



SUBMISSION BY THE
Housing Industry Association

to the
Department of Broadband, Communications and
the Digital Economy
on the
**National Broadband Network:
Fibre-to-the-premises in greenfield estates
Consultation Paper**

12 June 2009

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1 Introduction

This submission has been prepared by the Housing Industry Association (HIA) to advise the Department of Broadband Communications and the Digital Economy of the key issues for the housing industry surrounding the Federal Government's proposal for the rollout of broadband technology in Greenfield Estates.

The Federal Government is to be commended on the National Broadband Network Initiative aimed at improving the availability of super fast broadband across Australia.

2 Background

Consultation with HIA members from around the country regarding the Federal Government initiative to rollout broadband technology revealed general support within the industry for the principle of FTTP.

The discussions also identified a range of concerns that currently challenge efforts by the housing industry to install broadband technology in developments around the country in advance of the NBN rollout;

- the cost of installation for both the developer and consumer,
- that service providers are financially credible, have a long term commitment to FTTP operations, and have a sustainable business model,
- the need for education of consumers in relation to the benefits of the technology, to maximize the return on the rollout investment,
- the need for education of the industry to ensure a suitable skills base exists to support the rollout,
- the range of technology available, and the need for a national standard as not all of the technology available is compatible.

While not expecting that the discussion paper would have necessarily addressed the specific concerns raised above, HIA would hope that as the Federal Government moves forward with the initiative, further thought will be given to what HIA would suggest are relevant and significant issues.

HIA acknowledges that the establishment of a National Broadband Network Company should ease concerns surrounding the reliability of providers operating in the market.



3 HIA Response

The consultation paper and proposed approach for the rollout of FTTP in Greenfield estates create several significant concerns for HIA.

3.1 Inequity of Policy Approach

Fundamental to HIA's concerns with the installation approach presented in the consultation paper, is the assumption that it is equitable to require new home purchasers in Greenfield Estates to pay upfront for infrastructure that will be provided free of charge to residents in existing urban areas. Moreover new home purchasers will presumably also pay the same ongoing access fees as those as those users who have made no upfront contribution to the cost of the rollout.

The proposal to charge new home purchasers means new home purchasers will essentially be required to pay for the privilege of broadband technology twice, once through taxes to fund the broader program and secondly through the purchase price of the new home.

Additionally, comments in the discussion paper to the effect that the proposed approach is acceptable, because the likely costs incurred are comparable to existing charges for the provision of other essential services such as water and sewerage, ignore the compounding effect of yet another cost that new home purchasers will need to borrow against. The proposition that adding another layer onto what HIA would contend is an already inequitable infrastructure model is somehow justifiable is categorically refuted. Two inequitable charges do not an equitable charge make.

Housing is heavily taxed by all three tiers of government and the policy direction proposed within the discussion paper can only be viewed as yet another tax on new home purchasers.

HIA investigations reveal there are up to 20 indirect taxes that constitute up to 30 per cent of the final purchase price of a house and land package, which only serves to undermine housing affordability. There has been an increase in taxation on housing in the past decade by more than 300 percent, whereas the consumer price index has increased by only 25 per cent. The taxes relate to a range of items from GST to stamp duty, training levies to infrastructure costs through developer contributions as well as new building regulation. All of these taxes are being applied intermittently, one with little regard for the other; and all with little regard for their overall impact.

The discussion paper also assumes that all new home purchasers will place the same value on broadband technology as they do on water and sewerage and are therefore willing to pay for the service. Feedback from HIA members across the country is that the majority of consumers are either not aware, or are not convinced of the benefits of FTTP and are therefore not willing to pay for the broadband technology.



HIA is of the view that the current method for delivery of telecommunications and electricity into Greenfield estates provides are more equitable model for the delivery of the broadband network than that proposed within the discussion paper. In contrast to burdening new home buyers with the upfront cost, the costs of installing the network should be incurred by the national broadband network company, with outlays recouped through charges for ongoing use of the network.

HIA is not aware of any private business that charges it's customers for the capital investment used in the business. In HIA's view the model is fundamentally flawed.

3.2 Cost

The advice received by HIA from members regarding the current cost per block of land to deliver broadband technology indicates costs vary significantly depending on regional circumstances.

While reasonably consistent costs can be provided for the works associated with installation of the technology within a development, significant total cost variations can occur depending primarily on the costs associated with back haul civil works, and the number of lots across which the cost of the headend (\$300,000 - \$400,000) facility can be amortised.

From the information provided to HIA, it would appear the figures contained within the consultation paper reflect the best case scenario, and also do not reflect the true cost to the consumer.

Based on the numbers provided to HIA the average cost per block to the developer for FTTP is in the range of \$2500 - \$3500. When combined with costs associated with the additional installation requirements within the home, and developer/builder margins, the retail cost to the consumer will be in the order of \$5000.

HIA would suggest five thousand dollars represents a significant cost impact on housing at the lower end of the market and essentially negates any benefit derived by first home buyers from government subsidies aimed at this market.

3.3 Start Date

While acknowledging a desire to commence proceedings as soon as possible, HIA would argue that the commencement date for the rollout of FTTP is contingent upon the establishment of the NBN Company, and the publishing of it's operating model, roles and responsibilities and an Australia wide set of standards for FTTP networks has been established.

With the announcement by the Federal Government of the establishment of an NBN Company, the ability for any developer to now effectively deal with any network provider will be dependent on what the NBN company is going to do in the future, in regard to back bone networks, interfacing and ultimate ownership. Additionally, without clear standards, any networks installed in the interim could potentially require substantial retro fitting at some time in the future.



Furthermore, HIA would suggest a July 2010 start date for proposals receiving planning approval is inappropriate, given that planning approvals around the country are taking on average nine to twelve months and in some cases up to several years. It is unreasonable to expect proposals already in the system to address new requirements, given project feasibilities would have been undertaken without consideration of a requirement to install broadband technology.

3.4 HIA's Preferred Approach

The NBN company should be responsible like any other service provider, for the cost of delivering the business capital investment, with the cost recouped from ongoing user charges whether they are in greenfield or brownfield locations. This approach would also overcome the enormous practical difficulties associated with the arbitrary definition of "greenfields" as proposed in the consultation paper.

HIA would suggest that a more equitable and practical approach to new development would be to require from July 2010 the installation of additional conduit (pit and pipe) so the estate is ready for fibre to be installed.

HIA would further suggest that upon the establishment of the NBN Company, the company should as the number one priority, install fibre in all new Greenfield estates where the conduit (pit and pipe) has already been provided. In HIA's view these estates provide the NBN Company with the most straightforward opportunity from an installation perspective to rollout the broadband network quickly and efficiently.

3.5 Role of Government

While acknowledging that there is an element of logic to handing responsibility for the compliance aspects of the rollout to Local and State Government, HIA could only support this option on the following conditions;

- that a set of national standards is established by the Federal Government or NBN Company that can be inserted into State Legislation,
- that legislation is put in place prohibiting Local Government or other assessment agencies from altering the national standards,
- that Local Government and other assessment agencies be restricted from requiring the early installation of broadband technology other than pit and pipe, prior to the establishment of the NBN company.



4 Conclusion

While supportive of the FTTP initiative, HIA has a number of fundamental concerns with the proposed approach set out in the consultation paper.

1. HIA is opposed to the upfront charging of new home owners for infrastructure that will be provided free of charge to existing home owners.
2. The purported cost of installation represents a best case scenario and also does not reflect the full cost to the consumer.
3. The start date is contingent upon the establishment of the NBN Company and the public release of its operating model and a national set of standards.
4. Legislation should establish a national standard that will be applied consistently around the country.

Given the short timeframe allowed for consultation on this matter and the array of issues presented, HIA would be more than willing to participate in ongoing discussions with the Department of Broadband Communications and the Digital Economy to assist in working through the many practical issues with the rollout of the Governments National Broadband Network.