



# Broadband and the Nation Building and Jobs Plan

AN ASSESSMENT OF THE ROLE OF THE NATIONAL  
BROADBAND NETWORK IN AUSTRALIA'S ECONOMIC RECOVERY

FEBRUARY 2009

**ACTU**

## 'A National Broadband Network is an important component of the national infrastructure plan'

### Introduction

In this period of economic uncertainty the ACTU supports efforts designed to protect jobs, encourage business investment, boost consumer demand and confidence and mitigate the worst impacts of the downturn. The ACTU welcomes the \$42 billion Nation Building and Jobs Plan, and the investment in much needed infrastructure that it entails. The Government has acknowledged the need to considerably increase public investment in infrastructure projects, and to also encourage private investment in infrastructure. In December, the Prime Minister Kevin Rudd reiterated this, stating:

*I made a commitment to the Australian people that this Government would use nation-building infrastructure to boost Australian jobs and to strengthen the economy...*

*Secondly, the reason for this nation building statement is not just to respond to the global financial crisis, although that is of central importance. It is also to look beyond the crisis for the long term capacity we need for this economy and build on long term productivity growth. That is why we are focusing on infrastructure because infrastructure is one of the key drivers of productivity growth.<sup>1</sup>*

Labor's key election commitment to contribute up to \$4.7 billion to the building of a National Broadband Network (NBN) is an important component of the national infrastructure plan.

The ACTU is calling for a quick start to the build of the NBN. The project has some unique features that mitigate in favour of fast-track development:

- 1]The NBN is well progressed down the path to commencement, with proposals already received and assessed by the Government's Expert Panel;
- 2]The NBN project is one of national significance, with the potential for benefits to flow through to metropolitan, regional and rural communities;
- 3]It promotes employment both in the project itself, and across the economy, particularly given the requirement that the project involve plans to include small and medium enterprises (SMEs);
- 4]The NBN will benefit consumers, business and government, with this important public investment having a multiplier effect across the economy, stimulating spending in a range of areas;
- 5]While not being part of the Infrastructure Australia plan, the NBN meets all seven of the National Strategic Priorities established by that process, and;
- 6]A quick NBN build will have immediate impact in ameliorating some effects of the economic downturn, as well as creating a national infrastructure asset of enormous value into the future. The NBN, far from being the apocryphal 'bridge to nowhere', is a project that helps meet current demands as well as those of the future.

The NBN project will provide quality, high-skilled jobs, boost productivity and the productive capacity of the economy, reduce costs and improve services for consumers, assist the Government in the efficient provision of public services such as health and education, and help reduce carbon emissions. As such, the National Broadband Network build should proceed as quickly as possible, so that the benefits of this massive investment in the future economy can flow through as soon as possible.

The ACTU believes that fair and efficient industrial arrangements are a critical component of ensuring that major projects are delivered effectively and to the best standards by a productive and appropriately rewarded workforce. The Government's Forward with Fairness legislation will assist in this process. Accordingly, the unions have approached each of the national bidders to commence discussions about these issues.

In this context, it is crucial that this project is pursued on its current timeline, with contracts signed as soon as possible. Despite the regrettable self-exclusion of Telstra from the RFP process, the Government should proceed with this project, taking whatever steps necessary in order to deliver this important piece of nation-building infrastructure in a timely fashion, and to ensure its success.

In November 2008, the ACTU, the Communications, Electrical and Plumbing Union (CEPU), the Community and Public Sector Union (CPSU), and the Association of Professionals, Engineers, Scientists and Managers, Australia (APESMA), called upon bidders in the NBN process and the Federal government to commit to a range of principles to ensure that the promised benefits of the NBN could be realised. At that stage we also called on Telstra management to fully participate in the NBN process, in order to give the Telstra employees the opportunity to apply their skills and contribute to an important piece of nation-building infrastructure. The failure of Telstra management to submit a complaint bid appears to have denied them that opportunity. We reiterate our belief that the NBN should be built according to the principles we outlined, and that they should apply to any companies ultimately engaged in the building and operation of the NBN, including Telstra. These principles relate to business, community, the workforce and the environment and are included below. Given the changed economic circumstances these principles are as important as ever to the success of the project.

## Global Financial Crisis

The global financial crisis is now into its second year, triggered by a rapid escalation in the number of sub-prime mortgage defaults in the US housing market in 2006-07, but since has spread its effects across the world economy. Australia is not immune to these effects, with many commentators predicting Australia will experience much lower rates of growth in 2009, if not an actual contraction. The Federal Government's swift and decisive action in combating these effects is to be applauded.

The sudden decline in asset values, and widespread uncertainty about the full scale and nature of the 'toxic debt' that had been accumulated by financial institutions, led an increasing number of financial institutions to radically reduce their lending, hoard high-quality capital, and increase their wholesale interest rates. The reduced availability and higher cost of interbank lending has led a number of financial institutions to collapse, be taken over by rivals, or seek bailouts from government to secure their liquidity. This has also led to extreme difficulty in acquiring private investment for even the soundest commercial propositions.

In Australia surveys of business conducted before September indicated that investment levels in a number of sectors, including mining, would remain high and continue to grow. More recent evidence presented by the RBA in its November *Statement of Monetary Policy* suggests that the net number of firms planning to increase investment is falling to below the long-run average.<sup>2</sup> In addition to growing concern about global demand conditions, many firms who rely on importing new capital equipment as part of their investment plans are likely to be discouraged from undertaking new expenditures by the falling value of the Australian dollar.

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## **Building the long term capacity of the economy through investment in infrastructure**

It is in this context that the ACTU supports all efforts to promote investment in infrastructure to combat the worst effects of the economic downturn. We note that, as part of the Economic Security Strategy, the Government will fast track its nation-building agenda after receiving an interim national infrastructure priority list from Infrastructure Australia. We have supported the creation of the Building Australia Fund and the Budget allocation of monies to the Fund. While the National Broadband Network is not part of the Infrastructure Australia recommendations on priority projects, it will meet all seven of Infrastructure Australia’s ‘National Strategic Priorities’. These priorities aim to:

- Expand Australia’s productive capacity
- Increase Australia’s productivity
- Diversify Australia’s economic capabilities
- Build on Australia’s global competitive advantages
- Develop our cities and regions
- Reduce greenhouse emissions
- Improve social equity, and quality of life, in our cities and our regions

The importance of infrastructure investment to keep Australia working and to expand the productive capacity of the Australian economy cannot be overstated. Investment in infrastructure, particularly the NBN, will bolster aggregate demand immediately, but will also support Australia’s economic growth and productive capacity in the future. Unlike tax cuts and bonus payments, there is no risk that infrastructure expenditure will be saved instead of spent, helping to boost aggregate demand.

While the Government has indicated that it will bring forward a range of projects to get them underway as soon as possible, currently none are as far progressed in the procurement process as the National Broadband Network. Certainly there are no projects of equivalent scale and scope that are likely to be underway in 2009. We urge the Government to stick to the current timeline, so that the benefits of this investment can flow through to the rest of the economy.

Such a stimulus package would achieve the following objectives:

- Immediate economic stimulus and job creation, in particular through the building phase of the NBN
- Longer-term steady generation of economic and employment activity
- Stimulating further spending throughout the economy, with a multiplier effect of infrastructure spending
- Promotion of high tech industries and skilled jobs
- Assistance in connecting communities in a time of economic uncertainty
- Efficiency in the provision of government services
- Preparation for a low emission future by reducing greenhouse gas emissions

A National Broadband Network reaching 98% of the Australian population could support rich and vibrant applications and services that significantly improve our way of life. The report of the Federal Government’s Broadband Advisory Group (2003) likened broadband to the roads and railways of the 21<sup>st</sup> century, having similar

capacity to unleash a new wave economic growth and significant increases in productivity.<sup>3</sup> This was quantified as at least \$12 billion per annum worth of economic benefits to the Australian economy.<sup>4</sup> Telstra CEO Sol Trujillo has estimated that not having a National Broadband Network is costing the Australian economy \$200 million per month.

The recent report from the Australian Industry Group confirms that high-speed broadband is crucial for growing productivity in Australia, with the vast majority of businesses surveyed indicating that they would upgrade their internet connections when higher speeds become available.<sup>5</sup> The potential for small and medium sized enterprises is significant, with broadband penetration amongst SMEs already at 91%, although insufficient speeds and high costs are still an inhibiting factor.<sup>6</sup> In delivering higher speeds, at lower costs, the NBN can significantly reduce costs for small business.

As the OECD notes, broadband access allows people to work from home, reducing pollution and transportation costs, promoting work/life balance and stimulating economic activity in the more remote and vulnerable parts of the country.<sup>7</sup> However, there is great potential for the power of broadband to drive productivity and growth in many industries, with access to the internet at work by industry ranging from 18% in Accommodation and Food services to 78% in Professional, Scientific and Technical services.<sup>8</sup>

## Employment

Aggregate unemployment is expected to rise during 2009 – although there remains considerable uncertainty about the likely extent of the rise. The majority of current forecasts vary between 1 and 5 per cent depending on how deep and long-lasting the recession proves to be. The OECD is currently predicting unemployment in Australia will increase to 5.3 per cent in 2009 and 6 per cent in 2010.<sup>9</sup> If the world recession persists into 2010 it is possible that unemployment could reach 10 per cent.<sup>10</sup>

Public infrastructure investment will be crucial in protecting and creating jobs, with the NBN playing an important role in this. In a study conducted for the US Department of Commerce, high penetration of broadband services was directly linked to higher employment growth rates.<sup>11</sup> Specifically, they found that broadband had the potential to generate between 1 per cent and 1.4 per cent to the employment growth rate.<sup>12</sup> Given that the Australian economy is increasingly geared towards employment in service-based industries, the high tech industries that will be promoted and facilitated by ubiquitous high-speed broadband will form an increasingly important component of the labour market in Australia. The existing telecommunications workforce is highly skilled and constitutes a national asset that must continue to be deployed in this time of economic uncertainty in support of nation building activities.

All infrastructure spending should require commitments to fundamental procurement principles including commitment to maximising retention and creation of jobs, industry and services in Australia. The National Broadband Network has the potential to create thousands of jobs, both in the build phase of the project, as well as through its long term operation.

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## **Improving social equity and the efficient delivery of government services**

Broadband can also facilitate the fast and efficient delivery of government services, particularly in the area of e-health and education. This will no doubt assist in finding cost savings in all areas of government activity in order to preserve the ability to act swiftly and decisively in the face of current economic challenges and better target spending initiatives. The potential of remote monitoring of patients and improved links between caregivers, health institutions and patients promises both improved service provision and lower costs.<sup>13</sup> One US study estimates that over the next 25 years at least \$US927 billion could be saved in health care costs by using broadband based health care applications.<sup>14</sup> Given that in 2003 health spending was running at 8.5% of GDP in Australia, these savings promise to be great.<sup>15</sup>

The OECD indicates that despite the early promises of such applications in the areas of health, education, energy, transport and teleworking, the benefits of such services have yet to be fully realised.<sup>16</sup> Australian schools are already taking up the challenge of broadband connectivity with nearly all Australian government schools having broadband, and 69% having access to 2 to 10 Mbps connections. Schools at all levels, must have access to low-cost, high speed connections, to enable our kids to have all the opportunities that broadband can bring to education, particularly in those schools where students may not have access to high-speed broadband at home.

## **Reduction of greenhouse emissions**

In a National Broadband Network environment the possibilities of teleworking and using communications tools such as video conferencing and high-speed internet access in the home are opened up. Significant pollution costs can be avoided, with the potential for reducing carbon emissions from commuting by car and expanding the opportunities for video-conferencing to reduce the need for air travel. The extent to which businesses and consumers will be able to realise these opportunities is directly related to the cost of products and services, and the speed with which such services become readily available to households, businesses and communities.

## National Broadband Network statement of principles

In order to ensure that the NBN can reach its full potential as outlined above, the following principles should guide the negotiations to take place between the government and bidders over the coming weeks.

### Business

The NBN must be operated by an entity whose central focus is on driving innovation, maximising competition and amplifying take-up.

#### 1. Driving infrastructure development into the future

The goal of the NBN should be to eventually bring fibre connections all the way to the home. The NBN must be future proof, with the right incentives to invest in the network for the future, in order to allow new applications and services to flourish.

#### 2. Genuine open access and equivalence

The NBN will be a functional re-monopolisation of telecommunications infrastructure. The market must be designed to include genuine open access and equivalence, so as to prevent the NBN operator from leveraging that monopoly power in downstream markets.

#### 3. Maximising take-up

Take-up of broadband services must be maximised in order to achieve the economic benefits from broadband availability. Market design must ensure that monopoly power is not used to inflate prices beyond what households and small businesses can afford.

### Workforce

In order to play its role in combating unemployment in the current economic climate, the NBN must meet best practice labour relations standards, forming a foundation for constructive relationships between industry and unions.

#### 4. Building career opportunities

Above and beyond providing jobs in the short term, this project requires a commitment to building a skilled workforce, with opportunities for development and progression. The commitment to rebuilding Australia's skills base was another important pre-election promise, and the NBN provides an opportunity to fulfil it.

#### 5. Providing quality jobs

The building and operation of the NBN must be predicated upon decent pay and conditions, and secure employment. This must recognise the rights of telecommunications employees to collectively bargain, and to be represented by their union. If and when there is a need for structural change in the industry through the NBN process, the government and bidders should act to ensure continuity of employment and conditions for the nation's critical telecommunications employees.

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### **Community**

The NBN must be an accessible and affordable network, if it is to play its role in bridging the digital divide.

#### **6. Providing for all end-users, and ending the digital divide**

Access and take-up by end-users requires a range of products and services available to all at fair prices – the network needs to be flexible enough to grant high-end users the speeds and bandwidth they need, while having pricing arrangements that bridge the digital divide. Services should be made available regardless of where the customer lives or works.

#### **7. Facilitating effective and efficient public service provision**

There must be a commitment to developing network infrastructure which can serve as a platform for future government services. Only a company that is prepared to work constructively with government and business can drive infrastructure provision at a reasonable price to lay the foundation for innovation in these crucial areas.

### **Environment**

#### **8. Promoting the benefits of communications and remote working practices**

The extent to which businesses and consumers will be able to realise these opportunities is directly related to the cost of products and services.

#### **9. Ensuring that the environment is not damaged in the physical construction phase**

It is crucial that local communities are consulted with regards to installations and that all care is taken to avoid environment damage in the construction phase.



## Endnotes

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- <sup>3</sup> BAG report P5
- <sup>4</sup> BAG report P5
- <sup>5</sup> Australian Industry Group/ Deloitte *High Speed to Broadband: Measuring industry demand for a world class service*, October 2008, [http://pdf.aigroup.asn.au/publications/reports/general\\_reports/7122\\_CEO\\_Broadband\\_web.pdf](http://pdf.aigroup.asn.au/publications/reports/general_reports/7122_CEO_Broadband_web.pdf)
- <sup>6</sup> OECD, *Broadband growth and policies in OECD countries*, 17-18 June 2008, p84
- <sup>7</sup> Rooney, D. 2008 "Widening broadband's reach" *OECD Observer*, No. 268 June 2008
- <sup>8</sup> ABS, *HUIT 2006-07*, Cat. 8146.0., Table 3.2
- <sup>9</sup> OECD, *OECD Economic Outlook*, No 84, November 2008, Country Summaries: Australia
- <sup>10</sup> OECD, *OECD Economic Outlook*, No 84, November 2008, Country Summaries: Australia
- <sup>11</sup> Economic Development Administration, *Measuring the economic impact of broadband deployment*, February 28, 2006, [http://www.eda.gov/ImageCache/EDAPublic/documents/pdfdocs2006/mitcmubbimpactreport\\_2epdf/v1/mitcmubbimpactreport.pdf](http://www.eda.gov/ImageCache/EDAPublic/documents/pdfdocs2006/mitcmubbimpactreport_2epdf/v1/mitcmubbimpactreport.pdf)
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- <sup>13</sup> OECD, *Broadband growth and policies in OECD countries*, 17-18 June 2008, p100
- <sup>14</sup> Rooney, D. 2008 "Widening broadband's reach" *OECD Observer*, No. 268 June 2008
- <sup>15</sup> BAG report, p6
- <sup>16</sup> OECD, *Broadband growth and policies in OECD countries*



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