

From: Samuel Gilbert [mailto:samuel@caramel.com.au]
Sent: Monday, 31 March 2008 1:02 AM
To: National Broadband Network Taskforce
Subject: Comments on National Broadband Network

Dear Tim,

Hope you are great.

I would have prepared a formal submission of comment, however I just found out and didn't want to miss the opportunity to comment. I hope you'll accept it in this email.

Briefly my credentials - I'm the director of Caramel Computing P/L (www.caramel.com.au) an award-winning IT management company in the Barossa Valley SA. I'm a director on the Regional Development Board BLD (www.bld.org.au) as a business and technology consultant for the Barossa and Light Council regions.

From speaking to many people in the industry, many years in the industry and our work with Telstra and other ISPs I feel I may have a unique perspective. I was around before the internet and when Bulletin Board Systems provided basic access to email and FTP.

To the chase, I think there are some fundamental issues which need to be tackled which will otherwise hinder efforts to deliver faster broadband to the Australian community:

In Australia internet usage is measured per MB. In metaphoric and practical terms the world is in an information race – Australia is one of the only countries with a bite-size premium on information/data.

I think we in Australia need to get to the point where internet is measured per connection or per pipe, vs. for each piece of data. As a company Caramel has entertained various Cost-Benefit Analyses of providing various hosted services, including off-site backup for clients, hosted software solutions, and so on – all of which have proven not cost-effective unless we host our services in the US or overseas, simply because of the per MB costs in Australia.

For example, starting a .com in Australia presents serious challenges due to this MB cost – the larger the scale of the .com the more prohibitive the cost.

I feel the major ISPs, Telstra, SingTel, Primus, Agile, who have pipes into Australia are finding the charge-per-MB paradigm very lucrative and there is little encouragement to change. There are other pricing models which are profitable and proven in other countries and we need to focus on a more-competitive pricing model. The per-MB model is not the best for the Australian economy with respect to maintaining competition with the rest of the world

We need to form a plan of how to get to a new wholesale pricing model.

Secondly, I think Telstra needs to be wholly privatised for the sake of ISP competition. We have committed to part-privatisation of Telstra and I think the time is overdue to complete this commitment.

As it currently exists Telstra has no competitive pressure to roll out faster broadband to exchanges because any ADSL technology they activate becomes immediately available to other ISPs. Telstra is more interested in promoting their NextG network which is not available to wholesale. Because there is no pressure on increasing ADSL coverage there is no real downward pressure on pricing for NextG.

Telstra will gain more traction by focussing on their NextG network and I think have depreciated their ADSL rollout, however the NextG infrastructure is so vast that Telstra have a monopoly on the only wide-spread broadband technology in Australia. The coverage of NextG is much greater than ADSL, and I've heard no whispers of other ISPs considering a broadband rollout on such a scale. NextG speed is scheduled to increase to 14MB in the future, with practical speeds faster than most ADSL2+ services.

Additionally, the pressure on Telstra for extending broadband networks is largely peer and community pressure especially from rural communities, but it is not competitive pressure. Telstra has the monopoly on the largest broadband network in Australia (NextG).

I believe we need to create a plan to privatise at minimum the ISP division of Telstra as a priority. The primary goals should be:

- Promote competition between ISPs in Australia
- Open up the wholesale ISP pricing model to change

I think this move would create the best foundation for the future of Australian broadband. Further I don't believe Australia's broadband can reach its potential without the privatisation of Telstra's ISP division. We need to aim for a future where the Australian Government is guiding the future of the internet, not necessarily funding or subsidising it.

Unfortunately I've run out of time for what I'd like to say tonight. I hope this submission is a good use of your time.

Before I go, I haven't had a chance to give much thought to exactly *how* to improve broadband delivery to the greater Australia. Here are some thoughts on where I see the industry going in the next 5 to 10 years – the infrastructure we build today will need to support an ever growing reliance on bandwidth and connectivity.

- Businesses will begin to use more hosted services (web-based and Citrix/Terminal-Server-based applications), and start to have less reliance on their local network
- The emphasis on the “physical” office will begin to lessen – staff have more information available on their phones, notebooks, on the road, or on public access computer systems
- A small percentage of companies will pioneer completely “hosted” networks – their local network consists of an internet connection and thin clients/dumb terminals and VoIP phones. All of their technology is available anywhere and is location independent

Wishing you all the very best success with the project.

Many thanks,

Sam Gilbert

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