

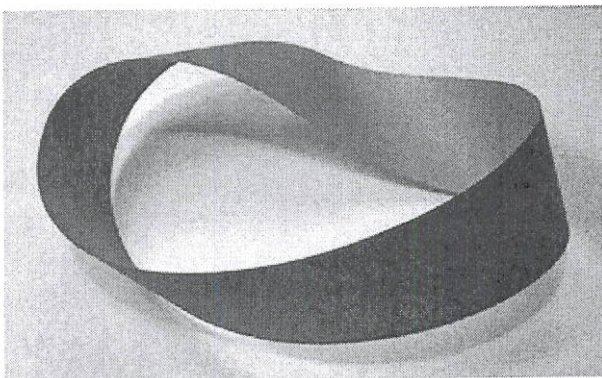
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Libs' credibility spent on NBN pricing

David Braue, ZDNet.com.au on September 21st, 2011 (September 21st, 2011)

I have always admired the convoluted art of MC Escher and Salvador Dali. I understood the plots of *Inception*, *Memento* and *Mulholland Drive* at first viewing. I even know some of the lyrics to "Louie, Louie". But I cannot, after years of trying, make sense of a Coalition telecoms policy that repeatedly and determinedly ignores reality to support a politically skewed and desperately optimistic world-view in which unfettered private-sector interests will supposedly deliver future-proof broadband to everybody for free.



The Coalition's telecoms platform is more of a Möbius strip: one-sided, repetitive and inescapable. (*Möbius strip image by David Benbennick, CC BY-SA 3.0*)

But I'm getting ahead of myself. Rewind to Monday morning, when iiNet's NBN pricing hit the wires and tech journalists wondered aloud how NBN-hating Liberals would spin prices ranging from \$49.95 to \$99.95 a month. With a single announcement, iiNet proved that Internode's pricing — which put 100Mbps/40Mbps services at a nosebleed-inducing \$189.95 per month — was an anomaly (and one which will soon, apparently, be changed).

We now know that, despite years of Opposition bleating that the NBN was going to bleed us dry, NBN services will cost between \$34.50 and \$99.95 per month. That is so similar to current ADSL2+ pricing that it casts a pallor over the Liberal Party's entire strategy of blasting the NBN as a high-priced white elephant. In fact, with just around 1800 customers online, the NBN has already emerged as a highly competitive marketplace.

The Opposition will never admit it, of course. But it doesn't have to: any right-thinking observer can see the absurdity of the party's position when it is compared with reality.

Remember back in July, after Internode's pricing was released, how Malcolm Turnbull hastily called a media doorstep to tell journalists how the pricing absolutely, positively proved the NBN was a failure and that Stephen Conroy had no credibility at all? He created a huge sensation: news reports screamed about the high price of the NBN; talkback radio was abuzz with NBN non-believers who screamed about the high price of the NBN; it seemed we were destined to get ripped off.

After iiNet's pricing was announced, I asked Turnbull's office when he would be holding a doorstep to discuss the implications of the pricing. Surely, I figured, he would have an opinion about the latest figures, just like he did the previous time?

Sorry, came the response; he was going to sit this one out.

Fletcher says if consumers wanted 100Mbps speeds, they would be willing to pay prices like Internode's \$189.95 package.

Happy to step into the ring, however, was Paul Fletcher, another opinionated Liberal minister who you would've thought knows better. He's the one, remember, who stood up in parliament and said discount NBN pricing from Exetel and Dodo could be ignored because they were cut-rate operators with dismal customer-service track records (I still reckon an offended Larry Kestelman is holding back on announcing Dodo's NBN pricing until he finds a way to deliver it for \$29.95 a month).

iiNet, of course, is our second-largest ISP and is well-known for providing good service; this fact alone torpedoed Fletcher's argument dead in the water. But he's a relative newbie and apparently doesn't know when he's been beaten, so Fletcher rushed ahead to fill the vacuum Turnbull had left behind. His subsequent announcement argued that iiNet had proved the NBN won't be cheaper than ADSL — and that its ability to price high-speed plans under \$100 proved that "an experienced retailer like iiNet does not think consumers will pay much of a premium for those speeds".

Fletcher's claim that the NBN won't be cheaper than ADSL is correct, but I don't believe anybody ever believed the point of the NBN is to deliver broadband for pennies. The Liberals' habit of comparing real-world pricing to their unspoken ideal pricing — which would seem to be zero, from the sound of it — falls flat when one considers that the NBN is indeed comparable to existing broadband offerings.

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Fletcher really jumps the shark, however, when he claims that iiNet has lowered its NBN prices based on low expected demand. If consumers wanted 100Mbps speeds, he is saying, they would be willing to pay prices like Internode's \$189.95 package — but just weeks ago, the Coalition's entire argument about the NBN was that consumers would not be willing to pay \$189.95 per month for fast broadband.

Similar logical inconsistencies popped up in the discussion that followed my inquiry to Turnbull. iiNet or not, he said, the real pricing issue was that NBN Co had already indicated it would be raising wholesale prices by an average 5.7 per cent per annum for the next 12 years. *That* is the real issue now, his dodge-and-feint strategy now argues.

I don't know about you, but my council rates went up by around 9 per cent last year, water by 10 per cent, train prices by over 10 per cent, electricity by even more. Only mobile rates and internet access stayed the same, and that's because they're contractually set. Not so for my coffee, which has increased by about 15 per cent — which for a journalist is a serious hit to the bottom line.

In real-world terms, then, even if NBN pricing went up by 8 per cent annually — to account for wholesale increases plus an inevitable retail margin — it would actually be no different than the increases we're copping from nearly every other part of the economy. Does this represent a failing on the part of the NBN's business model, or simply reflect the fact that life in Australia is getting more expensive every year?

Turnbull, Fletcher and their peers would have you believe it's the former — heck, for them, everything is a failing of the NBN's business model — but you and I know that it's really a symptom of the latter.

The funny thing is that the Coalition has long demanded proof that the NBN is going to generate enough revenues to be financially viable, but entirely reasonable plans to set product prices and increase costs, like the rest of the world does to deliver acceptable financial returns to investors, are knocked back time and again.

One can only conclude that the Coalition's NBN will be given away for free, built on a shoestring budget, deliver robust next-generation infrastructure, and magically generate enough revenues to pay for itself and deliver commercial returns. Furthermore, this is all meant to happen by the goodwill of a private-sector telecoms sector that will, through some magic, suddenly be inspired to invest billions in next-generation infrastructure for nothing more than the warm fuzzy feeling it will give them.

Rather than having a telecommunications platform, the Liberals have a policy Möbius strip: you can look at it from as many different angles as you want, but in the end it only has one side.

When I asked Turnbull if this meant a coalition government would subsidise NBN access to preserve the profits of these apparently altruistic private-sector operators, there was no response.

The Opposition has made an art of rampant NBN criticism and dodging requests for hard facts in support, but its constantly-shifting ideology remains riddled with internal inconsistencies. It's understandable that government intervention in infrastructure markets may seem unpalatable for free-market, big-business advocates, but the Liberal Party's constant policy tweaking, back-peddalling and logically inconsistent policy rephrasings are rapidly diminishing it to a telecoms industry sideshow.

Rather than having a telecommunications platform, it appears the Liberals have a policy Möbius strip: you can look at it from as many different angles as you want, but in the end it only has one side. There is no progression or escape; and if you follow it, you think you're getting somewhere but always end up at the same point.

iiNet gave the Coalition what it said it wanted — lower NBN pricing — but the Opposition still isn't happy because it fundamentally wants no part of Labor's NBN. This is Liberal's prerogative, of course, but it is also the prerogative of logically-minded voters to expect a more rational argument that might, just once, be punctuated with the admission that something about the NBN isn't really that bad.

Christopher Nolan may have been playing with our minds in *Inception*, but even that universe had internal rules that must be followed. Opposition policy enjoys no such restrictions — and this fact could become the party's biggest shortcoming as the steady progression of less-than-horrible facts around the NBN proves the Liberals are doing nothing more than tilting at windmills.

What does iiNet's pricing tell you about the NBN? Would you like to see a more reasoned opposition, or even one which is capable of recognising it's been proven wrong? Or is the pricing still too expensive? In which case, how much would you pay for the NBN?

URL:<http://www.zdnet.com.au/lib-credibility-spent-on-nbn-pricing-339322702.htm>