

11 June 2009

**Manager
Fibre in Greenfields
Networks Policy and Regulation Division,
Department of Broadband, Communications and the Digital Economy**

BY EMAIL

greenfields@dbcde.gov.au

Dear Sir/Madam,

Thank you for the opportunity to comment on the proposed roll out of the National Broadband Network particularly as it applies to Greenfield developments.

With a portfolio of 130 projects and a land bank of almost 40,000 lots, the Satterley Property Group is Australia's largest independent residential land developer operating in WA, Victoria and Queensland.

The Satterley Property Group has a long history in delivering Masterplanned communities. We were responsible for some of Australia's first, including delivering the first Schools in Shops at Secret Harbour in the early 90's. Today, we are delivering employment programs at The Shed in Brighton, reticulated recycled water systems in WA and QLD, Possum research in Dalyellup and more.

The Satterley Property Group has been providing developer led communications and television infrastructure in its developments since the early 1990's. We have extensive experience in the provision of FTTP and a couple of different installation models in train.

The Satterley Property Group is generally supportive of the concept of broad delivery of FTTP, but would caution how the implementation of the program is delivered.

Currently developers installing fibre, do so at their cost, to secure a 'marketing edge' and to provide a community benefit. In our early estates, the provision of developer cable systems (hybrid systems of Fibre and coaxial, and now fully fibre) removed the need for private homeowners to install large TV masts in fringe location to access free to air television broadcasts. The developer provision resulted in far superior services, and in most cases, more services, than could be achieved by the individual homeowner. This resulted in number of benefits; reduced costs for the home owners, better services, higher quality services and potential 'future proofing' – all offering marketing opportunities and the ability to differentiate our products from our competitors.

The cost of the installation of the developer led service was then factored into the feasibility of the project and the lot price. Then and now, the cost for copper telephony is effectively free – developers install the conduits during civil works on behalf of Telstra.

A move the FTTP in every situation may result in a similar cost across the board to the cost of copper. As the fibre technology is widely taken up, and copper is eliminated, the competition and cost of labour and materials should decrease.

The issue to resolve is how those existing commercial arrangements with BES, Opticom and Telstra Velocity/Smart Community and others will be able to be maintained? How can we as a

development industry afford to have free FTTP delivered on one side of the road and a cost of \$3-5,000 per lot be borne on the other side, when the ones paying the installation costs were actually the market leaders?

That will be a difficult situation to reconcile. One, none the less, that will need addressing.

In figure 2, on page 9 of the discussion paper, there are 2 columns suggesting that the responsibility for the delivery of the wholesale/retail component remains for developers' contract with suppliers, why?

Developers currently don't have a contract with Telstra for copper, if fibre is to replace copper, why would a developer contract be required or even contemplated – we think that needs greater consideration. If the developers are involved, it should be to the point of handover of the built infrastructure, just as it is with water, sewer etc. The infrastructure and its operation then becomes the service providers and NSN owner's responsibility, just as with other forms of infrastructure.

Question 8, is there scope for the provision of lead-ins in Greenfield to be made contestable?

Why would the lead-in be dealt with any other way than for copper? (in reality, and in our experience in a regional context, the Telstra crews don't have the 'capacity' for dealing with fibre – our lead ins are all performed by a private electrical contractor, engaged by Telstra). We know that in our hybrid systems, Opticom and BES undertake the lead in as part of the connection cost. The home builders need a certain amount of education to terminate the wiring and provide power in appropriate locations to facilitate easy connection, but it is not dissimilar to power or water, other than the connection point is inside the property boundary on the building.

Question 9. What is the appropriate number of lots or premises required for a development to qualify as a greenfield development requiring FTTP? What other issues or factors should inform the definition?

Perhaps there is no minimum number, similar to underground power requirements. BUT, the fibre to copper interface must be NSN responsibility, once again, like underground power. In this way, Greenfield and infill are all on a level playing field. The Copper/Fibre interfaces will ultimately become redundant, but that timeframe may take decades, and the amount of infill versus Greenfield would be relatively insignificant. The retrofitting of Fibre in older areas will occur at a pace that will far exceed development.

Question 10. What mechanisms could be used to achieve a consistent approach across large developments involving multiple developers and/or over an extended period of time? For example, what provision should be made in relation to estates in which lots are released over a number of years?

Again, how is this different to other infrastructure such as sewer and water? So long as the 'trunk' costs are not being passed on, particularly where current trunk infrastructure is failing to meet the needs of the Community.

Question 20. Is the Australian Government's intention that the NBN Company not overbuild existing FTTP developments in greenfield estates appropriate?

We have experienced problems with 'other' carriers accessing FTTP systems. We have FTTP estates across Australia, and we have experienced that the suppliers and operators are prohibiting access to the FTTP system by third parties. This is particularly disconcerting for some homeowners, where the perceived upfront benefits of being 'smart wired' are significantly offset by the lack of choice of carrier/ISP provider.

We are sure the ACCC are not aware that this is the case.

Question 21. Are there any specific issues that should be considered in relation to the role of the NBN company in greenfield estates?

There is a need to consider how the application for competition and choice can be delivered to all customers across the board, regardless of any existing agreements - legislation might need to be such that it outlaws any private agreements, otherwise those lead developments will end up second class developments, locked to one supplier. Suppliers will have issues too – but may force them to be more competitive, and for instance, Opticom would be perfectly positioned to gain customers off Telstra velocity and vice versa depending on how the NSN is structured.

The 2nd paragraph on pp14 mentions ensuring the 'system' has sufficient capacity. We have experienced lack of sufficient capacity first hand with a development that had FTTP. The local exchange lacked the capacity to take more customers – so the FTTP was choked back to dialup speeds for internet access and may as well have been delivered by Copper. In this example, the developer bore the brunt of dissatisfied customers, no amount of pressure from the developer resulted in any improvement at the exchange. This may become even more problematic in the future with Telstra controlling the bulk of the existing telecom network, and the ever increasing need to increase capacity. Anecdotally, we have also been told that there is no 'spare' capacity in optic fibre services passing by the development site even though we know that the existing cable is not even in use...the argument being that it's not 'spare' as it is there to cater for Telstra's future needs. We need a more transparent system; perhaps a NSN will achieve that.

Question 22. What measures could the Australian Government introduce to facilitate competition for the provision of FTTP infrastructure in greenfield developments?

Question 23. Could the competitive provision of FTTP in greenfields be facilitated by a national online database of proposed developments accessible either publicly or to licensed carriers? Could this also assist with the planning of telecommunications infrastructure in such estates?

Both of the above questions are somewhat responded to in the response to Question 21.

We support the statements made in paragraph 2 on pp15.

In response to paragraph 2 on page 17, we consider that it will be important that some one agency remains responsible for USO. It may be the NSN has to take over that responsibility and as that paragraph states, remove it from Telstra's responsibility in all cases, including copper.

Lastly, we've experienced delays in the availability and supply of Optical Network Terminators (ONT's - the decoder device in the house). If the roll out is going national, then the NSN must be responsible to ensure sufficient supplies exist on shore to meet demand. Some of our clients have experienced delays of more than 2 months for a connection to a telephone system. Again, this has the potential to create angry customers for both the developer and the FTTP provider.

To minimise this problem, we have implemented a significant education program for our customers encouraging their application for new services up to 2 months in advance of occupation. This works well in all cases but for the sale of new homes built 'on spec', where the buyer purchases a completed product. These clients are unable to gain ready access to phones or television, and again, we have a program of free 'hiring' of boosted internal TV antennas' to cover the installation delays.

We also understand that there may exist contradictions within Broadcast Regulations and the Telecommunications Act. At the moment Pay TV is significantly constrained from being able to access the system, depending on the FTTP supplier and the Pay TV operator. So, even though, in developments like ours, free to air television is piped down the FTTP and is far superior to any

HD signal received by any other methods, Foxtell and Austar still have to come out and install satellite dishes on every home.

Perhaps some of the infrastructure costs could be borne by that industry? Imagine the savings of not having to send out installers to every customer and 'loan' them a satellite dish.

Councils and the Federal Government will have to come to terms with additional infrastructure in the street, with a box, about twice the size of a power pillar, required for every 80 or so homes. It is close to, or may interfere with footpaths and other services; some of our more militant Councils may require easements or alternative alignments so as not to mess up their road reserves. These 'boxes' can be subject to damage (ie car accident) knocking out both phones and TV. From experience again, customers can endure lost telephony for a short period, but losing TV at prime time is seen as a significant impost!

Battery Back systems may be deemed to be essential, especially in areas such as Cairns where a direct hit from a cyclone could see power out for days. Obviously battery backups won't last days, but need to at least last for the 24hrs or so after a major disaster to allow for emergency calls. We are not sure on the battery life on current ONT's but we do know it is optional and many customers we have in Cairns do not take up the option; that may result in a new range of risks not previously considered.

Once again, we thank you for the opportunity to comment on the proposed National Broadband Network. We trust our comments and experience will prove valuable. Should you have any further queries, please do not hesitate to contact me on 4057 6633 or mobile 0418 911 418.

Yours faithfully,



Adam Gowlett
State Manager QLD
Satterley Property Group