



**nbn™ Regional Co-Investment
Fund
Consultation Paper**

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1 Background

1.1 About nbn

NBN Co Limited (**nbn**) was established in 2009 to design, build and operate Australia's wholesale broadband access network (i.e. the **nbn**TM network). The Company's key objective is to ensure Australians have access to fast broadband as soon as possible, at affordable prices, and at least cost to taxpayers. To achieve this objective, **nbn** has been structured as a wholesale-only, open-access broadband network. **nbn** provides services on its local access network on equivalent terms to retail phone and internet providers, to provision for end-user needs. This is intended to level the playing field in Australian telecommunications, creating real and vibrant competition within the industry and providing choice for customers. In 2020 **nbn** completed its initial build of the **nbn**TM network and is now moving from its build to operational phase which will involve operating, maintaining and continuing to expand and upgrade the network to meet future demand for broadband. It is in this context, **nbn** made a commitment in late 2020 to invest in the **nbn**TM network through a \$4.5 billion, three-year, network upgrade plan which will build upon the platform already established over the last decade. This plan will capitalise on the positive social and economic benefits the **nbn**TM network can deliver to households, businesses, communities and the country as a whole.

1.2 nbn's Network Investment Plan

Having completed the initial build of one of the largest infrastructure projects in Australia's history, **nbn** is now focused on the next stage in the planned evolution of the **nbn**TM network.

The network investment plan brings forward \$4.5 billion of incremental funding to accelerate network investments that would have been required to commence in future years, based on the pre-COVID-19 trajectory for broadband demand, but which now make financial and economic sense to commence immediately.

The plan will deliver targeted and demand-driven investments to ensure the network keeps pace with increasing demand for higher broadband speeds and greater capacity, lifting customer experience and enhancing customer choice while improving network performance and resilience.

The network investment plan has three components:

- \$3.5 billion to make **nbn**'s highest wholesale speed plans available, as demand arises, to up to 75 per cent of households and businesses in the fixed-line network by 2023 (and up to 68 per cent in the total network)
- Up to \$700 million in a package of initiatives to collaborate with industry to help deliver enhanced digital capabilities supporting business innovation, productivity and growth (known as Business Fibre Zones), and
- \$300 million to establish a dedicated fund from which **nbn** can co-invest with all levels of government to continue to improve broadband services for Australia's rural, regional and remote communities – the Regional Co-investment Fund (the Fund).

Aside from the immediate economic stimulus impact through construction, **nbn**'s network investment plan will provide long-lasting benefits through extending the reach, speed and capacity of the **nbn**TM network and lifting the digital capability of Australia.

1.3 Purpose of this consultation

The purpose of this consultation paper is to gather feedback from all levels of government on **nbn**'s proposed design of the \$300 million (GST exclusive) Regional Co-investment Fund. **nbn** seeks to understand the extent to which governments are interested in participating in the Fund and welcomes feedback on any aspect of the proposed design and timeframes. Please refer to section 4 for specific matters on which **nbn** requests feedback.

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

1.4 Regional Co-investment Fund

The purpose of the Regional Co-investment Fund (the Fund) is to further enhance broadband services for rural and regional households, businesses and communities and to help meet the growing and diverse needs of Australians living in regional areas. This will be achieved through the creation of a \$300 million (GST exclusive) fund to invest alongside federal, state and territory and local governments in circumstances where those investments would otherwise be sub-commercial.

nbn is establishing the fund using money raised on commercial debt markets and as a result must achieve a threshold commercial return on funds invested. Hence, contributions from governments are the key enabler that will make sub-commercial projects viable for **nbn**.

The Fund is intended to deliver access to higher speed wholesale broadband services over the **nbn**[™] network to households and businesses in regional and remote areas of Australia and, in turn, promote socioeconomic benefits such as improvements in regional digital inclusion and capability which lead to better outcomes for health, educational, business, disaster recovery and first nations stakeholders.

2 Regional Co-Investment Fund - Key Design Principles

2.1 Objectives

As outlined above, **nbn**'s purpose, to lift the digital capability of Australia, goes beyond enhancing broadband technologies to households, businesses and communities. It is about connecting people. The Fund will provide an opportunity for **nbn** to co-invest with all levels of government to provide regional households, businesses and communities with access to enhanced broadband technologies to help meet the growing and diverse needs of Australians living in regional areas.

The Fund aims to:

- improve broadband services for Australia's regional rural and remote communities;
- strengthen relationships with government, industry and communities to optimise customer benefits,
- provide immediate economic stimulus through infrastructure enhancements; and
- help regional and rural communities realise the socioeconomic benefits that access to high-speed broadband can unlock.

2.2 Key Design Principles

nbn proposes the design of the Regional Co-Investment Fund incorporate the following four principles:

- Projects to deliver enhanced broadband infrastructure in **nbn**'s regional footprint.
- Funded applications are required to deliver a threshold commercial rate of return to **nbn**.
- Projects to deliver socioeconomic outcomes for the target localities.
- Equitable access to the Regional Co-investment Fund for all states and territories.

2.3 Projects to deliver improved broadband infrastructure in **nbn**'s regional footprint

The **nbn**[™] network is built using a multi-technology mix. The type of technology used to connect an area to high-speed broadband is dependent on several factors, including the cost to deploy each technology to an area. The challenges of geography and population density mean that outside city centres, **nbn** has deployed a combination of fixed line, fixed wireless and satellite technologies. High density areas outside major capitals, such as major country towns are often served by **nbn**'s Fixed Line technology. The remaining areas in rural, regional and remote Australia, where the cost to connect customers using fixed line technologies is much higher, fall within **nbn**'s Fixed Wireless and Satellite footprint. For more information on the multi-technology mix please refer to [nbn's website](#).

The Fund is intended to primarily target towns and localities in rural and remote areas outside greater capital cities that are served by **nbn**'s Fixed Wireless or Satellite infrastructure, and seek co-investment from local, state or federal government to uplift digital capability in these towns or localities and to increase the number of premises that can access technologies that support higher speeds. For example, from Fixed Wireless or Satellite to Fixed Line; or Satellite to Fixed Wireless.

The intention is also to use a business-as-usual approach to the operation of the network that is built with the Fund – that is the infrastructure constructed or upgraded is retained in the ownership and ongoing maintenance responsibility of **nbn**.

The technology changes resulting from co-investment are intended to lead to a lift in digital capability for the areas involved by improving access, network capacity, customer experience, and social well-being through improvements to economic development and growth of each region.

2.4 Projects to deliver socioeconomic benefits to regional Australia

Applicants must demonstrate how the proposed project will deliver on the objectives of this program as outlined in 2.1, in addition to demonstrating how the proposed project meets the key design principles in section 2.2. In the event of oversubscription of the fund, **nbn** propose a tie-break (see section 2.6.3) whereby **nbn** is considering giving priority to applications which provide greater socioeconomic benefits. To support this, applicants will be asked to provide details of expected socioeconomic benefits for each project in their application. The assessment of socioeconomic criteria will be undertaken based on advice from the Australian Broadband Advisory Council (ABAC).

2.5 Funded applications are required to deliver a threshold commercial rate of return to nbn

Consistent with **nbn**'s commitment to the Fund made in its Corporate Plan 2021 (and fundamental to its investment decisions and operation as a Government Business Enterprise) is an ability to earn a commercial rate of return on the company's assets. The Fund's co-investment model will provide a dedicated source of funding through partnering with governments and enabling **nbn** to generate a threshold commercial return on its contributed capital.

The cost of upgrading each locality will vary widely based on a range of factors discussed below; however, the potential revenue will be relatively defined and understood based on population, current usage and forecast demand. By applying the same commercial return requirement to the analysis of each locality, **nbn** intends to develop a level playing field and consistent benchmark by which to measure and compare projects. This process will involve determining what percentage of overall costs **nbn** can contribute to the upgrade of each locality, and the percentage of total costs which will need to be contributed by applicants of the Fund in order to achieve **nbn**'s threshold commercial return.

To assist applicants through the Expression of Interest process, **nbn** will prepare a business case for each proposed locality to provide applicants with an indicative build cost and **nbn**'s co-contribution towards each project, see section 3. The business case will consider a range of factors including the expected capital and operational costs to deliver the technology upgrade, as well as any expected variation in revenues, timings of cash flows or cost savings resulting from the upgrade. The business case, together with **nbn**'s commercial return obligation, determine the overall percentage contribution **nbn** can make towards upgrading any given locality. This approach will be applied to all applications and enables a fair and standardised approach to determining **nbn**'s level of co-contribution.

Factors which may influence build costs include, but are not limited to the:

- type of technology currently deployed and technology to be deployed (e.g. Satellite to Fixed Wireless, Satellite or Fixed Wireless to Fixed Line);
- number and density of premises in the area being upgraded;
- distance to existing infrastructure such as **nbn**[™] fibre backhaul;
- local conditions and terrain;
- workforce mobilisation costs; and
- other factors outside of **nbn**'s control.

Factors which may influence revenue and cost efficiencies include, but are not limited to the:

- number of premises in the area being upgraded;
- existing take-up of **nbn**[™] services in an area and predicted take-up of services once upgrade is complete; and
- cost that would have been incurred to maintain existing infrastructure (e.g. Fixed Wireless capacity upgrades).

In kind contributions, such as use of existing infrastructure or civil works may be considered on a case-by-case basis where they can be shown to be of significant benefit to the delivery of the project.

Given **nbn**'s need to obtain a commercial rate of return, there will be scenarios where the investment ratio between **nbn** and government is significantly less than 50:50. The below chart is an illustrative example of the proportion of **nbn** investment across ten localities when compared to the relative contribution made by a government.

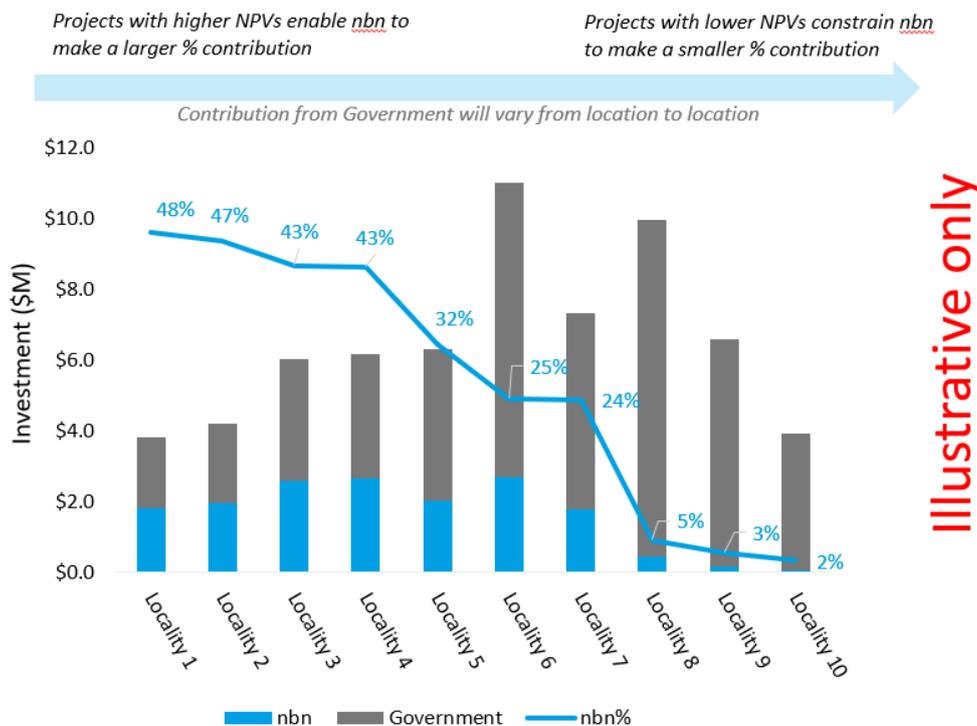


Figure 1 - Illustrative example of total cost and **nbn**'s co-contribution for a range of projects

In the above diagram, the cost to upgrade the access technology for Locality 1 is approximately \$4 million. Considering **nbn**'s forecast revenue and cost efficiencies achieved at Locality 1, it is estimated **nbn** could contribute 48 percent, or approximately \$1.92 million towards the total cost of an upgrade to this area.

Locality 6 has a higher cost to upgrade access technologies at approximately \$12 million. Considering **nbn**'s forecast revenue and cost efficiencies, it is estimated that **nbn**'s contribution is higher than for Locality 1 in dollar terms at approximately \$3 million, however this only comprises 25 per cent of the total cost to deploy upgraded infrastructure to this locality.

Locality 10, which has a similar cost to upgrade as Locality 1, has lower forecast revenue and minimal cost efficiencies so it is estimated that **nbn**'s return on investment is significantly lower, resulting in **nbn** only contributing 2 per cent of the total cost to build.

As outlined above, upon request **nbn** will provide applicants with a build quote for a project and details of **nbn**'s proposed co-contribution, enabling applicants to make informed decisions about their project. This is expected to be an iterative process to help build a portfolio of projects that aligns both to government digital priorities and on a financial basis that is agreeable to both the applicant and **nbn**. Further details about the application and quote development process can be found in section 3.

2.6 Equitable access to the Regional Co-investment Fund by states and territories

A key design principle of the Fund is to facilitate equitable access to the Fund across states and territories, and by all levels of government. It is proposed that funds be allocated per-State and Territory based on a range of factors, including the proportion of fixed wireless and satellite premises which are Ready to Connect (RTC) within that state or territory.

By providing access to the Fund on this basis, all levels of government across Australia have an opportunity to leverage funding to deliver projects that are a high priority for the relevant area and can help address their digital strategies.

The maximum allocation of funding per state or territory can be accessed by all levels of government, and should applications received exceed the allocation, **nbn** proposes that a framework will be used to prioritise which projects are selected for that state or territory based on the socioeconomic benefits that each project would deliver. See section 2.6.3.

Funding allocations for each state and territory will be adjusted where necessary to take account of any investments **nbn** is required to make, and any additional funding received, under other programs that **nbn** has already applied for or will apply for in future, such as the Commonwealth Regional Connectivity Program.

2.6.1 Existing government programs for regional connectivity

nbn recognises that some governments administer their own programs focussed on improving connectivity in regional Australia, for example the Commonwealth Regional Connectivity Program.

nbn will consider using the Fund to support its participation in other government regional connectivity programs where this arrangement is preferred by the relevant State or Territory, or local government, and the government program meets **nbn**'s Fund principles discussed in this paper.

2.6.2 Co-investment with third parties

nbn recognises that some governments may seek to source financial co-contributions for their projects beyond **nbn**'s Regional Co-investment Fund (e.g. other third parties). **nbn** does not intend to enter into a co-investment agreement with any non-government parties.

Applications must demonstrate broader benefit to multiple individuals, businesses and/or organisations, not just private third parties.

Cross border collaborative applications for projects are acceptable under the Fund (e.g. a proposed technology upgrade for a border community such as Albury-Wodonga), however these proposals should make clear which state or territory government(s) are co-investing with **nbn**.

2.6.3 Tie-break scenarios

As outlined in section 2.4, if applications for funding, which meet the commercial criteria, exceed the total allocation in any state or territory, **nbn** intends to consult with those applicants whose combined applications exceed the allocation. If agreement cannot be reached between applicants on which projects to progress, **nbn** is considering giving priority to applications which provide greater socioeconomic benefits.

nbn is seeking advice on the inclusion and assessment of socioeconomic benefits with Australian Broadband Advisory Council (ABAC) and welcome feedback via the responses to this consultation paper.

The final approach to tie-break scenarios will be communicated at the commencement of the application process.

2.6.4 Unallocated Funds

nbn proposes that if the full allocation of funds is not used for co-investments in any state or territory, **nbn** may reallocate the funds for co-investment in a subsequent funding round. Details of any reallocation process will be determined at a later stage.

nbn intends to complete all works associated with the Fund, including any subsequent funding rounds, by 30 June 2024. It is recommended that applicants submit their applications under the initial round of funding to maximise the time available for completing projects within this timeframe.

2.7 Activities ineligible for funding

nbn proposes that the following activities will not be eligible under the Fund:

- Costs incurred by applicants in the preparation of the application for funding or related documentation
- Ongoing operating and maintenance costs incurred by the applicant
- Benefit one or more private third parties exclusively, as opposed to benefiting the community.

3 Regional Co-Investment Fund process

The program has four key stages, with the following indicative process:

3.1 Consultation

Approximate Duration: March 2021 – May 2021

During this period **nbn** will consult with all levels of government via this consultation paper, as well as other stakeholders such as the Australian Broadband Advisory Council, for feedback on the design of the Fund.

nbn may also meet with stakeholders during this period to understand their priorities and to assist **nbn** in developing build estimates.

Once the consultation period is complete, **nbn** will finalise the Fund's guidelines and notify stakeholders.

3.2 Expression of Interest

Approximate Duration: June 2021 – September 2021

At the start of the Expression of Interest stage, **nbn** will release an Application Pack that includes the following four documents outlined in Table 1.

#	Document in Application Pack	Description
1	Application Guidelines	Document that describes the finalised Expression of Interest guidelines and processes.
2	Application Form	Form that applicants must fill out to capture the Applicant's details, summary of the proposed project(s) and response to the socioeconomic criteria.
3	Build Quote Assessment Form	Form that applicants must fill out to obtain an indicative build quote and nbn 's co-contribution amount for each project.
4	Non-Disclosure Agreement	A non-disclosure document that enables nbn and the eligible applicant to share confidential information.

Table 1 - Documents in Application Pack

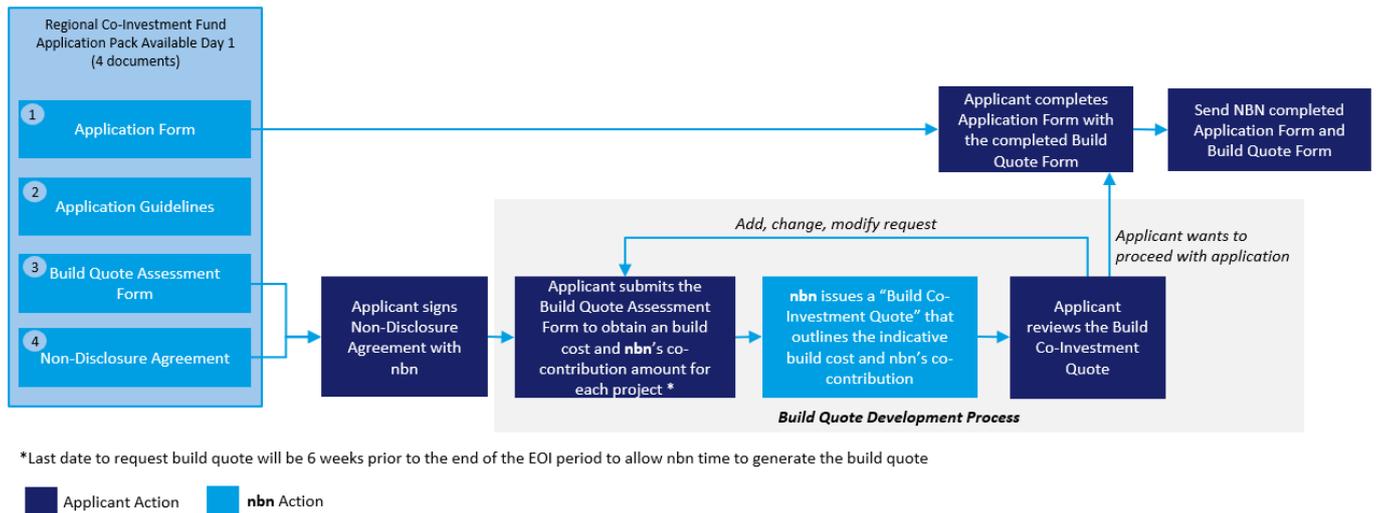


Figure 2 - EOI and Application Process

As outlined in Figure 2 - EOI and Application Process, **nbn** will work with applicants to provide them with a build quote and calculation of **nbn's** co-contribution amount for each project prior to application submission.

Due to the commercial and confidential nature of the information that will be shared with applicants, a Non-Disclosure Agreement must be in place prior to these discussions. Once complete, **nbn** can then accept a Build Quote Assessment Form which outlines the applicant's request for an indicative build quote and calculation of **nbn's** co-contribution towards each project. Applicants can request indicative build quotes and calculation of **nbn's** co-contribution for multiple projects within a single Build Quote Assessment Form.

nbn will provide the applicant with a Build Co-Investment Quote outlining each project's indicative build cost and **nbn's** proposed co-contribution. If the applicant wants to proceed with their application, they can then attach each project's Build Co-Investment Quote as part of their Application Form to **nbn**.

If the applicant wishes to add, change or modify their request, they can submit an updated Build Quote Assessment Form.

3.3 Assessment

Approximate Duration: September 2021- October 2021

Upon receiving the applications, **nbn** will assess the submission against the finalised guidelines and criteria.

During the assessment period, applicants may be requested to provide further information to support their application.

3.4 Outcome notification and feedback

Approximate Duration: October 2021-November 2021

Application outcomes are expected to be released during this period. Feedback on applications is expected to be made available upon request within four weeks of written request for feedback. Successful applicants will be contacted to enter into a commercial agreement with **nbn**.

4 Consultation and feedback

nbn is interested in understanding governments' interest in participating in **nbn's** Regional Co-Investment Fund and welcomes feedback on any aspect of the proposed design of the Fund. Views on the following matters would be particularly useful:

- a) Are you interested in participating in **nbn's** Regional Co-Investment Fund?
- b) Do you have any existing or proposed programs that may overlap with **nbn's** Regional Co-investment Fund? If so, please outline the program, including these size and state of progress, for example, is it funded, and has it commenced?
- c) How does the Fund align with your Government's strategies and programs?
- d) Do you have any feedback on the socioeconomic benefits that projects could deliver and the assessment of socioeconomic benefits as outlined in section 2.4 and 2.6.3?
- e) Do you have any feedback on the Regional Co-Investment Fund process as outlined in section 3?
- f) Do you expect to be able to participate in the Fund given the proposed timing?
- g) Do you have a position on **nbn** using government-owned assets for delivery of projects under the Fund?
- h) Are you able to provide non-asset related support for these infrastructure projects? For example, fast-tracking of development approvals.
- i) Do you have any priority towns/localities **nbn** should consider and what are the benefits that you are looking to deliver for these towns/localities – e.g. attracting businesses, improving access to communication and remote education etc.
- j) Do you have any other feedback on any aspects of this consultation paper?

4.1 How to respond

States, territories and relevant local government associations are invited to submit their responses to the questions in this document by completing and returning the supplied consultation feedback form. Responses should be received no later than 5:00pm (AEST) on 29 April 2021.

All responses lodged will be acknowledged by **nbn** by email. Respondents who do not receive an acknowledgement of their response should contact **nbn**. Responses which are not acknowledged by **nbn** as being received may not be considered.

All responses and feedback will be treated as non-confidential information unless specifically requested to keep confidential. Responses and feedback will also be subject to freedom of information provisions. Despite a response or feedback being identified as confidential or sensitive, it may be disclosed where authorised or required by law.

nbn does not intend to respond to individual submissions to this consultation however we may contact respondents to better understand their submissions.

4.2 Enquiries

If you have any questions or require further information, we encourage you to contact **nbn** during this consultation period via the contact details in the consultation feedback form or via your **nbn** representative.