

Additional Comments - Australian Greens

1.1 The Australian Greens welcome the opportunity to provide additional comments to the report of the Select Committee.

1.2 Early drafts of the report would probably have read as a balanced assessment of the historic, technological and economic contexts within which to assess the current proposal for a National Broadband Network. The report as printed unfortunately reflects a tone of partisan bitterness and suspicion which reflects poorly on the collaborative and diligent way in which the committee and its staff undertook the research, field trips and public hearings. Reading between the lines to filter out the political positioning, the report is still an extremely valuable record of where the NBN has come from, its technological underpinnings, and what to look for in the future.

1.3 The Australian Greens were broadly supportive of the government's announcement in April 2009 that the RFP process for a fibre-to-the-node network had been terminated and a vastly more ambitious fibre to the premises network would be built and operated by the Commonwealth Government.

1.4 The need for this massive public investment, and the parallel process of painful telecommunications market reform that is proceeding alongside it, is partly due to the dysfunctional state of the market resulting in the privatisation of the vertically integrated monopoly provider Telstra.

1.5 The issues raised by the Australian Greens in our earlier contributions still stand. In our first 'dissenting report' of 2 December 2008, we noted:

...the Australian Greens urge the Government to hold its nerve with regard to the RFP, and insist on taking a majority equity stake in the National Broadband Network and operating it as a competitively neutral, open access network.

1.6 We were therefore pleased when the government's expanded proposal for a FTTP network adopted precisely this formulation. As always however, there was a catch. As the report notes at 2.12, the government intends to build the NBN with a substantial investment of public funds, and then privatise it all over again five years after it is operational. No justification is provided for this incongruous and retrograde policy, which the Australian Greens oppose. We await the publication of the implementation study and the tabling of substantive NBN legislation to assess whether the government has thought through the costs and consequences of privatising the network all over again.

1.7 Much of the debate since the announcement of the policy has turned on the absence of a rigorous cost-benefit analysis of the project. In our view this issue, while

important, risks become something of a red herring. We certainly concur that a detailed assessment of the project's commercial viability is essential, given the wildly divergent estimates of the wholesale costs of access to the network which have begun to flourish in the information vacuum.

1.8 Questions of cost-benefit analysis were clouded in our view by the presentation of Professor Ergas to the committee of the only real attempt to conduct such an analysis to date. During this presentation, the impossibility of accurately monetising the intangible future benefits of an enabling network such as this were laid bare. In analyses of this kind, a series of mathematical fudges and assumptions are used to lend an appearance of rigour and precision where none really exists. This was tacitly acknowledged by the Productivity Commission in their evidence, as outlined at 6.23 of the report.

1.9 One aspect of the project for which a detailed cost-benefit analysis would be valuable concerns the choice of underground or overhead cabling. The report canvases the arguments well, and notes how difficult it was for the committee to get an accurate idea of the relative short and long-term costs of the different options. The Australian Greens believe that as much of the network as possible should be underground, for all the reasons stated in the report, but until reliable cost estimates are made available it is difficult to reach a final conclusion. An interim implementation study report as proposed by the committee – before 31 December 2009 - would be an appropriate time to provide a costed analysis of the options.

1.10 In the most recent round of hearings the committee heard evidence – at last – that went to the question of what the network will actually be used for. The end-user, and the services that the NBN will host, have been largely ignored in the debate thus far which has largely turned on questions of competition and market structure. It was therefore refreshing to hear the evidence given by various witnesses covered in chapters 6-7 relating to research, e-health, e-governance, smart grids, remote education and so on.

1.11 These sessions left the committee in little doubt that as the network approaches ubiquity and hosts more and more services, it will approach the status of essential service (there are arguments that this has already occurred.) Questions of equity then come to the fore, whether geographic or social. In an age of ubiquitous connectivity, the disconnected and the disadvantaged will find themselves further isolated on the wrong side of the digital divide. Apart from ensuring that backhaul and FTTP infrastructure target undeveloped and under serviced areas first, the Australian Greens urge the government to undertake detailed consultations with social justice advocates and consumer groups to ensure that the network makes a strong contribution to the government's social inclusion agenda.

1.12 The final chapter of the report dealing with proposals to undertake reforms of telecommunications markets are where the Australian Greens part company with the majority report. The Australian Greens views on this bill are contained in our

dissenting report on the Telecommunications Legislation Amendment (Competition and Consumer Safeguards) Bill 2009.

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Senator Scott Ludlam

25 November 2009

