

Is NBN Co's CEO right that Australians aren't interested in ultra-fast broadband?

Written by David Glance, Director of UWA Centre for Software Practice, University of Western Australia



Are Australian's uninterested in speed? [NBN Co](#)

Whilst [announcing](#) NBN Co's 2017 half year results, CEO Bill Morrow stated that there was little market demand for faster broadband speeds than the 100 Mbps being currently offered on the NBN.

Morrow made the remarks after being asked when Internet Service Providers (ISPs) would offer internet connection speeds of 1 gigabit per second (1 Gbps).

Morrow replied that there are currently 1.5 million homes that can have 1 Gbps connections and that although a "couple of the retailers have signed up for a trial" of these speeds, nobody as yet has offered the service to consumers. Morrow presumed "it is because there isn't that big of a demand out there to actually develop a product to sell to those end users".

More contentiously, Morrow stated about customers' interest in 1 Gbps speeds: "Even if we offered it for free, we see the evidence around the world that they wouldn't use it anyway".

Morrow clearly sees that this situation may change with the advent of augmented reality and 4K and even 8K television but that these technologies are not being adopted in any great numbers yet.

It is worth clarifying that when [reporting](#) this story, journalists have used the term "super-fast" to refer to the 1 Gbps speeds Morrow was discussing. However, superfast is a term that the Australian Competition and Consumer Commission (ACCC)

[defines](#)

as any broadband over 25 Mbps. Somewhat more confusingly, NBN uses the term to

[refer to](#)

100 Mbps, but not the 50 Mbps, connections. Perhaps a better description for 1 Gbps internet broadband would be "ultra-fast"?

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Returning to the original statement by the NBN Co CEO, are Morrow's claims that Australians are not interested in 1 Gbps internet connections in fact true?

So far, the bulk of NBN customers are [opting for](#) speeds of 25 Mbps or less. By the end of 2016, 83% of fixed line NBN customers and 96% of fixed wireless customers had internet services of 25 Mbps or less. Only 13% of fixed line customers had opted for the 100 Mbps connections.

The difference in [cost between](#) a 25 Mbps plan and 100 Mbps is AU \$15 a month from Telstra and AU \$30 a month from [iiNet](#). The cost of a 100 Mbps is not excessive compared to the slower plans. Customers at this point simply see that for what they use the internet for, 25 Mbps suits their needs.

For the moment, 25 Mbps is just about [enough](#) to stream a 4K Netflix show. However, there aren't that many movies or TV episodes on Netflix available in 4K and even if there were a bigger factor is the download size of these shows.

Streaming 4K [results](#) in a use of about 7 GB per hour. Given that the average Netflix user is watching about [2 hours a day](#) on the platform, this would result in about 420 GB per month.

The starting plan that Telstra provides only allows 100 GB per month and so this would be the determining factor for people streaming at 4K rather than speed. Even the higher cost plans only provide 1 TB of data and this would not be enough for streaming 8K or even newer enhancements to video such as [high-dynamic range video](#) (HDR).

It is important to note that it is not the NBN that is determining the ultimate pricing on packages that the ISPs offer. iiNet offers [unlimited](#) downloads for example.

Critics of NBN Co like Internet Australia's CEO Laurie Patton have [argued](#) that despite what customers may want today, the network should be being built that will support the needs of future applications and capacity. Clearly if applications do arise that need the Gbps speeds, not

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having a network that can support those speeds is going to prevent the adoption of those technologies.

The difficulty with this line of argument however is that those applications don't currently exist, especially those that can't run on 100 Mbps speed connections. 4K or even 8K TV is not on its own, a sufficient argument to justify that need. Although Morrow mentioned that applications like augmented reality and artificial intelligence may boost demand, it is really not clear what these applications would be and why they would need the higher speeds.

There is nothing stopping people currently on the NBN, or even on Telstra's existing HFC internet network having 100 Mbps broadband that would give them the capability of streaming 4K easily. Given the relatively low take-up rates of that higher speed, one would have to believe Morrow's assertion that there isn't enough market demand to make it worth the ISPs while.

Having little market demand for something is not the same as there being *no* demand for a product. I personally would opt for 1 Gbps because I currently get relatively fast downloads from a 100 Mbps HFC connection from Telstra. Being able to download movies, software updates and other files in even less time would be something I would be prepared to pay extra for. More importantly, having the extra *upload* speeds would allow me to make more use of cloud-based backups.

There does seem to be an opportunity to educate the market about the benefits of the higher speeds that would presumably be in the interests of the companies making money from selling these plans, including NBN Co itself. If there is little demand for 1 Gbps internet connections, it is possibly time for NBN Co and its retail service provider customers to do more to create it?

Disclosure

NBN Co provided a transcript of CEO Bill Morrow's statements at the presentation of the half-year results. Spokespeople from NBN Co provided answers to questions I posed about the subject matter of this article.

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