose information included in a response, whether confidential or not, if:
 - that disclosure is required by law;
 - that disclosure is required to meet DCITA's or its Minister's reporting or accountability requirements as required by relevant legislation (including the *Financial Management and Accountability Act 1997* and the *Freedom of Information Act 1982*), the Australian National Audit Office or any other auditor, the Commonwealth Parliament and its committees, and the Commonwealth Ombudsman;
 - the information is, or becomes, public knowledge, other than by breach of confidentiality by the Australian Government or other unlawful means by the Australian Government;
 - that disclosure is to any of the Australian Government's officers, employees, contractors, consultants, advisers or agents and, if the information is confidential, those persons are under an obligation of confidentiality; or
 - that disclosure is reasonably necessary to enable the Australian Government to meet the purposes set out in Section C of this EOI.

Respondents are advised that the Government may disclose information included in responses, whether confidential or not, to the extent that disclosure is considered by the Government to be required under the fundraising provisions of the Corporations Act or other particular laws in connection with any sale in whole or in part by the Australian Government of interests in Telstra, including such disclosure as may be necessary to those entities and/or individuals involved in the preparation of any relevant offer documents (including Telstra). In particular, it is recommended that respondents do not include in their responses confidential information in relation to business plans that are not directly related to potential project proposals under a Broadband Connect competitive grants program.

J. TIME FOR SUBMISSION AND CONTACTS

The closing date for responses to this request for EOI is:

5.00pm AEST

Friday 14 July 2006

Responses must identify the names of the parties providing the response and the names of organisations they represent, if relevant, as well as contact details, including email addresses, if applicable.

Submissions are to be lodged electronically (preferably in Microsoft Word or RTF format) by emailing broadbandconnect-eoi@dcita.gov.au. If material can only be provided in hard copy or on disk, please send to Mr Damian Stevens at the below address.

DCITA is offering industry briefings on an individual basis at its offices in Canberra between Wednesday 14 June and Friday 16 June 2006.

If you would like to schedule a briefing or ask any questions regarding the process for responding to this EOI, please contact:

Damian Stevens

Manager

Broadband Connect Infrastructure

Department of Communications, Information Technology and the Arts

GPO Box 2154

Canberra ACT 2601

Phone: 02 6271 1101

Fax: 02 6271 1886

Email: damian.stevens@dcita.gov.au

K. FURTHER INFORMATION

DCITA is able to provide respondents with further information in table form detailing indicative coverage gaps in the Broadband Connect area.

The information shows the estimated number of premises without access to sustainable metro-comparable broadband services in each local government area. The premises counted are those beyond the reach of terrestrial broadband infrastructure or which are unable to be provided with such access for any reason.

If you would like a copy of this information please contact Mr Damian Stevens as above.

The information available on request should only be used for the purposes of submitting a response and should not be relied upon as definitive of either unserved areas or unserved premises in identified local government areas. Such information is otherwise provided on the same terms as information provided in this EOI.