

Media Release

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NBN to create a platform for Australian firms to innovate

Government incentives and good regulation the key, says Deloitte

2 November 2009: Australia's National Broadband Network (NBN) will form a technological platform for Australian firms to innovate, providing the Federal Government creates incentives and an appropriate regulatory environment, according to professional services firm Deloitte.

Jim Sloane, Deloitte's UK Vice Chairman and a leader of the firm's global telecommunications industry team, said now that the Australian Government has formed NBN Co, the race is on to identify how such an NBN offering will affect current consumer behaviour, disrupt business models, and create new opportunities for business growth, acquisitions and development.

"I believe the challenge in Australia is to create that innovation, that excitement and enthusiasm for developing applications that will drive traffic and revenue on the network. For example, what led to the success of Apple's iPhone is its continuous adoption of innovative applications now numbering in the thousands. Similarly, the success of the NBN will depend on the creation and utilisation of applications that can be used on this vast network."

Mr Sloane underlined that these innovative applications would not necessarily originate from telecommunication companies or NBN Co itself.

"They're going to come from individuals and organisations that perhaps do not even exist today. They will identify the opportunities and build the applications that will create real demand for the NBN."

According to Mr Sloane, providing incentives will be the key if the Federal Government is to create a fertile environment for application development.

"You see it in other countries, where for example targeted tax breaks such as R&D tax allowances, act as incentives to encourage companies to move down this road. Without widespread development of new applications, there is a danger that all you will have is a very fast but largely empty and so underutilised network with a very considerable capital cost associated with it."

Mr Sloane added that good regulation allows for further competition and innovation to take root in the economy.

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“Australia is in a unique regulatory position, compared to other countries, as NBN Co will hold a monopoly on all relevant telecommunications infrastructure. The key questions are, how will this new Australian infrastructure be regulated and how will this affect the future pricing, and success, of services on the internet for Australia?”

“Unlike in the UK where the infrastructure isn’t government owned, the role of the regulator in Australia is going to be even more important to ensure a level playing field, where everyone has equal access and the prices are appropriate.”

“The ACCC is going to have to be very focussed on the efficiency and effectiveness of NBN Co to ensure the cost base is appropriate for an effective pricing structure.”

“The level of regulatory intervention will be much more significant than any other country. The consumer will definitely be expecting this, and importantly, telecommunication companies will be expecting it also. They’ll be buying wholesale product from NBN Co, and will want to be sure, that it will be at a regulated price, with full transparency and disclosure and enough scope to make it still a business worth being involved in,” Mr Sloan concluded.

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