

Beyond infrastructure in Australia: the need for a National Broadband Network “e-Strategy”

By Michael Curri

In a recent speech, Senator Stephen Conroy, Australian Minister for Broadband, Communications and the Digital Economy, made important statements about the benefits of using broadband to improve the country's economy, the health of society, and reduce costs. He emphasized that the Rudd Government, which has taken a leadership role to “ensuring the future competitiveness and quality of life for Australians with the \$43billion being invested in a National Broadband Network (NBN),” saw its key role as “that of an enabler”. He went further to say that the role of the public and private sector is to create new initiatives and develop new technologies using broadband. He stated that “The benefits for the [health] sector and for the nation are clear, including more efficient delivery, better patient welfare, improved training and development, and economic savings.”

While one can appreciate that the Minister wants to stress the benefits of the government's initiative, we believe that there needs to be a detailed strategy for adoption and leveraging of broadband investments. This detailed strategy should be evidence-based, and lead to concrete actions. A statement of “pious belief” alone that the investment will generate productive outcomes (public and private) is just not sufficient. How will the Rudd Government be able to judge whether its ‘enabling’ strategy is meeting the goals announced?

Beware of laissez-faire

The case for governments investing in broadband is clear: most political leaders now agree that because broadband is necessary to compete in the global economy, governments may have to intervene when private carriers choose not to. The next question is – how to best intervene, and when.

First, there's the infrastructure. Governments' involvement in the “enabling” network development stages is relatively straightforward. Some may disagree for political or philosophical reasons with what they describe as government meddling, but the fact of the matter is that public investment in telecom networks does work to spur competition. For example in France, thanks to a law passed in 2005, local governments (aided by the State, via a pseudo-VC body) were enabled to invest over 2bn€ in telecom networks. As a result, the incumbent (Orange, formerly France Telecom) finally chose to invest in areas it had previously snubbed, and new players (large and small) emerged – leading to a fourfold growth in the number of broadband subscribers, from 4.4m in 2004 to 18.7m 2009 – with a 93% of people accessing the Internet via broadband with an average bandwidth above 3 Mbps, at a monthly cost of around 30€ (\$44, A\$51), and a 98% population coverage. Free markets sometimes need a nudge...

On the network side, governments increasingly adopt an activist role – but often this activism is limited to infrastructure funding, which is not sufficient. Because with any broadband initiative, there should be a clear distinction between broadband deployment (making broadband available) and broadband adoption (getting broadband used). Unfortunately, most governments tend to take a ‘laissez-faire’ approach when it comes to adoption. This “build-it-and-they-will-come” philosophy is a mistake and a limitation that needs to be addressed – because time and time again, it has been demonstrated that this approach does not work. The alternative is an e-Strategy.

Demonstrate returns

Research by Strategic Networks Group (www.sngroup.com) has shown that in some communities there has been a ten-fold community return on investment from broadband with respect to the local economy. That’s because there are economic benefits from the utilization of broadband that are “off-balance sheet” to telecom carriers or Internet service providers. Such off-balance sheet benefits include local job retention and growth, increased productivity and competitiveness, local work opportunities for youth, improved access to health and education services, etc.

Accountability for public expenditures requires that decision makers should set broadband utilization targets and establish appropriate performance measures for digital economy participation. Because governments will be open to challenge and criticism if they cannot demonstrate economic and social returns from the funds invested. Furthermore, economic and social returns need to show how they outweigh the taxpayer monies spent.

Digital economy performance measures cannot solely be “network-based” (i.e. business case based on revenue, profit, payback, etc.). The reason is that just because you build it, doesn’t mean they will come. And if people don’t take advantage of the new infrastructure as much as they could, neither productivity gains nor socio-economic returns will reach their full potential. Hence promoting awareness and increasing the adoption of broadband and usage of e-solutions should be a core concern, and a central target, for public decision makers – because beyond broadband availability, adoption is the key to achieving significant economic growth in a digital economy.

The need for a plan

The amounts at stake are increasingly staggering: over \$7bn in the USA (leading to \$350bn, says the FCC¹), \$43bn in Australia, 30bn€ in France alone. All over the world, governments are investing in broadband because of the economic and social opportunities that it enables. We suggest they should do so with a plan in mind, what we call an e-Strategy. Think of it as a business plan: no corporation would make a major investment without knowing all the facts, setting desired targets, and measuring outcomes – we believe investing in broadband is no different, and we think that public decision makers should prepare accordingly.

On a policy-making level, we advocate what Paul Budde² describes as “trans-sector thinking – looking across sectors to create synergy – [fostering] the opportunities within the ICT industries to utilise new telecoms networks for e-health, e-education, smart grids (managing renewables, saving energy), etc. This way of thinking

¹ Cable Digital News, September 29, 2009, read here: <http://tinyurl.com/yj4itxx>.

² <http://www.buddeblog.com.au/australia-leading-telecoms-beyond-the-crisis>

applies across infrastructure projects – looking at the potential synergies between the building of roads, sewerage systems, water and gas pipe networks as well as telecoms and electricity networks.”

When it comes to implementation, an e-Strategy is needed to articulate policy goals, agree on targets and implement appropriate performance measures required to understand where the gaps are in the usage of broadband and e-solutions – this is needed to identify opportunities and prioritize on those that offer the most significant and most immediate wins.

We believe that all governments at all levels (local, regional or national) considering investing in broadband should develop an all encompassing e-Strategy, structuring in the same framework infrastructure, needs, usage and funding, motivated to deliver socio-economic benefits.

A measure of impact should help to project socio-economic returns and that should facilitate fund sourcing. In the long-term, the vision of a community's future development should drive network planning – this also applies regional, state or national planning. In the short-term, user needs (i.e. current and potential demand for e-solutions) should drive infrastructure priorities.

The need to educate users

Within that framework, promotion of broadband adoption is a key ongoing process that needs to be coordinated and supported – including the identification of e-Solutions usage gaps and prioritization of opportunities in bridging those gaps. Broadband adoption is also important for network sustainability as payback periods for broadband investments can be obviously shortened with higher take up rates.

Finally, the critical “user awareness” criteria should also be addressed: public decision makers need to know how ready their communities are to take advantage of a broadband deployment initiative - starting from the ground up. Promotion and awareness of broadband value to users, along with local support infrastructure, are essential to achieve the outcomes from broadband investment. Without this the very people who stand to benefit most from the broadband initiative may completely overlook it.

Unfortunately, that's what happened recently in Tasmania, where a business seminar, pitched to the state's business community to explain details of the government's ambitious NBN project, had to be cancelled... due to lack of interest.

Michael Curri brings a unique strategic focus to broadband and Information and Communication Technology (ICT) initiatives for communities. With a vision to revitalize communities with strategic ICT planning he has consulted as an economist and business analyst to public and private sector clients globally for over a decade. Mr. Curri founded Strategic Network Group (SNG) in 1998 and as president he leads an experienced team of specialists on a wide range of economic development initiatives. Mr. Curri received his Honours B.Sc. in Economics and Political Science from Dalhousie University and a Masters in Economics from the University of Waterloo, both in Canada. He can be reached at mcurri@sngroup.com.

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