

10 November 2008

Ms Alison Kelly  
Secretary  
Select Committee on the National Broadband Network  
Parliament House  
CANBERRA ACT 2600

Dear Ms Kelly,

I refer to your correspondence dated 3 November 2008; I welcome the opportunity to expand on my evidence to the Select Committee on 8 October with regards to the availability of broadband services in Korea and Japan.

As the Committee is aware from our original submission, the price and availability of high bandwidth IT technology is significantly behind that of our major trading partners – including Japan and South Korea. The result of this historic underinvestment is a significant infrastructure gap which demands swift remedy.

In terms of internet availability, Australia ranks poorly against OECD economies. The poor performance of Australian broadband across all major measures, including price, speed, penetration and accessibility, which in turn creates a perverse situation where there has been neither an incentive to utilise or invest in higher quality internet infrastructure.

A strong historical investment in fibre-based broadband systems in both Japan and Korea has delivered high speed, low cost networks in both countries. The two nations were the first to invest in fibre-based technology, and have extensive long-established lower quality broadband networks, such as DSL and cable.

Obviously, the delivery of fibre networks in both of the subject nations was assisted by a range of factors beneficial to the delivery of this infrastructure; eg high population density, high demand for internet services, strong market competition and government commitment to new technology, including through public investment in network provision, promotion and marketing.

South Korea is characterised by the world's highest fibre LAN connections and the second greatest number of connections via this fibre network.

Competition and high demand for broadband services are the major factors in driving the continuing development of the Korean fibre-based network. South Korea has long been recognised as one of the Asia-Pacific's most liberalised telecommunications markets.

Effective regulation has resulted in seven providers operating in the broadband sector. This competition has delivered better services, competitive prices and ensures innovation in the development of new technology-based service options.

South Koreans are also the highest users of internet based services, which in turn has created higher demand for improved service speeds. The demand for cutting edge internet services has created an incentive for innovative service offerings which in turn have driven technology-based competition.

Japan is characterized by the greatest number of fibre-to-the-home (FTTH) connections in the world. In 2004, Japan represented 50 per cent of all FTTN connections.

The Japanese experience differs from Korea in that the initial investment in fibre-based technology was not embraced by the private sector until sufficient Government support for the network was achieved. The reason is largely considered to be a result of the high cost for the establishment of this network. For instance, the largest telecommunications operator, NTT, was reported as investing US\$47 billion in their network.

A significant increase in market competition during 2004, with a corollary increase in bandwidth demand due to new user applications, provided a significant investment signal while ensuring competitive pricing structures. The effect of which was the growth in FTTH subscriptions by 91 per cent during 2005, meaning that one in five Japanese internet users accessed their services via FTTH by March 2006.

Infrastructure Partnerships Australia recognises that effective market competition as well as policy and practical support, such as in marketing and promotion, from government are essential components of the effective delivery of a world-class fibre broadband system, such as those in Japan and South Korea.

I would welcome the opportunity to elaborate further on the matters contained within this letter, should the Committee desire.

Regards,



**MR BRENDAN LYON**  
**Executive Director** | Infrastructure Partnerships Australia

Appendix 1: Source: OECD

DSL coverage and population density

