Australian Government

Department of Communications and the Arts

Regional Connectivity Program—discussion paper

August 2019

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discussion paper

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Introduction

The Department of Communications and the Arts (the Department) is seeking input from the telecommunications industry, all levels of government and other interested stakeholders on the delivery of up to $60 million (GST exclusive) towards a new program to improve digital connectivity in regional Australia — the Regional Connectivity Program.

The objective of the Regional Connectivity Program is to use a 'place-based' approach to target investment to provide economic opportunities and enable full participation in the digital economy for regional communities and businesses. This approach will focus on the priorities of a particular location, taking account of bespoke solutions rather than a 'one-size-fits-all' approach.

The intended outcomes of the program are to:

* Provide place-based solutions to regional digital connectivity issues through a range of mobile and/or broadband services.
* Complement the National Broadband Network, the Mobile Black Spot Program and the telecommunications industry's commercial investment plans.

Submissions from stakeholders, including responses to the key questions raised within this Discussion Paper, will help inform consideration of potential methods of allocating the funding to ensure it best meets the policy objective and achieves value for money.

Background

Increasingly, essential services operate on a digital-first model. From accessing education, government services, online banking and business software, people are expected to have internet access. Those who are not digitally connected, whether due to a lack of infrastructure or digital ability, are at a disadvantage.

The rollout of the National Broadband Network (NBN) and the Universal Service Guarantee provide a base level of telecommunications services across Australia. However, the 2018 Regional Telecommunications Review found that, with the initial NBN rollout almost complete in regional Australia, there is a need for the network to be complemented in some areas with bespoke, place-based solutions.

On 20 March 2019, the Government responded to the 2018 Regional Telecommunications Review. This response included a $60 million Regional Connectivity Program.

Through the Regional Connectivity Program, targeted strategic investment will improve access to mobile and/or broadband services in areas such as high value agricultural and tourism locations as well as for the resources sector. This investment could also address health, social, public safety and educational priorities.

Australia's three national mobile network operators — Optus, Telstra and Vodafone Hutchison Australia — collectively claim to provide mobile coverage to more than 99 per cent of the population (i.e. premises). However, reflecting our country's highly urbanised population, this level of coverage equates to only around 32 per cent of the landmass.

In addition, the unprecedented year-on-year growth in demand for data is placing pressure on regional broadband services, including NBN Co's fixed wireless and satellite networks. The Bureau of Communications and Arts Research forecasts an increase in household data demand from 95 gigabytes per month in 2016 to 420 gigabytes in 2026.

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For many sectors, particularly the agriculture industry, having an NBN connection to the home does not necessarily mean there is also connectivity across the property. This can act as a barrier to the adoption of precision agriculture and other Internet of Things opportunities that require digital connectivity across the entire property.

The Regional Connectivity Program will complement the NBN, the Mobile Black Spot Program and the Telecommunications Industry's commercial investment plans.

Program Funding

The $60 million funding of the Regional Connectivity Program includes:

- a competitive grants program
- a digital technology hub
- alternate voice service trials in remote areas
- further development of the Universal Service Guarantee.

This discussion paper focuses on the competitive grants program element. The other measures will be delivered through other procurement processes.

Regional Connectivity Program – Key Design Principles

The design of the Regional Connectivity Program could incorporate the following five key principles;

1.   Funding applicants to include licensed telecommunications carriers
2.   Funding applications to include evidence that the project is a priority for the local area
3.   Financial co-contributions will be required
4.   Funding applicants must demonstrate that the Proposed Solutions are not currently or foreseeably being provided in the area
5.   Retail Services will need to be provided for a minimum of 10 years after Asset Completion

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Question 1

Are there additional key elements that should be incorporated into the design of the Regional Connectivity Program?

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1. Funding applicants to include licensed telecommunications carriers

Funding applicants should include licensed telecommunications carriers as established under the *Telecommunications Act 1997*. In the event that a consortium applies for funding, the lead applicant (at least) should meet this eligibility requirement.

Key points

- A broad range of projects should be eligible for funding through the program.
- A direct contractual arrangement should be in place with the providers of the services, rather than through a third party such as a local government authority or state government.
- Funding applicants may apply for multiple projects in different areas in the one application and if a telecommunications infrastructure provider is offered funding for multiple projects, this will be managed through a single contractual arrangement.

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> ## Question 2
>
> Should other parties, for example local government authorities, business organisations or industry groups, be allowed to lead a bid for Regional Connectivity Program funding?

2. Funding applications to include evidence that the project is a priority for the local area

Funding applications should only seek funding for telecommunications projects that have been identified as a local priority.

Key points

- The objective of the Regional Connectivity Program is to use a place-based approach to target investment that will provide economic opportunities and allow full participation in the digital economy for regional communities and businesses.
- A key element of this objective is that funding applicants should only be seeking funding for projects that have been identified as a local priority. In preparing their application, funding applicants will need to consult with the local government authority and/or the relevant state or territory government to ensure the application is addressing an identified local priority.
- For the purposes of the Regional Connectivity Program, local priorities will have a broad meaning and include projects that provide economic and/or social and/or public safety benefits.
- Some local government authorities will have a formal 'Regional Digital Plan' or similar strategy in place or under development, which identifies local telecommunications priorities and the benefits they could generate for the area. In other circumstances, the state or territory government may have already consulted with regional communities and have reliable information on local telecommunications priorities.

> ## Question 3
>
> Are there other organisations beside local, state and territory governments that could be considered 'trusted sources of information' for the purposes of identifying local telecommunications priorities?
>
> ## Question 4
>
> Are there ways that the Department can facilitate linkages between potential infrastructure providers and local communities?

3. Financial co-contributions will be required

All projects should have a substantial financial (cash) co-contribution to the capital costs of building or installing each Funded Solution. We propose that the total Commonwealth funding cannot exceed 50 per cent of eligible project costs, including any other sources of Commonwealth funding. We will consider your contribution when assessing applications at the eligibility and merit assessment stage.

Key points

- Financial co-contributions are a well-established feature of Commonwealth and state programs that seek to improve regional telecommunications services. In addition to co-contributions from the funding applicant, co-contributions will be encouraged from state, territory or local governments, local communities and/or other third parties.

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- Applicants will be solely responsible for forming relationships and negotiating contributions with any relevant parties, and for testing or verifying any advice received from these parties.
- For Funded Solutions that include a co-contribution from a state or territory government, the grantees will enter into a Funding Agreement with the Commonwealth and a separate agreement with the respective state or territory government.
- State, territory and local governments may have existing infrastructure in the local area that could potentially be used for Funded Solutions. These governments may have specific requirements that will need to be identified in the applications put forward by applicants for each Proposed Solution.
- For Proposed Solutions that include co-contributions from third parties, a copy of the terms of the third parties' commitment to the applicant is to be attached to the application for funding.
- For Funded Solutions that include co-contributions from third parties, the grantee will bear any costs, and provide that third parties' funding, if the third parties' funding is not secured following execution of the Funding Agreement between the grantee and the Commonwealth.

Question 5

Are there any comments that you wish to make in relation to co-contributions?

4. The funding applicant must demonstrate that the Proposed Solutions are not currently or foreseeably being provided in the area.

All Proposed Solutions must not be available in the area currently or in the foreseeable future; and must meet a clear community and/or business need.

Key points

- For broadband access technologies, a like-for-like service such as a fixed wireless service where there is an existing National Broadband Network fixed wireless service would not meet this requirement. Similarly, where there is 4G mobile coverage already available in an area, a project that proposes to provide 4G mobile services would not meet this requirement.
- There are a broad range of projects that could be supported through the program, provided that they meet the needs of the local community. Projects may involve any combination of mobile/broadband and transmission upgrades; fixed wireless and fixed line broadband projects; and in some circumstances upgrades to the NBN access technology in the area. Extending Wi-Fi services, for example, in remote Indigenous communities, could also be supported.
- Potential applicants seeking to provide mobile coverage at a single site within an area may wish to consider seeking funding through the Mobile Black Spot Program. However, if multiple base stations and/or substantial backhaul transmission upgrades are required to address the local priority, the Regional Connectivity Program may be more suitable.
- Applicants will need to clearly set out how the Proposed Solution will meet not only current community needs but also how it will meet the expected increased demand for data in the future.

Question 6

What type of projects should be considered for funding through the Regional Connectivity Program?

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5. Retail Services will need to be provided for a minimum of 10 years after Asset Completion

All Funded Solutions should provide Retail Services for a minimum of 10 years after the Asset has become operational.

Key points

• Joint applications or consortia applications, for example a specialist backhaul transmission provider or telecommunications network infrastructure provider and retail service provider/s may apply for funding from the Regional Connectivity Program.
• Joint or consortia applications must be underpinned by commercially binding arrangements or the clear intention to enter into such arrangements should the application be successful. Awards to joint or consortia applicants may be granted on the condition that the parties would enter into a binding arrangement approved by the Department prior to finalisation of the Funding Agreement.
• Joint or consortia applications must be accompanied by evidence of a commercially binding commitment from at least one retail service provider to use the infrastructure to deliver the Services for at least 10 years.

Question 7

Are there any comments that you wish to make in relation the proposal that all Funded Solutions will provide Retail Services for a minimum of 10 years after the Asset has become operational?

6. Other design principles

There are three other design principles proposed:

• Eligible and ineligible areas
• Eligible and ineligible expenditure
• Grant amounts

Eligible areas

The focus of the program is areas of high economic, social and public safety significance that are predominantly served by the NBN Sky Muster satellite service.

Ineligible areas are:

• Urban Centres and Localities geographical units classified by the Australian Bureau of Statistics as 'Major Urban', i.e. with a population of 100,000 or more.
• Areas that NBN Co Ltd services or proposes to service with a fixed-line service. Information on NBN Co's rollout is available at www.nbnco.com.au/residential/learn/rollout-map.

Eligible Areas are all parts of Australia that do not fall within one or more of these Ineligible Areas.

Question 8

Are there any comments in relation to the proposed Eligible and Ineligible Areas?

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Eligible expenditure

It is proposed that grant funding **can** be used for the following activities:

- Regional Connectivity Program funding will be available for the estimated capital costs of building or installing Funded Solutions and the Grantees will be responsible for any actual capital costs which exceed estimated costs. All operating costs for Funded Solutions will be the responsibility of the Grantee.
- For Funded Solutions which utilise satellite Backhaul, the capitalised net present value (using a discount rate equivalent to the 10-year Treasury Bond Rate applied at the date of the application) of the cost of this backhaul may be included in the cost of building these solutions.

It is proposed that grant funding **cannot** be used for the following activities:

- To ensure that applicants do not seek program funding for Proposed Solutions where they have already planned to invest commercially, all applicants must certify that any Proposed Solutions for which program funds are being sought were not at any time part of their current forward build network expansion or upgrade plans as at the date of commencement of the application process
- The covering of retrospective costs
- Costs incurred in the preparation of a grant application or related documentation
- Operating expenditure for the Funded Solutions

Question 9

Are there any comments that you wish to make in relation to the proposed eligible and ineligible expenditure?

Question 10

Are there particular circumstances where it may be appropriate for the Commonwealth to make some contribution to ongoing operating expenses?

Grant amount

It is proposed that all eligible applications be grouped into two categories according to the amount of Regional Connectivity Program funding requested to ensure that smaller projects are given due consideration during the assessment process. There is no minimum or maximum number of projects proposed in either category.

Category 1: Projects seeking Regional Connectivity Program funding of less than $2 million (GST inclusive)

Category 2: Projects seeking Regional Connectivity Program funding of $2 million or greater (GST inclusive)

Question 11

Is there a case for a third category, for highly localised solutions for projects that, for example, are seeking funding of less than $200,000 (GST inclusive)?

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Question 12
Are there any other design principles that should be considered?

Proposed assessment criteria

To be competitive, each funded solution will need to address all of the merit criteria.

Criterion 1 – Economic benefit

Economic benefits of your project for the region.

Economic benefits for a region may cover increases in economic activity, improvements in productivity, wider access to markets or fairer and more equitable economic outcomes.

Criterion 2 – Social benefit

Social benefits of your project for the region.

Social benefits for a region may cover public safety improvements, increases in regional amenity, improving community connections and inclusion and providing opportunities for learning and knowledge creation.

Criterion 3 – Project delivery

Capacity, capability and resources to deliver the project.

This could be demonstrated through identifying your track record of managing similar projects, as well as having access to people with the right skills and experience. Your ability to deliver the Asset on time and within Budget as well as maintaining the Retail Services during the 10 year Operational Period will be key factors for this criterion.

Criterion 4 – Financial Co-contributions

Financial co-contributions would be demonstrated by identifying the total investment the grant will leverage.

Criterion 5 – Overall value for money

This could be demonstrated by assessing the relative costs and benefits of the project.

Question 13
Do you have any comments on the proposed assessment criteria?

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Next steps

Preparing submissions

All interested stakeholders wishing to have their views considered on possible implementation methods of delivering the Regional Connectivity Program are invited to provide a submission to the Department. All submissions must include the name and contact details of the person making the submission and the organisation which they represent (if applicable).

All submissions and comments, or parts thereof, will be treated as non-confidential information unless specifically requested, and acceptable reasons should accompany each request. Email disclaimers will not be considered sufficient confidentiality requests.

Respondents lodging a submission should be aware that submissions (excluding any information agreed to be treated as confidential information) will be made publicly available, including on the Department's website. Submissions and comments will be subject to freedom of information provisions. Despite a submission being identified as confidential or sensitive, submissions may be disclosed where authorised or required by law, or for the purpose of parliamentary processes.

Questions raised in this Discussion Paper are intended as a guide only. Respondents are welcome to provide more general comments on the issues raised in this paper.

Lodging submissions

Submissions can be sent to the following email address: regionalconnectivity@communications.gov.au.

The closing date for lodging submissions is 5:00pm (AEST) 9 September 2019.

All submissions lodged will be acknowledged by the Department by email. Respondents lodging a submission who do not receive acknowledgement of their submission should contact the Department. Submissions which are not acknowledged by the Department as being received may not be considered. Respondents should be aware that emails greater than 10Mb may not be successfully delivered.

Contact us

For further information about the Regional Connectivity Program or to discuss any elements of this Discussion Paper, please contact the Department via the above email address.

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Glossary

Term	Definition
Asset	The telecommunications network infrastructure specified in the Funding Agreement to be constructed by the Funding Recipient.
Asset Completion	The date on which the Funding Recipient confirms that the Retail Services are able to be provided in accordance with the Funding Agreement.
Assessment Criteria	The assessment criteria the Department will use to assess applications.
Backhaul	A link between the core or backbone of a network and sub-networks, transporting data from a series of disparate locations to a more centralised location.
Funding Agreement	A document with contractual effect specifying the responsibilities of Funding Recipients, the Commonwealth and State or Territory government (as the case may be) under the Program.
Funding Recipient	An applicant who has been successful in obtaining funding under the Regional Connectivity Program.
Funded Solution	Telecommunications infrastructure selected for funding under the Regional Connectivity Program, and where the context applies an Asset.
Proposed Solution	Telecommunications Infrastructure that the funding applicant has applied for funding to construct through the Regional Connectivity Program.
Retail Services	The telecommunications services that are made available to retail customers as a result of the funding provided through the Regional Connectivity Program.

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