

CONNECT AUSTRALIA

(CLEVER NETWORKS DISCUSSION PAPER)

RESPONSE FROM INTERNET COMMUNITY NETWORKS P/L

INTRODUCTION

Our company, Internet Community Networks p/l (ICN), is interested in the Connect Australia programme, and in particular with its Clever Networks element.

We are responding herewith to the second part of the DCITA November 2005 discussion paper, "Broadband Connect and Clever Networks".

When further guidelines are formulated, and if our approach is deemed helpful, we would like then to put forward a detailed Clever Networks proposal seeking support and funding.

Meanwhile this response outlines our Regional Community Network concept, and makes some observations about how it could fit in with Connect Australia and Clever Networks.

We also supply - see attachment - answers to the 26 questions posed in the Clever Networks section of the discussion paper. (We cannot give answers to all the questions asked.)

We conclude with some information about our company, together with a short account of our involvement with IT – specifically the development of our CyberSydney operation, which we believe has particular relevance to Clever Networks.

THE IT DILEMMA FACING AUSTRALIA

The primary point we would make is that whatever is done, it must be

focussed unapologetically on the future – on what arrangements will be needed two, five, or more years hence. It is little use, in our view, merely tinkering with – trying to upgrade - existing Media dispositions.

For today's old-Media are experiencing considerable structural/conceptual problems relinquishing their hitherto lucrative assets – newspapers, magazines, radio, TV, fixed-line telecommunications, etc – to embrace the new digital possibilities, principally the Internet (though there has been some unseemly, even desperate, scrambling for Internet niche properties recently).

This poses a problem. If Australia is to go forward, it must shake free from old-Media ways. (And niche scrambling is not the answer.) So, if we cannot look to existing Media organisations to adapt and take clever advantage of new technological possibilities, what alternative is there?

This in turn poses the wider question: when every Australian home, office and business can be connected to an all-pervasive, broadband infrastructure, what new-Media arrangements will be needed to take advantage of such an environment?

REGIONAL COMMUNITY NETWORKS

Our answer is to urge the establishment, across rural, regional and remote Australia, of a completely new infrastructure of what we call Regional Community Networks (RCNs).

We envisage these RCNs as independent, locally-owned-and-run new-Media franchises, covering existing community subsets and centred on major country towns. Crucially, these new-Media franchises would be designed to give access to demand-pull, not supply-push, information products and services.

Such an RCN “national grid” could straddle all non-metropolitan Australia, from coast-to-coast. However, only one entity per geographic subset would be chosen to take on its local RCN franchise. Such a franchise would be exclusive in that sense only.

Other entities would be at liberty to compete with, or supplement, the local franchisee - indeed, they would be very much encouraged to do so, to maximise competition and service delivery. (This is why it must be a franchise, not a licence.)

An RCN franchisee, when selected, would enter into a franchise agreement with a central body - we would envisage setting up a national entity to be the central franchiser - to take up, and observe the terms of, their local franchise.

This franchise would deliver certain substantial – in fact, essential – privileges and assets, while imposing a number of significant conditions. The chosen franchisee would, using a software package provided (the “RCN Suite” – see

below) and other assets, “roll out” that area’s Regional Community Network, and subsequently run it on a day-to-day, ongoing basis.

THE RCN SUITE

The RCN suite, which has been assembled over the past 10 years by Internet Community Networks, would be provided entirely free of cost to the franchisee – see “White Branding” below – and would exact no ongoing payments.

It consists of a “package” of databases, systems, protocols, and other software (most of it open source) that provides the means by which an overall local community can be put online, via the Internet and other ICT facilities.

It does this principally by constructing, using available geographic and demographic data, a “virtual model” of a given community/area. This process, which is the core of the RCN concept, has two key advantages.

First, it makes it possible to create a simple and accessible representation of an actual community. For while the “real world” is difficult or impossible to “come to grips with”, a model of it, if properly kept up-to-date and managed, is amenable to access and manipulation.

Second, because it is based on something that people are already “at home” with, - indeed, it *is* “their home” - it helps them become familiar with, and make use of, new technology (especially important in country areas, where exposure to IT has, up to now, been minimal).

Essentially, the concept takes the world people already know, and Internet-enables it. (It is worth noting here that the ICN/RCN concept features a click-only facility, where no keying-in is necessary to navigate around the site. This makes it not only simple to use, but is ideal for mobile devices.)

Two more imperatives are important to the RCN concept.

A fundamental part is the collection and maintenance of accurate and relevant data about a given community. To do this, ICN has developed over the past decade a subsidiary suite of data-gathering systems/protocols. They are, we believe, unique (and superior to, for example, the Yellow Pages - for the YP relies on centrally-collected data, while we rely on locally-derived information).

The other important consideration is cost. At the heart of the ICN/RCN concept is our conviction that success in the new digital world depends on keeping the expense of information collection and processing to a minimum (information gathering/maintenance can be expensive). We have developed ways of ensuring this.

This is probably also the place to further explain the “White Branding” element of our RCN concept.

The Federal Government last year initiated a programme whereby government departments and other entities took advantage of open-source (“White-Branded”) code to provide “free” software (such as CMS systems). My other company, Squiz p/l, played a role in this. ICN intends to borrow the White Branding concept for our RCN project, providing an analogous “free” software package to our prospective franchisees.

THE RCN “PORTAL”

The “front-end” of an RCN franchise is its online portal. As the primary “delivery” instrument of the RCN service, it is what the public sees and interacts with. It consists of an all-inclusive, comprehensive regional WWW site, which will have many innovative features (too many to list here).

But to give one example – the RCN infrastructure incorporates GPS co-ordinates for every “information node” within its community. This allows, among other things, people to find the “nearest” product or service to them, both when they are stationary, or mobile. (This would add significant functionality to local wireless communications.)

Another example would be a “comparative shopping” service, similar to Froogle (this is possible because we have developed a new way of identifying and listing all the goods and services available in a given community). And there are many others.

However, some features - such as Skype-type telecommunications facilities – lie in the future. But a point of significance here is that the RCN concept is intended to be the primary introductory and delivery vehicle of technological innovation – new features and services - in a given community.

A key part of our RCNs is an in-built Content Management System (CMS) functionality that encourages people, businesses and other entities to manage their “presence” on the portal. (This assists with the all-important updating requirement. It also has the desirable outcome of giving a feeling – and actuality – of independence and self-sufficiency to local businesses, etc. They then feel they “own” and run their online presence, adding to the decentralisation element of the RCN concept, and its sense of community.)

An example of such a portal – albeit a metropolitan one - is ICN’s CyberSydney subset (“CX”), CyberBONDI (see www.cyberbondi.com.au). The fact that it can be replicated can be seen at our second local CX, Cyber CPW (CyberPaddington/Woollahra).

It is envisaged that, as the Internet progresses, and local communities make increasing use of it, a growing number of entities in an RCN would upgrade to higher and higher levels of activity, making use of content management and similar applications, customised to local needs and circumstances by the incumbent franchisee, assisted by the central franchiser.

A final point about our RCN portals – they are intended to be comprehensive and all-inclusive. This is the identifying feature of the ICN/RCN concept, whose motto is “Virtually Everything in [name of community]”. They would be designed to subsume all other “part” services, and thus become the primary conduit for all online services in a given community. As such they can be viewed as the equivalent of a local “browser” (and would be the local – but not exclusive - “default” Internet-access node).

ESTABLISHING AN RCN

Perhaps, given the newness of the concept, it would be helpful to describe how an RCN is set up.

The first step is to define its area and boundaries.

We have found that most communities have a good idea of what and where they are. For example, an area like the Northern Beaches district of Sydney (comprising three council areas – Manly, Warringah and Pittwater) was easy to define and circumscribe (in practice, we go mainly via aggregations and boundaries of postcodes).

Other areas are more problematical, but they usually have a core identity (eg, CyberStGeorge, CyberInnerSydney, Cyber CBD, etc) that enables logical and acceptable boundaries to be drawn.

We believe that regional, rural and remote Australia will pose fewer demarcation problems, partly due to its sparseness, partly due to established regional and local identity. (In all probability, the RCN boundaries will follow local government areas – though an RCN might take in more than one such area – eg, the Albury-Wodonga or Tweed Heads-Coolangatta conurbations.)

In reality, the size of a potential RCN is fairly flexible, and is secondary to the identity-imperative, which is of over-riding importance.

Our first community network, CyberBalmain – partly constructed in 1995 – proved to be too small. CyberBondi, broadly comprising the Sydney Waverley Council area, has about 4000 businesses/entities and serves a population of around 50,000. This is viable, but in a metropolitan context is probably still too small (we plan eventually to combine or link it with CyberPaddington to create CyberEasternSuburbs).

CyberNorthernBeaches, with more than 12,000 businesses and a 100,000-150,000 population, is, we believe, ideal for the metropolitan area. (This will be CyberSydney’s third metropolitan Internet Community Network to “go live”.)

Outside the metropolitan areas, we would envisage dividing, for example, NSW, first, into its component regions (Central Coast, North Coast, New England, Riverina, Central West, etc), then into smaller subsets (each with its own exclusive franchisee) centred on major towns, such as Gosford, Bathurst,

Grafton, Orange, Broken Hill, Goulburn, etc, etc. Such a major centre would “cover” the surrounding district, until it reaches the “territory” of another, adjacent major centre’s RCN.

Cities like Wollongong and Newcastle (and Canberra) might fall into the metropolitan or the regional category. This has yet to be decided.

Once the perimeter of the RCN has been defined, we then map everything physically inside it, down to individual streets, blocks and addresses, using our highly-developed information-gathering protocols. This forms the “net” which becomes the model that sets up a district RCN.

VIABILITY

Obviously, it is essential to make the individual RCN viable financially (indeed, attractive financially), and to equip it with an income stream sufficient to sustain and develop it.

It is envisaged that some government subsidy would be needed to finance the initial franchise package, and to launch the programme. We believe the Federal Government might be amenable to providing this, as an encouragement to regional IT and local business generally (and also to help add functionality to the broadband roll-out).

However, the objective would be to make each and every RCN economically self-sufficient at the earliest opportunity (though franchisees might need to provide some initial financing themselves, to enable them to persevere and grow until their income-stream becomes self-sustaining – for early sustainability would be a prime consideration).

(Clearly, a necessary preliminary requirement for the RCN concept would be to produce an example of an operating regional franchise, and a successful one at that. We would envisage proposing such a “pilot” operation in our post-January 18 submission/application, assuming we have some encouragement to do so.)

There are a number of ways income might be derived from the RCN concept, including the provision of local IT services, such as website design and development, hosting, training, support, consulting, software customisation, and so on.

The local franchisee will also have a vested interest - and could play a facilitator role - in the spreading of IT facilities throughout its area, and this also could be a source of income. In fact, the local RCN could well act as an agent for broadband connectivity (for, being the main local vehicle for applications of broadband connectivity, it would be ideally placed to take on this role, at the very least in an auxiliary capacity).

Nevertheless, it is anticipated that the main income-stream will come from local advertising, augmented by national or regional (ie, “external”)

advertising. (The Google/e-Bay/Amazon models give a flavour of what is intended – but only initially, for we believe that advertising/marketing via the Internet will also change and develop as we move further into the future. We have, needless to say, some ideas in this direction, using in particular our plaza/court/listing structure to target potential ad income that no one has hitherto considered possible.)

The central or national RCN franchiser, which would administer and support the overall national RCN “grid”, would derive the income it needed to establish, service and maintain the local RCNs out of a share of “external” advertising income (a 50-50 split is a possibility – half going to the local RCN, and half retained by the franchiser).

The local RCN itself would retain all local advertising and other non-advertising revenue. Locally, it would be independent, with only the lightest of central monitoring to maintain common, interoperable standards (and to ensure continued franchisee viability – there would be a “fallback” provision if a local franchisee became insolvent, or gave up its franchise).

It is probable that contiguous advertising revenue would not be treated as “external” but would be shared between adjacent RCNs, possibly on the same 50-50 basis. To give an example – the Blue Mountains area in NSW would be a likely RCN, yet a considerable portion of its existing advertising is derived from the adjacent centres of Penrith to the east and Lithgow to the west, which are outside its boundaries. It would seem sensible to come to an income-sharing arrangement in such cases.

The main day-to-day role of the central entity or franchiser (after setting up the original franchise and monitoring its progress) would be to look after the “external” national and regional advertising/marketing interests, and provide the local RCN - which it would have the strongest interest in maintaining - with the additional “external” advertising, and the consequent supporting income-stream.

We see this local-national advertising arrangement as one of the keys to the success of the RCN concept, and its viability. This will be a new-Media innovation that will revolutionise existing old-Media thinking (for one must keep in mind that advertising is the main source of revenue for almost all of today’s Media – and as “freeness” takes hold, it will become even more important).

However, the central entity would, in all probability, have other significant support tasks. It could act as a central conduit or distributor of important information and auxiliary services (such as weather or emergency or other service information). It would also promote and publicise the RCN national grid (in an analogous way that commercial franchisers – McDonalds, KFC, etc - advertise and promote their local franchises).

GOVERNMENT SERVICES

We particularly note in the DCITA discussion paper the imperative for facilitating the delivery to regional, rural and remote communities of a range of Federal, State and local government, and similar, services.

It is our belief that what we are proposing will achieve this necessary outcome in the most efficient and cost-effective way possible.

Indeed, we would go further. We would submit that without something like what we are proposing – local service-delivery networks – the provision of such important services will be difficult and, to some degree at least, inadequate. They will certainly be increasingly necessary as we move further into the digital future.

Once every home and business can be linked to one of our RCNs, and the RCNs connected via broadband infrastructure (of whatever type) to a national communications grid – for that is the ultimate objective - then the digital interactive delivery of such services becomes not only feasible, but could provide an essential element in the overall Connect Australia programme, and so help achieve its intended outcome.

Community services such as distance and further education, health information (with interactive consultation), emergency information, community information, and so on, can only be effectively delivered via such a local network, or so we would argue.

Although at the moment the primary make-up of an internet community network (and hence an RCN) comprises local businesses and other “active” entities – organisations, government instrumentalities, institutions, etc – in the future it is envisaged that individual residences and even individual members of the community will be listed and included. As a community progressively goes online, so all the elements of that community will become part of the network.

The ICN/RCN concept includes provision for the inevitability of this (its basic “ingredient” is the street block and specific street address, which would be a potential “information node”). It is envisaged that every address in an RCN will also be given its own unique email address, possibly via the ENUM proposal of the ACA (whereby every telephone number is turned into an email address). Thus everyone in an RCN will be, potentially at least, online.

LINKING WITH BROADBAND AND OTHER INFRASTRUCTURE

As government and similar services become more complex and content-demanding, so the usage of the broadband infrastructure will be more fully utilised via our RCNs.

In fact, we would repeat the point we made above – without the local spread and connectivity of an RCN infrastructure, broadband and other “backbone”

communication links will be under-utilised, and their ultimate potential, and investment, unrealised.

There is another significant dimension here. It is inevitable that TV-quality programming (and similar “streaming” information) will be delivered, via broadband, to a variety of output devices, mainly the home or office PC (though that may morph into a larger output “console”, perhaps an integrated “home information” system, run from an in-house server). It could be that a major role of RCNs will be to become the conduit or access point for such important future service facilities.

THE NATIONAL RCN GRID

The process of setting up one of our local networks – the process we would use to establish regional RCNs – is touched on above (“define its area”, etc).

However, it is worth adding that the process, while complex, and involving intricate information-sourcing-and-gathering protocols, is simply replicated, and, given adequate resources, can be put into effect comparatively quickly, nationally.

(We tested the procedure on a recent visit to London, where we investigated the practicability of setting up “Cyber Notting Hill” – in which area we used to live. We showed that the ICN concept would work anywhere. In fact, it could readily be exported outside Australia.)

Once the desired subsets are chosen and defined, the construction of the underlying database-model is a straight-forward affair, and can be, given access to GIS data, mostly laid out from a central office – though some local information (eg, names and details of local businesses, etc) must be obtained on-the-spot. This, however, will be mainly the responsibility of the local franchisee (who would become a significant source of information to national and other authorities).

The vital “localness” of the RCN concept is again worth stressing. It is a *sine qua non* of the RCN concept that it is a local affair. In fact, we see the RCN process as helping and enabling local communities to survive and prosper (reducing the “drift to the city”, etc).

By establishing an interactive local infrastructure – an independent network linking everyone and everything in a specific district - the local sense of community should be enhanced, and the disadvantages of living and working outside metropolitan areas considerably diminished (which, after all, is one of the great promises of the Internet).

Perhaps just as importantly, what we are suggesting will better connect outlying rural and remote communities and smaller subsets with their main regional centre, drawing the overall community closer together, and providing improved access to town-based goods and services.

We would also reiterate the importance of local “demand-pull”. It goes to the very heart of what we are proposing that local communities will determine their local needs. It is intended that the local RCN will be customised by the RCN franchisee to cater for local requirements and circumstances. It is almost as if the world will be fashioned to the needs of the local community, and not pushed at them by outside Media interests.

This has many important ramifications, but one is that, for example, government and other outside services can be given a “local face”. There is an example of this phenomenon in our answer to question #10 in the separate annexure “ANSWERS TO QUESTIONS “.

Finally, it would not be out of place to remark that a regional, rural and remote RCN grid could be linked to an infrastructure of Metropolitan Community Networks, if and when such an infrastructure were established, which could then have the potential of reaching all Australia - city and country - through the one central facilitating conduit.

WHO WE ARE

At present, Internet Community Networks p/l is a privately-owned company whose main activity is running CyberSydney p/l (see below for a more detailed history of CyberSydney).

However, a number of other interests are associated with ICN, including the Cirrus consortium (<http://www.cirruscomms.com.au>) and Squiz p/l (<http://www.squiz.net>).

It is envisaged that, if we were given the go-ahead to develop the RCN proposal, a new company would be set up, as the franchiser, which would bring together a wider range of expertise (advertising, marketing, technical, broadcasting, etc).

Some of those who have agreed to be involved include Emeritus Professor Barry Conyngham, AM, former Vice-Chancellor of Southern Cross University (who has agreed to act as our chairman); Dr Peter Jones (chairman of Cirrus, and an IT pioneer in Australia); David Say (former chairman of HSBC Australia); Sandra Jobson (executive director and co-founder of CyberSydney); and Stan Jeffery (former director of the International Business Centre at the Australian Technology Park, currently helping to run a technology park in Ballarat). And we envisage others.

BACKGROUND OF ICN and CYBERSYDNEY

The idea for what became Internet Community Networks sprang from our original interest in helping to put together a proposal for the “Australia on CD” project in 1995. This led to our introduction to the possibilities of (the then very new) Internet technology, and our subsequent involvement with the Australian Technology Park in Sydney – where we were founding tenants, and also looked after their Media PR. (Previously we had been a Media

company, World Press Network, whose main area was the electronic syndication of Media products. We also ran, from 1983 to 1992, the two main overseas offices – London and New York - of Kerry Packer's Australian Consolidated Press.)

In late 1995 we put together a “virtual pavilion” as Australia's entry in the 1996 Internet World Expo. It was based on a recreation of the Sydney Exhibition of 1882, which had been housed in the Garden Palace Pavilion in what is now the Royal Botanic Gardens in Sydney.

From this project we got the concept of “showcasing” a community's products in a virtual pavilion, arranged in a hierarchy of appropriate “plazas” and “courts”. This in turn was the thinking behind our first effort to “put” a local community on to the Internet, listing all its goods and services, and allowing people to see and choose from a comprehensive “virtual mall”.

After a false start in Balmain, we started building in 1996 what became the first subset of CyberSydney – CyberBONDI. From 1997 to 2000 we developed and deployed the complex systems and other infrastructure that underpinned and Internet-enabled CyberBONDI - our first operating Internet community network (and which is still being developed – it is an ongoing process).

In 1998 we “spun off” a subsidiary company, which became Squiz p/l. CyberSydney retains an equity interest in Squiz, and our CEO is (non-executive) chairman of Squiz. (Squiz has since become one of Australia's leading open-source web development companies, with offices in Sydney, Canberra, Melbourne, Hobart and London. It is at the very cutting-edge of Internet and ICT technology.)

The 2002 dot-com collapse ended our involvement with the Australian Technology Park, and we were – like a lot of other Internet companies - obliged to rein in our progress. By then we had the main elements of our CyberSydney model, having divided Greater Sydney into 14 sub-sets, and developed the systems for building their “pupative” CXs (ICNs).

Now, however, we believe the time has come to resume our growth and development.

We see the Clever Networks programme as the opportunity to put into wider practice the systems and other expertise we have been developing since 1996.

Robert Darroch
CEO Internet Community Networks p/l
CyberSydney p/l

13/01/06



ANSWERS TO QUESTIONS

Q1 Considering the current DAB program structure - involving State, community and sectoral brokers - is the current arrangement the best model for catalysing broadband developments in regional, rural and remote Australia or how should it evolve?

A1: We are not expert on the current DAB structure. Our observation is, however, that the present structure is not serving regional, rural and remote Australia adequately. It is patchy, and ad hoc at best - and non-existent at worst (if the regional area we are most familiar with – the NSW Blue Mountains – is anything to go by). It is also expensive for the consumer. Some new approach is needed, particularly to take advantage of what presumably will be better, cheaper and more comprehensive broadband infrastructure. It is our company's strong belief that something more systematic and comprehensive (holistic) – and financially viable – should be implemented.

Q2 What role can/should brokers play in promoting or facilitating the effective use of broadband applications in order to enable communities and businesses to capture the transformational benefits of broadband?

A2: Broadband infrastructure can be likened to railway lines serving regional and remote areas. In this regard, telecommunications infrastructure essentially stops at the local railway station or some other habitation along the line. What is needed, we believe, is a new infrastructure that takes the Internet and spreads it throughout the relevant region and community. Here we are not speaking of “the last mile”, which may be wireless, or fixed line, or cable, or even satellite. Rather, what will be necessary is what we call an Internet Community Network, which links every entity together in an interactive network. But the network has got to be more than mere connectivity. It has to provide a structure that people can identify with and use. In this regard, it is our conviction that the best network is in fact the existing community, only Internet-enabled. Further, we believe that such local networks should have two aspects to them: an intra-community dimension and an inter-community dimension. The former would connect up all entities within the community; the latter would connect the community to the outside world.

It is the very essence of what ICN proposes that “mirroring” the actual environment which people know and are used to dealing with, an investing it with an Internet (particularly broadband) ability, is the way of the future.

Q3 What other resources or programs should the brokers be aware of in this role?

A3: Brokers – and we are envisaging two types of broker, a local one and a national or State-wide one – will have to be aware of all available resources and programs, and integrate with them, as exigency requires. Of course, the “local broker” (which we see as a franchisee) would be aware of locally-available resources and programs, while the “national broker” (the franchiser) would be responsible for wider dimensions. However, in what we are proposing there is no exclusivity apart from the fact that there would be only one franchisee for each regional sub-set. Other and competing interests would be free – indeed encouraged – to participate and compete. So long as our franchisee is financially viable – and we believe the advertising model we are suggesting will secure this – then the overall object would be to maximise service delivery by every resource or program available.

Q4 Should the broker role include an increased focus on ‘effective use’ outcomes and, if so, how can this best be achieved?

A4: Of course. A focus on “effective use” and outcomes is what we are trying to achieve. One way of doing this is competition. Another is viability. Yet another is effectiveness – the feedback (“demand-pull”) mechanism that will reinforce what works, and what the community wants. Government, at all three levels, can also help promote effective outcomes, by, for example, switching from existing “physical” service delivery systems – Centrelink, etc – to new Internet-delivered services (something we address in the main part of our submission).

Q5 Should uptake and effective use of broadband by specific groups be targeted and, if so, which ones?

A5: No, we do not believe there should be selective targeting, with the possible exception of indigenous and other groups with special needs. It is the very essence of what we are proposing that it be general, all-inclusive and non-discriminatory.

Q6 How might the brokers play a role in facilitating/supporting community-wide connectivity and community-wide (cross-sectoral) networks?

A6: Well, what we are proposing is that the broker (franchisee/franchiser) take on the role of facilitating/supporting community-wide (cross-sectoral) networks. To be glib, we are the network.

Q7 Should future demand aggregation activities be focussed in areas that have yet to receive terrestrial broadband services under HiBIS to support the delivery of the new Broadband Connect program?

A7: We have no answer to Q7. The only point that we would make here is that we envisage that our proposed national Regional Community Network would be built up as it becomes practical to do so, both from the point of view of available broadband and other infrastructure, and from the point of view of the practicability of setting up local franchises.

Q8 Are health, education, emergency services and local government the appropriate services for Clever Networks to target?

A8: Most certainly. As we emphasise in our submission proper, the delivery of services supplied by Federal, State and local government will be substantially facilitated and enhanced by our proposed Regional Community Network infrastructure. It is obvious, as we point out in our response, that the future world will be a very different place to what we have now. We are moving from an era in which services are delivered via physical offices and places like schools and hospitals into an era in which many of those services will be delivered via the Internet, most especially to remote and regional communities. To cite only one example, tertiary education will more and more be delivered online. And medical services will at least be augmented by online information. Already we are seeing local government, and commercial organisations like banks and insurance companies switching to Internet-mediated service supply. It is a very important part of what we are proposing, as we point out, that what is put in place now must be able to cope with a much more connected-up world in which there will not only be an ambient electronic connectivity environment, but an incredibly-rich information environment where the main problem will be relevance and selection.

Q9 Should there be priorities within this group?

A9: Obviously all information and service delivery is not equal, or equally important. Emergency must take precedence over normality. But importance is a matter for individuals, and individual circumstances. What must be provided is the widest possible availability, coupled with the ability to pick and choose as need and exigency require. In short, what we are proposing must give people the ability to choose their own priorities (again, “demand-pull”).

Q10 What other sectors, if any, should also be considered?

A10: The answer to this question is: all sectors. As mentioned in the previous answer, there will perforce be prioritisation (emergencies, etc). But this should not be dictated or imposed on a community. Rather, full choice should be offered, and then the opportunity for individuals and individual interests to choose what they want or need. However, this question does give us the opportunity to provide an illustration of why what we are suggesting is both innovative and important for the future. One of the original germs behind the concept of Internet (and now Regional) Community Networks was the experience our CEO, Robert Darroch, had in New York in the mid-1980s. As the head of Kerry Packer’s North American publishing activities, he was invited to attend at the Waldorf Astoria the annual Kelly Awards – America’s

advertising “Oscars”. One of the winning advertisers had developed a campaign targeted at American farmers. They were selling agricultural equipment – tractors, etc. What won them the award for that year, and planted the seeds for what we are now suggesting, was their realisation that the key to success in selling more tractors, etc, was to find out what individual farmers already had in the way of agricultural equipment, and what the age of that equipment was. Using a very primitive information-gathering database system (they had little else at their disposal), they managed to compile a record of, if not all, then a very large number of American farms, and what their equipment situation was. This then enabled them to track when a particular farm needed new equipment. And so they were able to send out – by mail, because this was before the Internet – an advertising flyer saying words to the effect: “Dear Mr American Farmer (personal name), Your tractor is now 10 years old, and it is time you thought of replacing it. Your International Harvester dealer at 321 Main Street, Your Local Town, has just the deal for you.” We realised at that moment that if there were a way of connecting up people – suppliers and consumers – an information database could be used not only to maximise business trading but perhaps more importantly, deliver to local communities what they wanted, when they wanted it, in an attractive and easy-to-use package. This is what Regional Community Networks is all about. (Imagine if, for example, government departments could keep track of their clients’ needs, and service them in a similar way!)

Q11 Should there be a focus on particular applications/sectors which will require and drive network or industry capabilities?

A11: Again, no. The reply to this question has been given in previous answers. But to reiterate – any such infrastructure, any such network, must be all-embracing, responsive to local needs, and rely on local needs to drive it (“demand-pull”).

Q12 What strategies could be incorporated into the program design to ensure that investment under Clever Networks provides the greatest holistic community benefit?

A12: Several. Including a feedback (“demand-pull”) mechanism that indicates to the provider – in our case the franchisee – whether what they are offering is what the community wants. But there is a stronger answer. And that is the monetary one. What we are suggesting will work – so that it provides the “greatest holistic community benefit” – so long as the local community uses the local network as their primary means of communication – and that will attract advertising, and thus the income needed to make the RCN viable. What we are suggesting will not work without local advertising (augmented by national advertising) that is the sine qua non of what we are proposing. What we are anticipating is that, when a Regional Community Network is established (and this may take some time), it will arrogate to itself advertising from existing Media outlets, and it will become the preferred vehicle for local advertising and marketing. This is the engine that will drive the network, not only financially, but practically. It will link the local business and organisational infrastructure to the community at large. (It will also be driven by the targeting ability that the Internet provides – a degree of “hitting the right spot” that puts other communications Media almost out of the picture.)

Q13 Is there an ideal balance between infrastructure and applications streams and, if so, how can it be identified?

A13: Yes. The balance is that both are needed, the one needs the other, and vice versa. The infrastructure delivers both local network connectivity and the link to the outside world. The only balance between them is that both are necessary, and both are dependent on one another. However, from our point of view, the application stream is the most significant, and we would argue that without its encouragement, the infrastructure will be under-utilised.

Q14 What is the best balance between competitively determined and strategic investment funding?

A14: The best balance – particularly from a government funding point of view – is that what we are suggesting: self-funding. There may be a need for initial seed funding to help start a Regional Community Network. Some other initial support may also be desirable (our suggested trial RCN should help determine this). This can be provided by Federal funding and perhaps also by State and local resources. However, it is vital to our concept that no matter what the source of seed and initial support funding is – competitive or strategic – that after an initial establishment period the operation must be self-financing. We believe that the local/national advertising paradigm we outline will guarantee this.

Q15 Would potential proposals be improved if the guidelines permit proposals which encompass both infrastructure and applications aspects?

A15: Yes, of course. The two must be linked. You can't have one without the other. However, they must be separate and independently justified and financed. The infrastructure element must look after itself. Our main interest in them, apart from reliable service provision, is cost. They must not price themselves out of our market. It would not be out of place, however, to point out that without what we are proposing, the utility and usage of their infrastructure may be limited. They need us, just as we need them.

Q16 What key strategic investments in broadband infrastructure have the potential to provide the best outcomes?

A16: This is not our area of expertise. The only point we would make here is that we would need effective – and indeed cost-effective – broadband infrastructure to link our proposed RCNs to the outside world and within the local community.

Q17 Are there complementary sources of funding/contributions which should be considered in developing the guidelines for the Clever Networks program?

A17: This is an important consideration. The funding of what we are proposing goes to the very centre of our response/submission. As we mention in our response proper,

it would be our aim to make our proposed RCNs economically viable, if not from the outset, then at the earliest possible moment. As we make clear, we see advertising, both local and “external”, as providing the vital income sustainability. We have no doubt whatsoever that, certainly in the longer term, advertising will support and sustain our proposed RCNs. Indeed, perhaps the biggest point we can make is that what we are proposing will eventually attract advertising revenue away from existing media products (newspapers, TV, etc) and towards our RCNs. That is our general answer to this question – that there will be little need for “complementary sources of funding”. That is the good news. However, it would be naïve to imagine that this would happen overnight. Some other sources of income will be needed. Possible other sources are mentioned in our submission – IT services, etc. But that will not be sufficient either. Some seed funding will be needed. This would best come from government, but we have no doubt that other parties (including the existing Media) would be interested in supplying financial support – especially when they realise the rival potential of RCNs. In point of fact, this matter can best be addressed by setting up a trial RCN to generate the example we will need to show to potential franchisees.

Q18 Should there be specified minimum broadband specifications (eg. bandwidth, latency etc) for Clever Networks and, if so, what should they be and how should they be determined?

A18: If this question can be focussed on “emerging technology demands” (as mentioned in the preamble to questions 18, 19 and 20), then it raises a very important and relevant matter. We have little doubt that the Internet, especially if given added capacity via broadband infrastructure, will eventually be able to deliver radio and TV programming. Digital radio via the Internet is already feasible, though little exploited so far in Australia. Streaming TV must come soon. Depending on the regulatory regime, this could revolutionise those two (and other) sectors of the Media industry. Clearly, if feasible, we would want to provide access to such emerging technology via our RCNs. Indeed, we would like to experiment with digital radio immediately, if it is legal. This is an area we would like to discuss further.

Q19 What steps / mechanisms can or should be incorporated, if any, into Clever Networks to enable regional, rural and remote communities progressively to transition to high / higher bandwidth networks?

A19: The only point we would make here is that demand and usage (and technological development) will determine this.

Q20 New technologies are showing considerable promise in providing broadband access to users well outside the current DSL limitations. What strategies should be adopted to encourage and support deployment of these new technologies, and to ensure newly emerged technologies are not precluded during the lifecycle of the program?

A20: We have nothing technical to say here. However, once local communities learn about our RCNs and what they can offer, they will want to be part of their local one.

Hence, if they are not yet on broadband, this would be an encouragement for them to apply for it.

Q21 What supporting information should be required in Clever Networks proposals in order for their sustainability beyond the life of the program to be evaluated effectively, and what factors should be considered in determining sustainability?

A21: Well, a viable income-producing regime should be outlined. We certainly envisage reaching sustainability within the life of the program.

Q22 For any new infrastructure created or made available, should there be specified minimum infrastructure access arrangements for parties other than infrastructure owners, such as a wholesale-rate for backhaul?

A22: Again, this is not our area of expertise, except to repeat that our interest lies in having adequate infrastructure to cater to local demands and requirements.

Q23 How realistic is such a requirement, and how tangible are the likely benefits of the approach?

A23: Same answer as above.

Q24 How can an appropriate charging regime for such access be determined?

A24: If we are talking here about how people and businesses and other entities in regional, rural and remote communities will pay for broadband connectivity, then our answer would clearly be: that regime which encourages the maximum connectivity. If the Federal Government can do anything to subsidise such costs and encourage connectivity, then that would be a good outcome. We would imagine that one consideration should be the number of people connected. The more people connected, the cheaper should be the charging regime. It is our impression that at the moment many broadband providers are charging too much, trying to recover their infrastructure costs. This is counter-productive. However, an additional point we would make is that the extent to which price is linked to download volume is the extent to which our RCNs will help to reduce costs, because most of our downloads are low on complex graphics and are produced from our offline database “on the fly.” (This also makes our RCNs ideal for mobile phone downloads.)

Q25 What other program activities should be taken into consideration in determining Clever Network program eligibility and entitlement?

A25: Our answer to this question would be that considered program activities should be all-embracing and not piecemeal. Supporting selective applications might be justified if they are especially important, or otherwise difficult to access. But we certainly believe a holistic approach should attract the highest eligibility and entitlement.

Q26 Having regard to the possible diversity of the activities under Clever Networks, what strategies can/should be considered?

A26: A difficult question. The best we can contribute here is to remark that our proposed central or national franchiser will monitor very closely the progress and success of all the franchisees. How this will be done is a complex matter, and probably involves a great number of parameters. However, we should have feedback and other electronic access to their activities which will give us some idea of how they are going. We would then be able to report to whatever entity is running the Clever Networks program on effective delivery, outcomes and, if necessary, future program design.