

Submission to

Senate Select Committee on the National Broadband Network

Perth

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iiNet Comments

Policy vacuum

The strategic review, the cost benefit analysis and the public debate are all being conducted in a public policy vacuum. Successive governments have struggled to communicate concrete reasons for an investment in NBN. Debate has continued to focus on download speeds for domestic entertainment.

No 'National Objectives' are presented as the drivers for the construction of the NBN, as they might be for any other infrastructure project.

The strategic review continues the failure to address any of these missing components.

The cost benefit analysis has no specific benefits to analyze, only costs.

National objectives

The Australian public, and it seems the parliament, appears to be unsure why the NBN is being built and so discussions are still mired in the operational issues of costs, timetables and technology, rather than national benefits.

iiNet believes there are very clear National Objectives that ought to be the focus of national debate and agreement, as they are in other, neighboring economies¹.

These National Objectives or goals should include a focus on -

- national productivity;
- job creation;
- export opportunities;
- regional development;
- industry development;
- improved competition; and
- improved social outcomes.

iiNet does not believe that downloading songs faster or being able to connect multiple televisions should be the drivers of national infrastructure projects.

¹ Singapore's iN2015 goals include:

- To be #1 in the world in harnessing ICT to add value to the economy & society.
- To realize a twofold increase in the value add of ICT to S\$26bn.
- To realize a three fold increase in the value of ICT exports to S\$60bn.
- To create 80,000 jobs
- To achieve 90% broadband usage in all homes.

Info-communications Authority of Singapore - "Realising the iN2015 Vision", 2010.

Business performance requirements

Unsophisticated comments about downloading songs, movies and what number of TVs that can be connected, distracts from what should be informed discussion about economic and social benefits.

The performance of data uploading features strongly in a variety of case studies of iiNet small business customers, attached below. In all cases, upload performance is the key to their purchasing decision. Nowhere in the strategic review is there any consideration of upload performance to the small business sector of the economy, or at all. Any business utilizing broadband will confirm that upload performance is 'mission critical' and yet little attention has been given to this issue, which is strategically important to the Australian digital economy.

Businesses considering on-line services or applications are hampered by the ability of their target market (consumers) to access those services, if their broadband performance is limited. Without an addressable market, Australian on-line service development will progress slowly.

The importance of broadband performance to both sides of the on-line, supply and demand dynamic is ignored in the strategic review, just as it has been in the political debate, over recent years.

Almost all discussion has been centred on download speeds for domestic broadband users – the demand-side. This is why the arguments over the comparative download speeds of competing technologies has absolutely failed the Australian community. Without a supply-side review, focused on service creation and delivery, Australian consumers will have little reason to acquire high performance services.

Given that the Australian political leadership fails to promote this fundamental issue, it is likely that a residentially focused, download-centric strategy for trivial entertainment consumption will be the best that the Australian digital economy can hope for.

International competitiveness

Instead Australians will see online services developed in countries where a sufficient target market does exist. Increasingly, these mature services will be presented to Australian consumers from offshore operators. This is already happening with cloud services, retail distribution, content delivery, search engines, mapping services and so on.

There is hope, however, and some Australian providers of on-line service are demonstrating that they are just as capable as any others to offer high value services internationally. Apart from our own case studies, we would point to the broadband dependent business of CLIVE International Pty Ltd, a distance education company delivering English language lessons into Asia, (see also <http://australia.clivecampus.com>).

Wholesale or retail

NBN Co is presented as a 'wholesale only' service provider, but our experience is that this term is not appropriate or correct.

The behaviour of NBN Co extends beyond the strict wholesale service provision into the role more appropriately the responsibility of expert retail service providers. This is illustrated by:

- An insistence on designing and imposition on the market of ‘take-it-or-leave-it’ retail products; and
- Its continuing market communications and advertising via electronic or print media and direct mail.

This behaviour continues, despite its prohibition from taking orders from, or supplying directly to, the market. It continues despite its lack of retail skills or expertise. We suggest that the strategic review has ignored inputs on this front from some of Australia’s most experienced Internet retailers including ourselves.

By NBN Co insisting on controlling the design of retail products, retail service providers are unable to respond to customer demands or evolve to meet changing needs. The slow pace of NBN Co’s product development is related to its remoteness from the end-user and is unlikely to improve over time.

Innovation in retail products is more appropriately the bailiwick of those involved in such matters. If NBN Co had simply offered access to wholesale interfaces (or ‘ports’), innovative service providers would already have a much greater range of business and residential retail services on offer in the market.

Complexity creates cost

Interconnection is essential to the provision of services and to ‘any-to-any’ connectivity. An increasing order of complexity arises where an environment is created with multiple network providers, each with multiple technologies.

Complexity introduces a barrier to entry for new providers. This barrier comes with the need for specialist, skilled resources and the increased costs associated with development and maintenance of interfaces for product definition, ordering, appointment tracking and fault management of services.

The NBN was initially designed to provide a national, standardized, uniform interface to a single provider. More than 90% of all services were planned to be delivered over FTTH technology. This simplified design promised a beneficial reduction in the complexity and cost of operating on-line services over the NBN.

A multi-technology approach introduces the likelihood that HFC, VDSL and any other non-fibre based access services will require additional investment in business-to-business (B2B) interfaces, multiple points of interconnect (POIs) with multiple entities, rather than a single interface to a single, wholesale network provider.

The number of POIs in the initial project was considered a barrier to the NBN, for sub-scale companies, iiNet believes that the multi-technology approach will only exacerbate that issue, which, it is reported, encouraged some owners to exit the industry.

This issue is as much a concern for RSPs as it is for access providers.

Contacts

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Appendix – Case Studies

Case study 1

Name: Perth Web Design

Location: Perth, East Victoria Park

Service selected: Fibre 100/40 Mbps

Main Benefit: Increased upload bandwidth has improved efficiency.

Description:

Perth Web Design delivers web design and digital marketing services to SMEs, local government and corporate clients from East Victoria Park, Perth. The rapidly-growing company has delivered over 2,500 websites over the past four years and today employs 32 staff.

Perth Web Design was among the first commercial premises in Perth to join the NBN. Just days after making the move, Managing Director Oliver Wood noticed big differences with his connection.

"The main thing for us is upload speed. We deal with big art files. We're always pushing sites live. Every time we do an amendment, I might be pushing 30 or 40 MB live," he said.

Mr Wood says Perth Web Design's NBN connection will also deliver wider business benefits.

Greater bandwidth means the company can now offer "failover" to clients. This means that, in the unlikely event that the organisation that hosts its clients' website experiences problems, Perth Web Design can take over hosting them from its own infrastructure.

Better quality VOIP connection is another benefit delivered via the new service. Perth Web Design now has a dedicated line for voice calls, ensuring uncompromising quality on voice calls.

"Perth Web Design have what I consider to be some of the best designs in the business coupled with the ability to get my site in front of my target audience in an extremely short period of time."

Testimonial on website - <http://www.perth-web-design.com.au>

Case study 2

Name: Radio MVFM

Location: Tasmania, Deloraine

Service selected: Individual Fibre 25/5 Mbps

Main Benefit: Volunteers can upload their programs to the station's server directly from their homes.

Description:

Radio MVFM is a three-year-old station run by 15 volunteers that broadcasts 24 hours a day, seven days a week, covering an area from Devonport to the edge of Launceston in northern Tasmania. (see - <http://www.mvfm.com.au/home>)

The station is not staffed, rather, volunteers compile and record programs at home and then use broadband to upload them, from home, to the radio station's servers.

Lionel Walters, the president of Meander Valley Community Radio Inc., the not-for-profit organisation that broadcasts MVFM, said the arrival of the NBN in Deloraine made a dramatic difference to the volunteers.

"It's not live radio. Our scheduling of programs is done remotely. Volunteers do shows from their home PC or a smartphone or tablet. The NBN enables that to be a faster process than it was in the past. Remotely controlling the station's computers from home now is an experience that is almost as fast as being there."

The station and Lionel's home are both connected to the NBN.

"Using my old ADSL service, a one-hour show - which could be about 60 megabytes in size - could take as long as 50 minutes to upload. Now it's done in just one to two minutes," he said.

Case study 3

Name: Andy Ciddor, Editor AV magazine

Location: Ballarat and Hobart

Service selected: Business 100/40 Mbps

Main Benefit: Fast upload speed is essential for his work, and it now allows him to work from home in Hobart without needing to commute to an office in Ballarat as often.

Description:

Andy Ciddor now has the NBN connected to his home in Hobart (via Internode), and the editorial office in Ballarat is also connected to NBN (via iiNet). He now plans to work from home more often and save significant time and expense by avoiding a lengthy commute.

Ciddor upgraded the Ballarat office (from a cable service) to NBN because it offered much faster upload speeds. Upload speeds are crucial in his work as an editor. While working from home in Hobart, he can edit page layouts, documents and add photos to articles at speeds similar to that which he would experience, if he were working in the Ballarat office.

In Andy's case both the origin and the destination of his file transfers were upgraded, leading to improved productivity and cost savings for both himself and his staff.

See also <http://av.net.au/index.php>

Case study 4

Name: Secret Lab

Location: Hobart

Service selected: Internode NBN Platinum 100/40 Mbps 600Gb plan

Main Benefit: Transmitting data to customers is crucial to conducting business.

NBN has delivered considerable savings to company financially, and in time spent sending these large files.

Description:

Secret Lab is an independent software developer producing computer games and educational and training applications, based in Hobart.

Although Secret Lab achieved impressive ADSL2+ download speeds, the company found its Internet access performance was holding it back, especially with the limited upload speeds on ADSL. Secret Lab often spent as much as one quarter of its time working out how to get large data files to and from their customers.

Internode has, however, eliminated that bottleneck for Secret Lab by deploying an NBN Platinum 100/40 Mbps service, which has made the company much more productive, avoided price increases and saved thousands of dollars in annual costs.

See also: www.secretlab.com.au