

Australia's Economic Stimulus Creates National Broadband Infrastructure

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When Australia finally announced its long-awaited and much debated superfast National Broadband Network (NBN) on April 7, it wasn't really big news. Neither was Prime Minister Kevin Rudd describing it as the biggest infrastructure project in the country's history. The big news was that Australia is the only government in the world that has a multibillion-dollar economic stimulus package centered on the creation of broadband infrastructure.

Rudd announced the establishment of the NBN, admitting that Australian broadband is lagging and that a superfast national network is the only way to "turbo-charge Australia's economic future." The country will invest \$30 billion USD over the next eight years for broadband infrastructure.

Broadband a High Priority

The network will connect 90 percent of homes, schools and businesses at 100 Mbps -- 100 times faster than current speeds. It will be deployed using next-generation technologies, like optical fiber for urban and regional towns, and wireless and satellite technologies for remote and rural parts of the country. It will be Australia's first national, commercially built and operated wholesale-only, open-access broadband network.

No other government has given so much attention to creating a broadband infrastructure, though many have announced larger economic stimulus packages.

At \$30 billion, Australia's broadband stimulus package is actually greater than its nontechnology stimuli (\$29.3 billion) that has been announced.

For example, of the \$787 billion stimulus the United States announced, a little more than \$7 billion has been allocated for broadband infrastructure. Out of Canada's \$43.6 billion stimulus package, investments in broadband account for a \$225 million.

Similarly, while China, Japan and the UK also announced large economic stimulus packages (\$586 billion, \$154 billion and \$47 billion, respectively), they haven't allocated any investments solely for improving or creating broadband infrastructure.

"Expenditure on broadband infrastructure is either missing or inadequate on stimulus packages of all governments around the world," said Leonard Waverman, the author of the Connectivity Scorecard, who's considered one of the most influential men in the global telecom industry.

"I would spend more on communications compared to highways and bridges. Broadband is also construction, but it is not a focus anywhere," he said. "We need information highways, not just the autobahns. And now is the time to do it."

Ilkka Lakaniemi, head of global political dialogue and initiatives at Nokia Siemens Networks, has similar ideas. "All the economies are facing deep recession, and governments across the world are adopting at least what seems like old-fashioned Keynesian policies of using government spending to kick-start economies to get out of the recession," he said.

"However," he adds, "the message from the Australian government's decision to roll out the National Broadband Network is crystal clear: We should be investing for the infrastructure of the 21st century and not the infrastructure of the 20th century. And that is ensuring that [information and communication technologies] is top of mind of governments when they roll out their economic support plan."

Hotly Debated

The NBN's course has hardly been smooth politically. It was first mooted by the previous government in 2007, and since then suffered much debate and critical analysis.

The initial plan to fund the network - selling part of the government's stake in the country's largest telecom company, Telstra, and dipping into the government's Future Fund - was termed by critics a "smash-and-grab raid" on the savings of future generations. Doubts also circulated about whether the network as it was planned would reach the vast stretches of remote rural regions.

However, according to Sen. Stephen Conroy, minister for broadband, communications and the digital economy, the rural and regional parts of Australia will be big winners from the new broadband network.

"The NBN will deliver on our commitment to provide broadband speeds of 12 Mbps to all Australians no matter where they choose to live or work," Conroy said. "Under this plan, the NBN will provide next-generation wireless and launch next-generation satellites to link all premises in regional, rural and remote Australia. This level of service is above and beyond our commitment and a vast improvement on the services left behind by the previous government."

Building the Network

The new network will be built and operated by an ad hoc company established by the Australian government to carry out the project, and the government will be the company's majority shareholder. Rollout will start next year and will be funded initially with \$3.4 billion from the government, the Building Australia Fund and Aussie Infrastructure Bonds.

The rest of the fund will come from private-sector investment in the company and additional government money. The government will sell down its interest in the company within five

years after the network is built and fully operational, consistent with market conditions, and national and identity security considerations.

Instead of the free-market, private-enterprise approach initially envisaged, the Rudd government has decided on a public-private partnership model.

Telstra Corp. also would be allowed to take part in the NBN, said Conroy. Telstra, an erstwhile government-controlled company that was privatized fully by the previous government in 2006, had failed to meet the new government's criteria, and was excluded from the broadband project when it was in its initial planning stages.

The most tangible benefit of the network, Conroy said, is that it will support 25,000 jobs annually, on average, over the life of the project and 37,000 jobs after it has been rolled out in eight years.

Besides, the NBN's investment is also the biggest reform in telecommunications in two decades because it delivers separation between the infrastructure provider and retail service providers. This means better and fairer infrastructure access for service providers, greater retail competition and, above all, better services.

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