

## BCR consultation on regional NBN funding

The Bureau of Communications Research (BCR), a unit established last year in the Department of Communications and the Arts, was asked by the Government to consider the funding of the National Broadband Network (NBN) to regional Australia. The initial policy arrangement saw nbn funding the services, covering any losses internally from other areas of the network. The Government policy now is to distribute the cost further than the nbn network.

The BCR has produced a [consultation paper](#) presenting their preliminary findings. Below is a summary of these findings.

- **Services included as non-commercial** – the BCR is recommending that the fixed wireless and satellite services are considered, as at an aggregate level these technologies are not capable of recovering their costs over time.
- **The accounting framework and methodology that should be used to assess the losses** - the BCR modelled the loss using a discounted cash flow and an avoidable cost approach, which results in a loss of approximately \$9 billion.
- **The guiding principles to designing funding options** - the BCR is recommending the principles of transparency, contestability, sustainability, economic efficiency, equity and competitive neutrality.
- **Funding options** – the BCR is recommending that nbn and equivalent networks (e.g. OptiComm and TPG) in the fixed footprint should be required to fund these services. Networks which are transitioning to the nbn under the Definitive Agreements (i.e. Telstra and Optus) should be excluded.
- **Contributions and implications** – the BCR has estimated that this amounts to a \$6.75 monthly contribution per fixed line from nbn and equivalent networks. This is estimated to result in no change, or a slight decrease, in the wholesale price charged by nbn. For equivalent networks, it is estimated that it may result in a maximum increase of 22 per cent in wholesale prices, if passed on in full.
- **The implementation and administration arrangements** – the BCR has recommended that the ACCC, Department of Communications and the Arts or the BCR should calculate the funding requirements and the ACMA should collect and distribute the funds. The funding arrangement should be reviewed every five to ten years.

The document also presents some of the discussion around technology limitations and substitutions (such as mobile and low earth satellites) and related policy considerations such as the Universal Services Obligation (USO).

The consultation is highly technical in terms of economic and financial accounting models. ACCAN [submitted](#) to the first consultation process and may also submit to this round. In our submission we commented on some of the financial accounting arrangements. However, ultimately our concern lies in the mechanism chosen: that it meets the principles; that it ultimately does not impede the delivery of

services in regional Australia; and causes minimal disruption to competition and affordability of services in all areas.

Interested parties are invited by the BCR to [comment](#) by 3 November, 2015.