

iv. other matters relevant to the commercial viability of NBN, the Commonwealth's accounting treatment of government debt/investment in NBN, and the prospect of future sale, in whole or part, of NBN.

Issue:

A typical way to try and deal with this problem. It will only fail and eventually be written off as a bad debt anyway.

Solution:

Try a different approach. Try to actually make the NBN thrive by standing behind it now, let someone else take over and do it properly. Rather than trying to recover costs from a terrible plan by both governments. If you go down the usual path, the only people who win are the accountants, the lawyers and the report writing companies like the one's you have engaged to run this inquiry. Spend money on tangible infrastructure and systems to automate that process as much as possible.

Move on, write-off the bad decisions and the bad debt and focus on making Australian internet great!

Just like the US .com boom in the late 90's was over-funded by mostly venture capitalists and share traders. Many lost money, but the US gained an online super highway and have never looked back as far as internet infrastructure goes.

On a positive note, we now have fibre in the ground.

### **Added Information:**

A good analogy what is happening with the NBN currently is to compare it to what Coles and Woolies tried to do with fuel. They have previously tried subsidising fuel (still they get away with it a little with the 4c or 8c back offers), but they blatantly tried to drop pricing below what they knew the smaller operators couldn't offer. They could then easily subsidise it with bread, milk or Vegemite, or whatever. And in essence force a monopoly. However, because fuel has been around for so long and it is understood better than technology, this was clearly not a good thing and it was never allowed to happen on such a big scale.

The NBN is no different, Telstra, TPG-iiNet, Optus who own most of the Australian client base are all offering ridiculous offers and subsidising them across other products. The difference is, that the decision makers don't understand the intricacies of how this is being done as well as they understood the fuel market. They could also do this right now on a much larger and more blatant scale, yet I believe they don't want to attract too much attention as it will then become very obvious what they are doing and it is too much of a good thing they have going.

The other big difference is that this is not a commodity like fuel (yes to a degree), but there is still modem configuration and customer service involved. It will change, but currently it is not a commodity yet.

Some other providers drop pricing to unsustainable levels too, but only to try offer a point of difference to the monopolies. But like fuel, it is a volume game and so those bigger providers (Telstra mainly) drop it further or similar, and they have hoarded profits (largely from stopping maintenance on the ADSL exchange infrastructure and the copper lines, which is simply shocking in many of the small towns we still offer ADSL, and the longer the NBN is delayed the more this problem compounds and actually works in their favour).

So they now have billions to market, fund and subsidise the NBN plans.

This is in complete contravention to the original NBN business plan of “opening up” competition, getting rid of the Telstra monopoly, levelling the playing field and getting some good solid affordable internet infrastructure and services in Australia at affordable prices. But as long as these big telco’s get involved in the operational level of the NBN (previous employers) and as long they are listened to, the rot will continue. We certainly as a small provider can’t be competitive anymore. If we got a bit more volume then it does get better, but this is becoming harder and harder to do.

Netflix didn’t help either.

Increasing the average household usage from 15GB per month to close to 200GB per month now. This was inevitable. But in such a desperate effort to stay abreast with the rest of the world, and to release it so quickly in Australia?! The government should have got involved and imposed “developer improvements” (just like property developers are forced to contribute to the roads, paths and community around their new development), and the government should have stepped in and forced Netflix to contribute to the upgrade of the Australian internet (because it was a government funded project that Netflix has affected) as Netflix has single handedly brought it to it’s knees. Again “gifting” a monopoly. I have nothing against Netflix, it’s a great concept and product, but if there is such a clear lack of infrastructure existing and allowing such a game changer, I find it unbelievable no one vetted this or picked up on it early on, with simple functions like the Netflix default setting set to “HD” or “Ultra HD” when it was launched in Aus. Or not making provisions for it and delaying it until the NBN rollout was further down the track.

The government either needs to get involved and do it properly, or get out of it and let private business let it work its own pricing model out. Although in an already established market with a clear monopoly, this is not necessarily a good thing and Australian internet will most likely be doomed to an overpriced outdated infrastructure if there is no competition.

Many compare it to Japan, Denmark, etc. which is unfair as those countries are densely populated. However no one compares it to the other end of the spectrum which it could become, a monopoly is no different to the dictatorship run countries with terrible infrastructure. This is a closer comparison if the monopoly continues.

If the NBN is going to be sold off to some lucky massive entity and be gifted an infrastructure as Telstra was from Telco. Why not rather calculate the loss it would make and drop NBN pricing (at an infrastructure level) and then keep running it as a business rather than thinking the only way is to recover the costs. The costs are somewhat like roads, there is fibre in the ground and the costs are not wasted, but don't let this ruin the future success of an open market:

This would mean a few things:

1. Yes it would mean writing off debt, which is going to happen regardless. However it would mean doing this proactively before being forced to do it.
2. Set the infrastructure price low (comparative to the rest of the world, the best countries that have already worked it out), this will mean the backhaul providers, like AAPT, Optus, Vocus, FSG, 2SG and many smaller ones, can then afford to buy "more than needed" bandwidth. Imagine that! No congestion. Currently the NBN sells it for too much meaning too little is bought.
3. Then set a minimum price that it can be legally sold for by retailers like us, so there is no longer an un-sustainable model. And also set another minimum and maximum that the backhaul providers can sell tails for.
4. This means the NBN will sell more bandwidth via the backhaul/wholesale providers to the CVC's. Yes it would be cheaper initially and there would be losses initially, but the NBN would then actually grow as a business...looking forward.
5. This then means we the retail providers could make a profit and start to thrive without being undercut, which in turn would change the industry from a pathetically cost driven over subscribed saturated slow service industry, to pure customer service focus.
6. In other words if a provider had to sell a 100/40 speed service with unlimited data at a minimum of "x" dollars (there would be no max limit), it then means no one can undercut and customer service would reign supreme!
7. This would then work out its own balance where the cheap crappy providers can only go to a certain minimum, and many people will soon work out who they are and avoid them, forcing them to offer a proper service. In other words, they would no longer have an old rotten carrot (low prices) to dangle in front of the Australian consumer.

Thanks