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- S1 00:00 Hi there, my name is Glenn Williams and welcome to the Moxie Podcast. This is Episode Number Two. Now, the Moxie Podcast is the companion web show to the Moxie Sessions, which are an invite-only discussion event held once a month in Auckland, in New Zealand. Now, this is to provide a forum for interesting technophiles, we'll call them, from across the economy to discuss how to retool our existing rules and attitudes for the Internet, basically discussing how New Zealand can take advantage of this thing called the Internet.
- S1 00:33 We've got three speakers who spoke on the topic. The topic was, how strong are New Zealand's connections to the world? Are they sufficient for us to take advantage of the opportunities of the new economy, and what could be done if they are not? Got three speakers: Mark Rushworth, who is a seasoned executive with over 19 years' experience in the ICT industry. Mark has held senior position with multinational companies such as Vodafone and Telecom New Zealand, and also ITV as well. He's at Pacific Fibre. Prior to Pacific Fibre where he was Chief Executive and Co-Founder, he was the Chief Marketing Officer of Vodafone New Zealand. Mark, welcome to the show.
- S2 01:16 Good morning.
- S1 01:18 And also Vaughn Rowsell, who got an awesome tech start-up in Parnell. Well, that start-up is Vend. He's the CEO there. He's also Innovator of the Year in 2011. He cycled the length of New Zealand solo once, goodness me. And I know him by his moustache 'cause it's always on his Twitter profile and his social profiles. Vaughn, welcome to the show.
- S3 01:40 Hello, hello, and my moustache says hello too.
- S1 01:42 [chuckles] And also we've got Stephen Knightly. He's into gaming in a big, big way. Digital marketing as well, and start-ups. He's Director of InGame, Chairperson of the New Zealand Game Developers Association, Director of Pursuit PR as well and Creative Digital Content Board. Stephen, welcome to the show to you.
- S4 02:03 Yeah, good morning.
- S1 02:04 Mark Rushworth is going to be talking about Pacific Fibre and the new Trans-Tasman cable and the importance of good Internet connectivity to the world, and certainly this conversation will be sort of a demonstration of that: me in London and the speakers in New Zealand. Stephen Knightly is going to be talking about the value of digital distribution and how New Zealand competes for global audiences for video games. And Vaughn will be talking about acquaintances, friends and lovers, or the importance of personal interaction in the digital economy. He's a bit of a romantic, I think.
- S1 02:34 Anyway, we'll start with Mark. Your point of view, I guess, is more of a practical context of the actual physical things that connect New Zealand to the rest of the world. Am I right, Mark?
- S2 02:47 Yeah, it is. It's the garden hoses, if you like, that connect us with Australia and the US. And without those, we wouldn't really have Internet. We'd have it, but it would be between us and the neighbour next door, perhaps.
- S1 03:01 And of course, there's been a lot of discussion over the years about whether or not we have enough of these connections, whether or not the pipe is big enough or there's enough competition in the market. And I guess that's where you come in.
- S2 03:14 Well, it was. We came up with the idea of Pacific Fibre really out of frustration, frustration out of the poor broadband experience and connectivity that we have down here in New Zealand. And there's always more and more demand for bandwidth, and a lot of people out there think that more bandwidth simply means access to more entertainment or, heaven forbid, porn, but we very much view that as a Luddite argument that really echoes those who thought electrical lighting or television in a home would destroy society.
- S1 03:55 So are our connection strong enough?
- S2 04:00 I guess the important aspect is two-fold. One is looking at diversity. In New Zealand at the moment, we have a single cable, the Southern Cross. Fantastic cable, but we only have one of them, so got an issue there with diversity. The problem we were trying to solve is one of economics, so price. So there's plenty capacity on the existing cable. What we were trying to break was introduce a competitive market so that over time, the price of bandwidth would come down, and as a result, consumers could enjoy [at least?] broadband that people get to experience say up in Europe or in the US.
- S1 04:43 Now, Stephen, you are of course in the business of taking advantage of those physical connections, in the business of making games, which is a huge global business - it's bigger than Hollywood, some people say. Are New Zealand's connections to the world strong enough? Are they sufficient for us to take advantage of this global economy we now all live in?
- S4 05:07 Yeah, certainly, [that?] they are now. And it's a confluence of various factors as well. So, yes, those pipes make a difference, but what I think happened in the case of the New Zealand video games industry is about five years ago, digital distribution really

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became viable for us. And so it was both the fact that, yes, we all had good broadband, but then also we had some shops arrive and device arrive, like the iPhone and the App Store, and then also say PC, digital gaming through platforms like Steam became viable. And it's interesting, a lot of people say, "Is the speed of our connection overseas important?" So it's not good enough, is the short answer, for doing live gaming. And so latency as well as the-- which is the speed of the connection, as well as the volume that we can get can be important if you're doing online games.

- S4 05:59 But the way we just get around that is that we just host our servers in the States, where the cost of bandwidth or the cost of a data centre is probably at least a hundredth of the price anyway. But what happened in our case is just because I think there was this pent-up demand - all these people who wanted to make video games in New Zealand. About five years ago when those connections got good enough, we reached that tipping point, we just leapt in. And the story since then is the industry's probably doubled in the last two or three years from a bit under 200 jobs to well over 400 jobs now. So in terms of the digital distribution side of things, yeah, the pipe is now there and big enough for us to take advantage of.
- S1 06:40 Vaughn, could you start by telling us about your business, Vend?
- S3 06:45 Sure. We have a digital product, so it's an online product, software as service product. It's what Gmail is for email. We are vendors-- an online product for bricks-and-mortar retailers to run their entire store, so everything from the front counter, point of sale, all the way through to the back office and inventory. So it's all web based; it's all delivered online, which means we can reach customers in hundreds of countries literally, and tens of thousands of them at scale, and do that by running a business from New Zealand. Which is something that without the Internet we just couldn't do.
- S1 07:23 So you rely heavily on the technology, but you'd argue that actual, real connections between people, not just digital connections, are really important.
- S3 07:35 Sure. So the Internet is a distribution [channel?], right? So it's a means of keeping in touch with our customers. We distribute our product through the garden hoses all around the world. We have servers in the US that deliver our content, so deliver our app out to our users. And so, the Internet is obviously critical for our business. But it doesn't replace the need for some of the more of the traditional interactions that you have in business. So I liken it to the same way that you maintain relationships with your friends and family. If you try to maintain a marriage over Skype, that probably wouldn't work too well. So once a month-- I spend probably about a week if not more on planes in places like San Francisco and Melbourne building relationships with--
- S1 08:27 Are you planting trees as well?
- S3 08:31 [chuckles] No. No.
- S1 08:32 [laughter] Okay. Mark, where do you sit with that? Because you're in the business of building the infrastructure. Do you agree that these personal connections are still required when we've got things like Skype and video calling, conferencing, that sort of thing?
- S2 08:48 Yeah, absolutely, you still need the personal touch, the face-to-face meeting. And look, we find that with our customers on Pacific Fibre that we signed up early on, yes, you could have pick-up calls and Skype calls and email, but really, any of the deals, the big deals that you pull together, are a combination or a result many face-to-face meetings, global meetings, different meetings up in the US where all of the telcos come together twice a year. And without that, we would never would have pulled the deals together. So, yes, you absolutely need face to face.
- S1 09:24 But it's got to be said though that surely the technology and these connections, these strong connections New Zealand now has with the world means that we indeed have to do less of that, right?
- S3 09:35 Obviously I can't spend all of my time sitting on planes talking to people, especially when we've got tens of thousands of customers around the world. But what it means is things like Skype and the Internet can supplement these real-world exchanges so you can build and establish strong relationships with people. 'Cause we're all humans, right? We value being able to sit across the table and look at somebody in the eye more than chatting to somebody over Skype. But once you've established those relationships then it becomes much easier to maintain them over a Skype call, over a phone call, and over email.
- S4 10:10 Just talking to the point though about the role of personal relationships even in our highly digital business, I think it used to be the case that the personal relationship was a barrier to entry. So it's no longer there as a barrier to entry, but by golly, it's extremely useful once you start to grow your business and want some partnerships. So once upon a time, we used to have to jump on a plane and go get a meeting with Sony, Microsoft, or Nintendo before we could even publish a game. The step one was the personal relationship. And so I think what's changed now with digital distribution, all these open platforms, is you can now just make your first few games out there, establish your credentials, and show how great you are, and develop an audience, a consumer audience digitally.
- S4 10:55 And then step two or three is you'll go to one of these global international conferences. Next week is the Game Developers Conference in San Francisco, and there's a mission of about eight or so Kiwi companies have banded together and we're paying for our own cocktail hour there. So that relationship building is absolutely useful, but that's after we've already had a few hit games. And it's then about relationship building with people who can [take?] the business go further. So the good thing is that the face-to-face relationships aren't the barrier to getting started anymore. But, yeah, then you grow, you become a bigger business, and relationship's always useful for taking your business further.
- S1 11:37 And Mark, how much of the business coming from overseas to New Zealand - actual businesses setting up shop in New

Zealand from overseas - how much of that is driving growth in the technology sector?

- S2 11:49 Well, if we just [briefly?] look at say connectivity, 'cause the main driver for bandwidth or [?] at the moment is international connectivity. Our residential users in New Zealand, about 80% of the content they consume comes from the US or via the US, so that drives the need for these big pipes. But that's traffic going in one direction. The opportunity for New Zealand is when once you've got those pipes connecting us to the States and to Australia, then we can become a site, a country that can host data, so that data can be pulled out of New Zealand over to the States. So effectively I would think of it as a digital bridge, if you like, that can send traffic in both directions. And it's that enablement of that connectivity that makes New Zealand-- if we get to the point we are hyper-connected, then businesses can sit in New Zealand and host their data, but work and trade on a global stage.
- S1 12:54 So is Pacific Fibre a dead proposition right now?
- S2 12:59 It's on hold. We put it on hold. What we found out was-- and timing wasn't ideal for us. We were very successful in terms of signing up customers - so telcos, New Zealand government - and we secured 220 million of binding customer contracts. However, in the environment - GFC - very difficult to raise debt; difficult also to raise equity, particularly before the thing was built. We had a whole stream of investors lining up once the thing was built. And in the end, it's no good building a cable that only get 80% of the way. No good if it sits at the bottom of the ocean and can't connect into the US. So look, we've put it on hold. The problem still exists, of course, that we have this single connectivity, but I think the problem will-- it's not going to be solved for another 10, 15 years, unfortunately.
- S1 13:59 So to Vaughn and Stephen, how big a deal is that, the fact that that's on hold, the competition isn't there, there's just that one cable at the moment? How big a deal is it for you guys?
- S3 14:08 Oh, it's a big deal every time I try and watch anything on YouTube and try and establish a Skype conversation with somebody in the US. Invariably, the first couple of minutes is dealing with people sound like they're underwater or trying to get their connection right. But from a business point of view, for us, I think Stephen mentioned that you just put your servers where your customers are. So for us, I don't think-- considering 85% of our customers are all offshore, for us, it's not so much about having the data here in New Zealand. It's more about having the high bandwidth interactions with our partners, so, yeah, spending less time on planes and spending more time on Skype.
- S1 14:55 What about you, Stephen?
- S4 14:55 And another element of it is just the cultural impact of it, the fact if all of our international customers are used to having high-speed broadband and accessing these services fast, and here we are in New Zealand, trying to create services and products for them. If we don't have any experience of it ourselves then we are just a laggard ourselves.
- S3 15:15 Yeah. Yeah. But we are seen as a bit of an Internet backwater, in New Zealand. And so the other side of that is, wouldn't be great if we had world-class connectivity and then we can start bringing the rest of the world to us. New Zealand is an amazing place to live, and the reason why we're here is 'cause we like it here. I can uplift my family and move to San Francisco and that would solve a lot of our problems, but we don't necessarily want to live in San Francisco. Our friends and family are here, and the quality of life is great here.
- S2 15:45 [I'm?] just sort of going with Vaughn there that, look, if New Zealand really is serious about attracting the world's best talent and their families to live down here and do business, then we do have to have an edge. And an edge has to be more than just connecting like our homes with fibre; it's about connecting up the country with our trading partners. And at this stage, it doesn't look as if we're going to be able to step ahead, but we've got to do everything we can just to keep up.
- S4 16:12 Yeah, and I get enquiries quite often from experienced international game developers wanting to relocate somewhere beautiful like New Zealand, and, yeah, that Internet-connectivity question is pretty much their first question out of their mouth. They already know we've got quality of life.
- S1 16:25 Well, that's pretty much the individual question when you're moving house within New Zealand, or certainly me here in London, that's one of the first questions I have: "How's the Internet?" And if it's no good, even in that individual house and that individual street, you're less likely to go there 'cause it's really is-- I mean, it's as important as electricity and water.
- S2 16:45 [Yeah?], it's a utility service and it's a basic human right: you need connectivity. Much like people expect their mail to be delivered five days a week, they also expect their broadband connectivity to work.
- S1 16:55 There was some talk about Google perhaps putting some servers in New Zealand. I haven't caught up on the news of exactly where that's at, but does anyone know anything about that and would that be good?
- S2 17:07 Well, about a couple of years ago, we had some discussions with Google. They were looking at, yes, putting servers down this end of the world. They had a couple of key requirements. One, for their big server farms, they need to ensure that 30% of the power that they use is green power, renewable power. And of course, New Zealand ticks that box, having about 78% renewable power. The other one was cable diversity, and we'd hoped that Pacific Fibre would provide that diversity that they needed. And the third one that they had was international bandwidth pricing, which comes as a result obviously of competition, having another cable in there. So we passed on one, but in the end, we failed miserably on the other two. And I understand that they now have-- the bigger data centres they've ended up putting across in Asia, and they have some caching now sitting in Sydney. So we need to-- increasing we're picking up cache traffic from Sydney as opposed to having it here in New Zealand or getting it from the US.

- S1 18:10 Is there a technology that's on the horizon or that you could think of even in science fiction that could replace being there in person, that would satisfy that need to be there in person?
- S3 18:23 Yeah. It's interesting to look at things like Skype and video conferencing, and they haven't really progressed far over the last few years. I mean, Skype's been around forever and the quality is still fairly average, and it still doesn't replace the nuances that you get from an [in-personal?] meeting - being able to read body language of other people and have the high bandwidth in the audio and the video and the sights and the smells and things, which are really important to us as humans. We value those sorts of exchanges much higher than we do looking at a screen. But it's interesting, you're starting to see these things - I can't remember what they're called; I've seen a couple of them now - which are basically a glorified [segue?] with an iPad on it and [chuckles] you can beam yourself on to it.
- S3 19:13 And so your face, your disembodied face, can appear on this [segue?] that you can remote control around the remote location, and so you can wheel yourself into a meeting and sit there and smile and nod and turn around and address people in the room. And then when you're finished with the meeting, you can wheel yourself back to the charging stations and you're done for the day. Things like that. I mean, that has that certain amount of comic value, but it does give you that physical presence in a meeting, which is quite important. And so you can kind of extrapolate that to the next stage, which is having androids, so bodies that you can possess and attend a meeting with, or whether it's by a hologram.
- S3 19:58 I don't know, but something will happen, and it will happen in our lifetime, and it's probably going to be something that it's more going to be for our kids to appreciate. And you never know, I mean, I definitely know with my daughters - which is probably as side effect of meetings constantly on the other side of the world - is that they are constantly interacting with me via things like FaceTime and Skype. And so for my kids, maybe Skype is not such a barrier for human interaction. Perhaps it's enough.
- S1 20:29 So is the dream, guys-- is the dream [that?] this Utopian New Zealand existence where we've got that batch out at Bethells and we work from that batch four hours a day and it's via these amazing technologies? I mean, if you can put a rover on Mars and control it that far, surely you can control an android on the other side of the planet. That's part of that need to be in New Zealand and have this amazing lifestyle and wide, open spaces, but also be connected to the rest of the world, is that exactly-- would that be the best possible scenario in the future?
- S2 21:04 I would sort of ask for one other perhaps advancement. I think when my parents when they first went over to the UK, it took six weeks on a boat to get there. Now jumping on a plane and what takes us what, 26, 28 hours. It would be quite nice when my kids do it if that time has dropped to about six hours, and then, yes, you could base yourself in New Zealand and run a global business and still spend a week on the plane as Vaughn does, but the time you spend in the air's perhaps a little bit less. More time on the ground talking to customers and suppliers.
- S4 21:45 And one thing we seem to fixate on in New Zealand is that we seem to assume that we're the only people who are a long way away from other people. So just in general, the whole world is going to get used to remote working and working with people far away as well. So our customers, our business partners in America or Europe are getting used to dealing with people remotely as well and that's going to be to our advantage as time goes by.
- S1 22:10 Are there worries with New Zealand being more and more connected that you could have freelancers in China or freelancers in India or freelancers in London and that takes away from employment in New Zealand, that takes away that opportunity for a freelancer in New Zealand? Is there a concern there of us exporting work via a connected New Zealand?
- S4 22:32 Yeah, just means that, yeah, as the barriers to entry reduce, there is more and more competition. We just have to continue to be the best at what we do rather than going for the lowest cost positioning. And I think New Zealand is known and does successfully compete for things, the sweet spot between creativity and good technical skills in many sectors.
- S1 22:56 Okay.
- S3 22:56 Yeah, I think the advantage we have is-- New Zealand is held very highly in regard from the point of view of our abilities. We're great inventors, we're great at doing product stuff, we've got great developers, we've got great technical people. But the advantage that we have versus teams of distributed contractors is that we have teams: we have groups of people in New Zealand who collaborate and work together on stuff. I think having remote teams is not a bad thing because you get that high quality exchange between the members of the team. But if you were trying to manage a team of 40 people all in different locations, that [wouldn't?] always be a complete nightmare.
- S1 23:39 All right, well, I think this has been a very valuable and interesting discussion about how New Zealand connects to the world and how valuable those connections can be and perhaps how they can be better in the future. We've been with Mark Rushworth. Mark, where can we find out what you're up to and what you're going to be doing over the next year?
- S2 23:59 Well, look, I'm on Twitter and LinkedIn and all those various social networks. I'm playing with a couple of ideas at the moment; that's keeping me busy, and I should have something out there in the next couple of months. So, yeah, keep an eye out.
- S1 24:12 On the secret, on the down-low at the moment.
- S2 24:15 Yeah. Yeah, yeah, yeah, yeah [chuckles].
- S1 24:17 Okay. All right, well, I look forward to hearing about those. Vaughn Rowsell, what about you? Where can we find you?
- S3 24:24 So usual channels: Twitter. I've got a blog which doesn't get much attention, but-- so that's 8degrees.co.nz. Otherwise,

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vendhq.com is the business.

S1 24:37 Good. I think we've just doubled the hits there. And [chuckles] Stephen Knightly, what about you?

S4 24:41 Yeah, so if anyone wants to keep tabs on the New Zealand game industry and how it's growing, nzgda.com is the place to go.

S1 24:50 Brilliant. Check that out. And you can find the Moxie Sessions-- we've now got a website. It's themoxiesessions.co.nz where you'll find out when the next one is happening, who's going to be speaking. Plus you'll find this podcast there as well. You can find it on Mixcloud and also subscribe to it via iTunes. And that's all up at themoxiesessions.co.nz. Thank you very much to Hayden Glass who puts the whole Moxie Sessions together and he's helped put this podcast and everything together as well. My name is Glenn Williams, here in London. You've been with Mark Rushworth, Vaugh Rowsell, and Stephen Knightly. This has been the Moxie Podcast Episode Two. Thanks very much for tuning in. Catch you next time. See ya. Bye.