



Australian Government

National Office for the Information Economy

DEMAND AGGREGATION (DA) BROKER PROGRAM CONSULTATION PAPER

Background

This paper outlines the proposed arrangements for the Demand Aggregation Broker Program (the DA Broker Program) that was announced as part of the Australian Government's response to the Regional Telecommunications Inquiry.

Many areas of regional, rural and remote Australia do not have access to broadband services at prices comparable to those available in metropolitan areas. There are many reasons for this disparity including economic, technological, infrastructure availability, informational and market factors. A central reason is that broadband service providers cannot see sufficient market potential to justify the risk of investing in the infrastructure needed to provide broadband services.

The government's strategy for providing funding for demand aggregation is to narrow the gap between the broadband services available in metropolitan and regional Australia. Demand aggregation is the process of identifying and accumulating existing and potential demand and matching that demand with the infrastructure or investment strengths of broadband suppliers. The process requires a combination of technical and business skills and an ability to work with the various stakeholders in a community.

Community and sectoral leaders often lack expertise in broadband technology, are not fully aware of the need for broadband infrastructure and applications within their communities or sectors, and are not familiar with methods for attracting investment. However, these leaders have a deep understanding of their communities or sectors and an ability to mobilise them to achieve a common goal.

The Government's funding will support DA brokers to provide the knowledge to bridge the gaps in expertise within communities and sectors. DA brokers will work with community and sectoral leaders to encourage investment by governments, the private sector and local communities in broadband infrastructure and services. They will develop broadband markets where there may be pockets of existing or potential demand, which are either too small or too isolated to be attractive to suppliers. DA brokers will seek to bring this demand together to increase the purchasing power of buyers to achieve more affordable pricing arrangements, greater choice and improved access to broadband.

Government funding of \$8.4 million will support demand aggregation program elements. The program will fund a network of brokers at the national, state and territory, and community levels.

The DA Broker Program forms part of the Australian Government's contribution to the National Broadband Strategy (NBS). Other key elements of the NBS include the Coordinated Communications Infrastructure Fund (CCIF) and the Higher Bandwidth Incentive Scheme (HBIS). Each of these programs are designed to complement each other but will be administered separately (see page 4).

What demand aggregation brokers will do

Demand aggregation brokers will work with potential buyers of broadband services to bring the interests of buyers and suppliers together. Their activities may include:

- developing strategies to aggregate demand in a region or community
- identifying broadband demand patterns and opportunities to take advantage of existing networks and demand for greater regional benefit
- advising stakeholders on how to structure business proposals for investment in broadband
- identifying opportunities to coordinate investment in broadband technologies and services within a sector or region
- advising governments about the merits of broadband infrastructure proposals
- building a greater understanding of broadband opportunities and risks in regional communities.

Specific activities of DA brokers may include:

- meeting with local government and community stakeholders to provide advice about methods of demand aggregation, common pitfalls and likely solutions
- conducting surveys of particular sectors or geographic areas to determine levels of potential demand and to identify priority areas for demand aggregation
- gathering information about current broadband infrastructure and pricing to inform the development of business proposals by buyers
- assisting regional stakeholders to develop proposals for government or private sector funding, including developing comprehensive business plans that identifying realistic options for supply, local technical support and project sustainability
- facilitating discussions between stakeholders within a sector or region to align their interests and develop proposals that will benefit all participants.

Core elements of the program

The program includes three core elements:

- national brokers, to focus on multi-jurisdictional broadband initiatives in targeted areas such as the health and education sectors
- state and territory based brokers, to work with governments and communities within a state or territory to develop demand aggregation projects, both across sectors and within particular geographic areas
- community based broker projects, to assist communities with demand aggregation on specific projects.

See Attachment A for further details of these program elements.

Key beneficiaries of the program

The program will focus on regional, rural and remote areas of Australia. Key beneficiaries of the program include: organisations and participants in the health and education sectors; local communities; residential users of broadband; and national, state and territory, and local governments.

Program principles

The DA broker program will apply the following principles:

- **strategic outcomes focus** – seek to maximise the reach of broadband benefits in the region and, where possible, take advantage of, rather than duplicate other related telecommunications investments
- **sustainability** – encourage sustainable strategies for broadband implementation
- **collaboration and cooperation** – encourage collaboration between state and territory governments and the private sector
- **technology neutrality** – the program will not favour particular technologies
- **competition** - encourage competitive market outcomes
- **information sharing** – encourage information sharing about the potential supply and demand in regional markets.

Implementation timing and process

National, state and territory brokers

Initial notification of the program guidelines and the timetable for recruitment will be advertised in the press in October 2003. The selection process for brokers will begin in November 2003, with brokers expected to commence working from early 2004. Additional state and territory brokers may be appointed as required throughout the duration of the program.

Community based broker projects

Opportunities to bid for community based broker projects will be advertised in December 2003 with project proposals due around the end of February 2004. Additional funding rounds are expected in mid 2004, late 2004 and mid 2005.

It is expected that the Minister for Communications, Information Technology and the Arts (the Minister) will announce the first round of successful project proposals in the second quarter of 2004.

Governance arrangements

Role of the National Office for the Information Economy (NOIE)

NOIE will manage the overall administration of the program, consulting with relevant governments and other stakeholders where appropriate. NOIE will monitor the implementation of projects against the objectives of the National Broadband Strategy. NOIE will work in close association with the Department of Communications, Information Technology and the Arts.

NOIE's responsibilities under the program include:

- overseeing the activities of national, and state and territory DA brokers
- determining the allocation of funding to support community based broker projects
- advising the National Broadband Strategy Implementation Group (NBSIG) on the status of the program and strategic issues
- monitoring the agreements made with lead agencies for the provision of funding
- DA brokers will provide quarterly reports to NOIE on their operations.

Role of the National Broadband Strategy Implementation Group (NBSIG)

The NBSIG will act as the primary consultation mechanism for providing strategic oversight of the National Broadband Strategy. As part of this role they will consider

strategies to share demand aggregation best practice and discuss strategically significant demand aggregation projects.

Role of state and territory governments

State and territory governments will work collaboratively with the Australian Government to support implementation of the program, including:

- supporting NOIE with the selection of state and territory based brokers
- providing matching funding or appropriate support to meet the operational requirements of the state and territory brokers
- monitoring DA broker activities within their state or territory
- advising the national DA brokers on strategic investment issues within their state and linkages with the priorities of the National Broadband Strategy.

National Broadband Strategy linkages

The DA brokers are one element of the National Broadband Strategy. Other key elements of the strategy include the Coordinated Communications Infrastructure Fund (CCIF) and the Higher Bandwidth Incentive Scheme (HBIS). These programs have been designed to complement each other but will be administered separately.

The CCIF program aims to encourage further investment in broadband infrastructure in regional, rural and remote areas, focussing on developing outcomes for the health and education sectors and government services. The HBIS provides financial incentives for service providers to offer faster internet services to residential customers in regional, rural and remote areas for prices broadly comparable to those in metropolitan areas.

For example, DA brokers may aggregate demand across sectors and jurisdictions, including an application for assistance from a CCIF grant. DA brokers may work to encourage residential users to take advantage of infrastructure developed as a result of this activity, taking up services supported by the HBIS.

Program evaluation

Measurable outcome targets will be developed to assess the program against its objectives. These will include the extent to which the program:

- accelerates the rollout of broadband infrastructure and services
- improves competition and affordable pricing arrangements in regional, rural and remote Australia
- provides a greater choice and range of access to broadband infrastructure and services
- increases demand for broadband in targeted regional, rural and remote areas
- improves strategic investment outcomes for broadband in health and education and government procurement.

NATIONAL DEMAND AGGREGATION BROKERS

Purpose

The national brokers will focus on facilitating multi-jurisdictional broadband initiatives in targeted areas such as the health and education sectors.

Administration Issues

Selection Criteria

1. experience with government telecommunication procurement policies and practices, and Australian Government and state and territory legislative, regulatory and policy environments
2. the ability to promote a strategic investment approach to the procurement of broadband infrastructure to support National Broadband Strategy priorities
3. knowledge of telecommunication markets, associated technologies and infrastructure
4. specific knowledge of the relevant area of activity, such as the health or education sector
5. the ability to foster collaborative and strategic partnerships for broadband investment within the relevant area of activity (such as health or education)
6. the ability to promote competition and liaise effectively with a number of service providers.

Special Requirements

Brokers must be willing to sign a statutory declaration to confirm their impartiality when performing their duties and outlining a process for dealing with any conflict of interest issues should they emerge.

Operational Arrangements

Job Description

National brokers will work with specified areas of activity such as the health, education or government sectors, to encourage demand aggregation strategies. These strategies will include an agreed plan of action to encourage collaboration between institutions within a sector and will identify actions to pool demand for broadband and coordinate

purchasing arrangements, in line with the objectives of the National Broadband Strategy. National brokers will provide quarterly progress reports to NOIE.

In collaboration with NOIE, the national brokers will provide strategic oversight of the DA Broker Program. Their roles would include:

Promoting multi-jurisdictional demand aggregation initiatives

National brokers will assist with the coordination of initiatives that cut across Australian Government agencies, state and territory governments, local governments and relevant private sector interests. For example, the national broker may identify areas of collaboration between the Department of Health and Ageing, state health departments and private health providers.

Pursuing opportunities for whole of sector collaboration and investment

National brokers will assist parts of sectors to identify opportunities to work together collaboratively to aggregate demand across the sector. For example, in the education sector, brokers will work to encourage the inclusion of universities, VET institutions, state, catholic and independent schools, within a local region, bearing in mind the needs of other stakeholders within a region. Where their infrastructure needs can be aligned by brokers, they will facilitate projects that coordinate infrastructure investment.

Working with the health and education sectors, government portfolios and with large national government organisations to identify opportunities to build on the existing sources of demand to accelerate investment in regional telecommunication networks

Brokers will work with existing major sources of demand (anchor tenants) such as hospitals and telecommunications service providers to expand the scope of services. For example, brokers might encourage suppliers who build infrastructure to support the needs of a local hospital to make this available to serve GPs and other health care providers in a region.

Providing advice to NOIE on the state of demand and supply in particular sectors and regions, and providing advice on the merits of DA proposals

Brokers will support NOIE and the NBSIG with advice about the role of demand aggregation in supporting the National Broadband Strategy and opportunities that may emerge in particular sectors and markets. On request, they will provide NOIE with advice about the merits of proposals developed by state and territory based brokers, and community based broker projects.

STATE AND TERRITORY BASED BROKERS

Purpose

State and territory based brokers will assist governments and communities within a state or territory to gain maximum advantage from their aggregated demand, by encouraging smarter procurement practices, developing knowledge of the market and the industry structure and exploring a range of creative infrastructure options.

Demand aggregation brokers will share their knowledge and expertise on broadband investment with regional communities, propagating information about relevant technologies, infrastructure, markets and telecommunications stakeholders. They will assist regional communities to establish viable business proposals for broadband and build local buy-in and support.

Organisations with an interest in the state and territory based brokers include:

- local councils and community groups seeking to promote broadband in the community
- industry groups or consortiums developing demand aggregation strategies
- representatives of key sectors such as health and education that are seeking to improve the benefits they can derive from their broadband investment through local partnerships and demand aggregation
- suppliers seeking to increase their business in regional, rural and remote markets.

Administration Issues

Selection of state and territory brokers

The Australian Government will contract brokers to work with individual states and territories. The selection of the state and territory based brokers will be undertaken jointly by NOIE and the relevant state or territory government.

Support for brokers

The Australian Government will provide support for the state and territory brokers under the program. State and territory governments will be expected to at least match this support through cash and in-kind assistance.

Operational Arrangements

In collaboration with the relevant state or territory government, NOIE will develop guidelines describing how the state and territory brokers will operate at the regional level. State and territory brokers will provide quarterly progress reports to NOIE.

State and territory brokers will:

Provide oversight and strategic advice on demand aggregation programs and initiatives established by state and territory governments

Brokers will work closely with their respective government to review government programs and identify opportunities to aggregate demand. DA brokers will meet with communities and suppliers in regional and rural areas and advise potential buyers about opportunities to pool their demand to improve the availability and price of services. Brokers will seek to align DA activities with the objectives of the National Broadband Strategy.

Undertake activities to identify areas with significant potential demand

Brokers will assist potential buyers to identify broadband demand patterns and to determine the likely broadband requirements and spend available in a particular sector or region. For example, they may help potential buyers to conduct surveys of demand and meet with telecommunication suppliers to identify the nature and availability of appropriate infrastructure networks. Brokers would report to the relevant state or territory government on their findings, identifying areas representing the greatest opportunities to link demand and encourage infrastructure investments.

Support information-sharing activities that build greater understanding of broadband opportunities and risks

Brokers will participate in regional broadband forums and share information about ways to implement demand aggregation, including relevant risks and opportunities. They will promote best practice examples to help potential buyers to explore their options. Brokers will disseminate brochures and other printed material and may present at relevant forums.

Advise stakeholders on how to structure investment proposals for demand aggregation initiatives being implemented as part of a state or territory government program

Brokers will meet with potential buyers including schools, hospitals, local governments and major business representatives to advise them on options for infrastructure, technology and applications for broadband. They will help them to develop business cases and plans, to construct sustainable broadband proposals. Brokers will liaise with potential suppliers to determine their interest in the market and facilitate negotiations on behalf of buyers. Brokers will provide vendor-independent advice to potential buyers on how to arrange deals to achieve the best possible investment outcomes. They will not have a direct role in managing projects.

Review stakeholder proposals that bid for support under other government programs

Brokers will advise NOIE and the relevant state or territory government of demand aggregation project proposals that are seeking funding support from Australian Government programs such as the CCIF, or the programs of state and territory governments. On request, they will provide NOIE and state and territory governments with advice about the merits of DA proposals.

COMMUNITY BASED BROKERS

Purpose

Funding under the DA Broker Program will contribute to the employment and resourcing of community based brokers to assist in aggregating demand to progress broadband rollout in a local area on a specific project.

Eligibility

To be eligible for community based broker project funding, communities must have:

- a strong commitment from local groups (these may include residents, businesses, government, educational institutions, health services and community groups) to obtain broadband in their local area
- a competent management team willing to take responsibility for developing and implementing broadband rollout in the area
- a basic broadband management strategy including:
 - a preliminary assessment of the present demand and a projection of future demand for broadband services
 - an understanding of the steps involved in establishing broadband services
 - a preliminary assessment of the resources required to complete the project
 - a concept plan for raising the necessary funds and obtaining personnel
 - a detailed time schedule
- a demonstrated need for technical or professional expertise in the area of the planned aggregation
- an outline of other sources of financial support together with a budget outlining the purposes to which the funding will be applied.

Responsibilities of the broker

Community based broker responsibilities may include:

- establishing avenues for information sharing with communities that are at a similar stage in the development of their broadband strategy, or that have recently aggregated demand
- demonstrating the benefits of broadband to mobilise enthusiasm for the technology in communities
- encouraging local organisations who have significant demand (anchor tenants) to adopt broadband strategies that enable the provision of broadband to the wider community

- assisting in the research, identification and analysis of best practice in developing a local demand aggregation strategy
- establishing local governance arrangements and project management structures to support the financial, logistical and legal development of a demand aggregation strategy
- refining local demand aggregation business plans including financial and resource projections
- implementing detailed demand surveys to determine the commitment and needs of potential buyers of broadband connections
- supporting potential buyers in negotiations with suppliers
- assisting communities to make their region more attractive for infrastructure investment
- identifying external funding opportunities and assisting with the development of proposals for funding.

Funding

Funding of between \$50,000 and \$250,000 is available for eligible proposals. Funding will be awarded on the basis of the selection criteria below, with the level of funding dependent on the nature and extent of the proposal and the level and nature of funding secured from other sources.

Communities are encouraged to put forward proposals that take full advantage of existing Australian, state and territory government initiatives and demonstrate strong whole of community commitment to the outcomes.

Assessment Criteria for Community Based Broker Projects

Assessment criteria for community based broker projects will include:

- the nature and extent to which the proposal supports the National Broadband Strategy's strategic objectives and priorities
- the quality of the proposal's management team, project plan, management strategy, budget and financial plan
- the level of demonstrated community support for the development and implementation of the proposal
- a demonstrated need for technical or professional assistance in specific elements of the community's broadband strategy
- the potential of the community's broadband strategy to create sustainable and competitive outcomes including more affordable, reliable and / or diverse broadband services for the community

- the extent to which funding from other sources will complement the Australian Government's investment in broadband and the capacity of the project to integrate with, and build on, existing and planned regional telecommunications initiatives
- the extent to which the proposal provides value for money and maximises the return on investment for all parties.

Decision-making process

NOIE will assess applications for community based broker projects, including the technical and business merits of proposals, with input from relevant state and territory governments and brokers. NOIE will make recommendations to the Minister for approval.

Opportunities to bid for community based broker projects will be advertised in December 2003 with project proposals due around the end of February 2004. Additional funding rounds are expected in mid 2004, late 2004 and mid 2005.

It is expected that the Minister will announce the first round of successful project proposals in the second quarter of 2004.

Monitoring

NOIE will monitor each project on an ongoing basis to ensure compliance with identified milestones. Unless otherwise agreed, project leaders will be required to achieve milestones and conduct activities in accordance with the initial proposal.