



**Australian Government**

**Department of Communications and the Arts**

Mr Peter Saunders  
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Office of Best Practice Regulation  
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18 March 2016

Dear Mr Saunders

### **Regulation Impact Statement for early assessment**

I am writing in relation to the attached draft Regulation Impact Statement (RIS) prepared for nbn non-commercial services.

I believe the RIS meets best practice requirements and is consistent with the ten principles for Australian Government policy makers.

Following the Government's decision in December 2014 to implement a funding arrangement to fund nbn's non-commercial services, the Department of Communications and the Arts has considered the seven RIS questions and has undertaken multiple consultations with members of the telecommunications industry, with the assistance of the Bureau of Communications Research.

In particular, the RIS addresses the first four RIS questions:

- **What is the problem?** - The RIS considers how to best sustainably fund non-commercial broadband services in regional Australia. There are almost seven million Australians living in regional areas, and to date, broadband services in these areas have been poor.
- **Why is government action needed?** - The Government has already made a decision to roll out broadband services to non-commercial areas through the National Broadband Network. The rollout in non-commercial areas is largely completed or contracted. Hence, this is not a question of whether Government should be involved, but of the best form of funding for non-commercial services.

- **What policy options are you considering?** - The RIS considers five options, and evaluates each option in terms of financial impacts, economic efficiency impacts, competition, transparency and equity.

	<b>Policy Option</b>	<b>Net benefit</b>
1	Do nothing – nbn continues to fund non-commercial service losses through an internal cross-subsidy from its fixed line services.	Nil – baseline
2	Funding non-commercial services through the Budget.	High
3	Introduce a non-commercial services funding arrangement through a levy on nbn and nbn-comparable providers.	High
4	Targeted post-market subsidies – consumers pay charges that reflected costs in non-commercial areas. In the event that a class of consumers faced difficulty meeting those charges, they would be able to apply for assistance in the form of a subsidy payment.	Low
5	Delay and consider funding arrangements alongside the Universal Service Obligation (USO) review by the Productivity Commission.	Low

- **What is the likely net benefit of each option?** - Options 2 and 3 are likely to have the highest net benefits. However, an earlier RIS and Cabinet process in 2014 (TA14/0544/CAB of 1 December 2014 refers) decided that Option 2 would directly impact on the Budget and is therefore not feasible. Consequently, Option 3 is recommended.

In addition:

- the change in regulatory burden on business, community organisations and/or individuals has been quantified using the Regulatory Burden Measurement framework; and
- appropriate consultation has been undertaken through the Bureau of Communications Research's review of nbn non-commercial services funding options throughout 2015.

I submit the certified RIS to the Office of Best Practice Regulation for early assessment, consistent with best practice.

Yours sincerely



Ian Robinson  
Deputy Secretary  
Infrastructure Group