

## Farmwide – a lost maverick

*Country users lost an internet champion and had to wait years before they got WiMax.*

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Earlier this month, I wrote in this column about the national importance of [maverick](#) operators. This column is about Farmwide, which did not get a chance to fulfil its potential.

The Commonwealth cannot do enough for the bush. In terms of communications, \$250m from the sale of Telstra was put into Networking the Nation (NTN) in 1997, nearly \$200m in 2001 for Extended Zones and the Digital regions Initiative, \$958m was announced for the [OPEL](#) project in 2007 (and cancelled in 2008), \$290m for the Australian Broadband Guarantee in 2008, \$3,000m for fixed wireless and satellites for the NBN in 2009 and over \$250m for regional blackspots since then.

In June 2000, a \$20m grant was awarded to Farmwide to establish up to 150 points of presence (POPs). This followed a successful trial of 15 dial-up POPs funded by the Commonwealth for over \$6m.

Farmwide is a not-for-profit organisation set up by State farming organisations. Its original mission was to bring the Internet to the farming community – it has other roles today. That mission involved not only finding innovative ways to bring the Internet to farmers but also to bring farmers to the Internet with on-the-ground promotion, training and support.

It was innovative. It collaborated with Maestro to develop dial-up modems more suitable for rural conditions. They are still being [sold today](#). It also engaged in rural satellite trials and attempted to trial ADSL two years before Telstra launched its own service. And it planned to deploy WiMax (wireless Internet access) when standards were just emerging for this technology.

Before Farmwide had a chance to submit its POPs implementation plan, the Commonwealth stopped the grant. Circumstances had changed.

In the late 1990s, dial-up was the common access to the internet. Where untimed local calls were not available, internet service providers (ISPs) could use Telstra's Dial Connect to do that with a single national number. But, the wholesale charge was timed so that retail internet fees were typically around \$1/hour. Dial Connect was replaced with Megapop in April 2001 removing all timed charges so the Commonwealth believed that funding local POPs was no longer needed.

On top of that, Telstra got \$150m from the Extended Zones tender so that it could announce in June 2001 that all customers would have access to at least one ISP for the cost

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of an untimed local call.

However, the decision to stop funding to Farmwide was, I think, a mistake. Farmwide's ISP was not just about untimed local call access. The removal of funding deprived rural customers of an internet champion, an organisation that was bringing advanced technology to them years before anyone else would and would have provided real competition based on a wireless network independent of Telstra's copper network.

Farmwide sued the Commonwealth for the value of the lost opportunity; not just the \$20m. This is where I came in. My task was to assess that value based on the cash flows over 10 years with a sale at the end of it. With the space left for this column, I can share only a few of the interesting aspects of this task.

Farmwide's ISP was not-for-profit. It had no private investors. What rate do you use to discount cash flows when Farmwide had no equity and no debt? Note, the task was neither to provide a business case (none was needed for the grant) nor to do a cost benefit analysis (the Commonwealth's job). I'll address the discount rate next week as it affects the NBN.

Demand is clearly critical. I believe that Farmwide would have been a rare case of *"build it and they will come"*. I was reminded of [actnow](#), a community based broadband project in Cornwall; which was a backward region in the UK. In April 2002, Cornwall invested € 20 million (from various sources including € 4.5 million from British Telecom and € 7.5 from the EU) to bring ADSL to the region. BT was sceptical because an earlier development of the DSL infrastructure in a rural region in Wales had only reached 3% broadband penetration among businesses 18 months after its launch. However, actnow achieved a challenging target of 3,300 businesses (equivalent to about 18% of all businesses) by April 2005 using broadband – it achieved that a year ahead of schedule.

My point is that the difference between Cornwall and Wales was the result of actions at the local level to educate prospective users and provide local support. This is also what made Farmwide special. It is why rapid subscriber take-up at the POPs was likely. It is also why the NBN project is of concern – just advertising that the NBN is coming is not good enough.

I estimated that by June 2012 Farmwide's ISP could have had around 30% of its addressable market (i.e. those customers within reach of its WiMax network). That is just under 100,000 customers and less than 1% of the national market. Four years later, the NBN has only just reached 100,000 WiMax [activations](#).

Farmwide recently abandoned its litigation; so I did not get my day in court. But, the real loss is borne not only by those rural customers who could have been served by Farmwide's ISP years ago but also by all customers due to the still-birth of a promising maverick.

**John de Ridder**