

CommsDay Melbourne Congress, 15-16 March 2022

Sheraton Hotel, 27 Little Collins Street, Melbourne

Will Irving keynote speech (25 mins)

Wednesday 16 March, 10.15am

Intro & Acknowledgement of Country

Good morning. It's a pleasure to be here in person today. Thank you, Emily for your kind introduction.

I would like to start by acknowledging the **Bunurong Boon Wurrung** and **Wurundjeri Woi Wurrung** peoples of the **Eastern Kulin Nation**, traditional custodians of the land on which we meet today and pay my respects to their elders past, present and emerging. I extend that respect to all Aboriginal and Torres Strait Islander people today.

I would like to thank and acknowledge Senator The Honourable Bridget McKenzie, Minister for Emergency Management and National Recovery and Resilience; and Minister for Regionalisation, Regional Communications and Regional Education, for her opening speech at the event yesterday. Improving the quality of communications in Regional, Rural and Remote Australia has been at the core of **nbn**'s mission since our inception.

Whilst we are pleased that we already serve many Australians in ways not possible before **nbn**'s arrival, we recognise the very significant work we have yet to do, and the significant role we all play in this room in so many different regions and communities.

I would also like to thank and acknowledge Shadow Assistant Communications Minister, Tim Watts, for his insightful and incisive commentary this morning.

I would also like to thank and acknowledge Anna Brakey, Commissioner at the ACCC, for her commentary and insights yesterday, with particular reference to the framework for **nbn**'s Special Access Undertaking Variation. We have been working collaboratively and very constructively with the ACCC, retailers and industry groups on these important reforms – and I extend my sincere gratitude for the way all parties have approached this monumental task.

Thank you Grahame (Lynch), Simon Dux, Rohan Pearce and the CommsDay team – as always - for the quality and calibre of your daily coverage and unique insight into our sector. It is without parallel in any other Australian industry. And, of course, thank you for hosting this event too, which this year celebrates its 20th anniversary – congratulations on a remarkable achievement.

And, finally, thank you to everyone in this room for your considered contributions to the important debates that shape our industry, and for pushing ideas and possibilities that make our industry such a vital contributor to Australia's social and economic prosperity.

Today I want to give you **nbn's** perspective on some very topical events:

1. The recent floods
2. The variation to **nbn's** Special Access Undertaking
3. And finally, provide a brief update on Fibre Connect

Floods

I'd like to start by recognising the way our industry has responded to the extreme weather and floods that have ravaged Queensland and New South Wales over the last three weeks.

Unfortunately, in recent years, we have had a lot of practical experience dealing with, and recovering from, natural disasters – from the Black Summer Bushfires of December 2019 and January 2020 to the floods of early 2021, the severe storms that hit Melbourne and the Dandenong Ranges last year. And, of course, the obvious overlay is that we are going into our third year responding to and supporting Australia through the pandemic.

Our heart goes out to those who have been touched by the loss of life in these floods and others who have endured untold damage to property, livestock and livelihoods.

I am proud of the way our industry has pulled together, sharing information and vital resources to support communities in need. No technology is impervious to natural disaster, but much has been done to improve our ability to reduce the devastating impact of these events in recent years, in particular, to build redundancy and resilience into our respective networks.

At **nbn**, over the course of the last three weeks, 279,479 services were impacted. We've had crews working remotely and on-the-ground around-the-clock and so far we have recovered just over 278,000 services – so around 99 per cent of impacted services are now back online.

Our work doesn't stop there. There is a fair bit of rebuilding and optimising still to do, and that will take weeks and months yet.

We have also committed to up to \$6 million to support retailers' flood relief packages, and this is where we need your help. Please help us to direct this relief to those customers who need it most.

SAU Variation

Now, to our proposed Special Access Undertaking Variation.

Before I go on, let me take a step back for a moment. Why are we here with our proposed SAU Variation?

The current revisions to the SAU have been described as a ‘once-in-a-generation’ opportunity to get it right, and without being intentionally obtuse – that is overstating it.

The original SAU was drafted and accepted in 2013. At that time, there were less than 100,000 active services on the **nbn** – and in the nine years since, the SAU has only formally applied to services supplied by **nbn** over Fibre to the Premises (FTTP), Fixed Wireless and Satellite.

The new SAU will have a series of discrete terms, and as part of our proposal to update it via a ‘replacement module’ it remains designed to deliver a regulatory framework for a period through until mid-2040 – so describing it as a ‘once-in-a-generation’ opportunity is partly true.

But at the same time, our proposed Variation has been developed under the SAU's 'modular structure' that facilitates changes over time as both **nbn** and the ACCC recognised the likely need for change over the life of the asset.

It was always anticipated that the regulatory framework would evolve under the SAU to meet the changing needs of the industry and consumers, whilst providing **nbn** and retailers with up-front certainty for our significant long-term investments.

This need for certainty when making investment decisions is, of course, not exclusive to **nbn**, and has been a theme of our industry since the days of Telecom Australia. And we are *not* the first to recognise and appreciate that all retailers have a great deal of 'skin in the game'.

Indeed, Anna Brakey, recognised this point yesterday as one of the key outcomes that the ACCC is driving towards where the regulatory framework must provide certainty for Retailers – but I think it's also fair to say certainty for **nbn** – to underpin sensible long-term investment decisions.

Given **nbn**'s wholesale-only obligation, we are entirely dependent on Retailers as our only channel to respond to the needs of customers. **nbn** must be highly

attuned to, and aligned with, the interests and needs of both Retailers and customers – if we are to achieve our commercial objectives.

But there is an important distinction between **nbn** and most other utility services, such as electricity, water or gas. They operate on the basis of a wholesaler-retailer arrangement that includes unit charging per gigawatt hour, megalitre, or megajoule. Customers of those essential services pay for what they use.

Some may well argue that electricity, water and gas are physical products that require generation, treatment and transmission. And I would argue that while the unit nature of fixed line, fixed wireless or satellite broadband are less visible we face many of the same challenges of increasing demand meeting capacity constraints, which obviously requires considerable expansionary investment.

Usage charges are commonplace across utilities and a well-accepted means of defraying fixed costs, such that there is a low cost of access and those who use more or require higher specifications pay more.

But **nbn** is first and foremost a service delivery company. We are moving very deliberately and with great purpose to play our part to lift the digital

capability of Australia. There is no room in our purpose to be stuck in the past or constrained by ideological views of how a perfect world might be constructed, or to argue how similar or different our industry is to others that are far more “natural monopolies” than ours in the classical economic sense.

To use an example to show how we are thinking about this kind of issue: we have heard, and we acknowledge the calls from retailers for us to remove CVC (ie capacity) charging altogether. So, how have we thought about the best approach?

Well, firstly it is to go back to first principles as a customer (by which I mean end user) focussed wholesaler: what do customers need and want?

1. Faster internet bandwidth? **Yes. Because time is precious and many of us share Wi-Fi!**
2. Unconstrained capacity to do whatever they want to do, stream what they want, download and listen or game as they want, video call whenever they want, without worrying about counting gigabytes of their own data use? **Of course.**

But do customers also want networks that are invested in, able to reliably deliver what customers need today and, importantly, ready for what they will need tomorrow? **The answer is yes – and COVID has taught customers that there are many services where it pays to look behind promises and get comfortable that whoever they choose as suppliers will be resilient enough to deliver when customers need it most.**

So, to come back to CVC charging. How should **nbn** do this in an efficient and predictable way? In the context of **nbn**'s SAU variation, we have listened intently to Retailers and see that these things: affordability, predictability, efficiency, capability and resilience are what matters most.

Hence, these principles have driven the thinking that underpins our offer of AVC-only on Home Fast and above, but lower entry level pricing, with CVC charging for lower speed tiers delivers the right mix of customer outcomes based on value delivered, affordability and network capability in an economically sustainable way.

To set this in context, consider that the average customer today buys a service 100 times faster than the average customer in 2004. Consider what happened as recently as 2016 when only 1 in 6 customers were on plans based on 50 Mbps download speed. Together, **nbn** and Retailers applied our considerable,

collective 'Focus on 50'. And far from flattening the curve and dampening demand, we unlocked capacity and made it accessible - so much so that today (with a little help from people spending more time at home), 76 per cent of customers are now on a 50 MBps or above; and 16 per cent of customers are on '100' or above. I think we can agree that the next 'Great Shift' should be to enable more customers to unlock the benefits of having '100' or above. After all, the **nbn** was conceived as a superfast network – and in today's terms that means enabling more and more customers to obtain at least 100 Mbps.

To achieve this, we need **nbn** to be sustainable as an organisation and our proposed SAU variation will recognise our need to not just meet our financial commitments, but support our ongoing investments – like our \$4.5 billion upgrade program currently underway - to uplift the digital capability of Australia.

We also hope our proposed reforms support this overall objective by providing strong incentives for internet retailers to better match customers' needs with appropriate **nbn** products, driving the accessibility of higher speed tiers and supporting the ever-increasing demands of data-hungry customers.

As always, it's a balancing act. These reforms are expected to deliver sustainable revenues for **nbn** while removing overage charges for retailers

whose customers are on higher speed tiers. This “more for more” approach will improve customer experience, reduce pressure on both wholesale and retail headline prices to do the heavy lifting of long-term revenue growth which is necessary to sustain investment by retailers and wholesalers for the whole industry.

Where we do retain bundled charging, it reflects rational economic settings to ensure the best possible affordability flows through to light, medium and heavy users alike. To increase efficiency and reduce the need for retailers to forecast exactly what capacity their customers are about to need, we will propose to move to actual vs forecast utilisation-based CVC billing where CVC applies. Whilst in many areas of life, as customers we need to slightly over-estimate our needs to avoid running out of essentials (dare I say “toilet paper” anyone), now that **nbn** is better able to forecast aggregate demand, it is appropriate for **nbn** to move to this model. Finally, predictability for retailers will be enhanced via automated, twice-yearly updates to AVC and CVC bundled inclusions.

Having been an access seeker to **nbn** in a past life, it is often hard to see when **nbn** is evolving, open to change and ready to innovate. **nbn**'s non-discrimination obligations are extensive and prescriptive and whilst totally appropriate to avoid inconsistent treatment of retailers, they result in a thoughtful and highly consultative, rather than fast, adaptation of processes.

As a result, **nbn** operates as a very broad church when it comes to the implementation of good ideas. And we have consistently encouraged and continue to invite retailers to think about new business models within the SAU. This is an area of vast opportunity.

We also want to innovate as quickly as we can, so we encourage retailers to continue to work with us so that we can implement quickly and efficiently to deliver tangible improvements to our shared business model – and to ultimately deliver improvements in customer experience.

We are hopeful that simple changes we will soon propose will enable retailers to create retail offers that encourage data-hungry customers to upgrade to higher speed tiers more appropriate for their needs and increase the effectiveness and utilisation of the **nbn** network. We see this as the classic win:win:win for customers, retailers and **nbn**. Sometimes cliches have a place!

This move is consistent with the growing capabilities of the **nbn** network and underpins our aim to provide up to 8 million premises across Australia with access to wholesale download speeds of close to 1 Gbps, on demand, by the end of next year.

We also need to be pragmatic and responsible.

As every network owner and operator knows, pushing additional speed and capacity into any network – fixed line, fixed wireless, 5G, satellite (LEO or GEO!) – costs real dollars.

Our objective with the package of major new and enhanced commitments is to increase certainty for Retailers and end-user customers in relation to **nbn**'s prices, incentivise ongoing efficient investment in the **nbn** network, and provide **nbn** with the opportunity to meet the policy and financial objectives set out by government.

Customers and retailers quite reasonably expect to see and feel the benefits of future investment in the network and Customer Experience. To do this, the **nbn** needs to be soundly funded in a sustainable way. We have not set an ARPU figure based on a static customer base to achieve this. Rather, we are focussed on creating more value through higher average speeds and that are worth more to customers.

Indeed, this is the core tenet of **nbn**'s pricing proposal in the SAU variation: to sustainably grow revenue by providing better services to more customers. And that means having a clear value proposition for every customer segment, ranging from those who need affordable basic connectivity to those wanting cutting edge performance.

And, of course, we're not expecting Retailers to do all of the hard work on their own. We will continue to work with Retailers through our base management programs and our upgrade initiatives, like our Fibre Connect program, to help boost the value proposition of high-speed plans.

The SAU variation balances this strategy against the desire to respond to specific Retailer concerns about **nbn's** prices, the impact of ongoing CVC demand growth on Retailer costs, and the uncertainty caused by **nbn's** discounting below our Maximum Regulated Prices.

Historically, **nbn's** prices have been set to promote take-up and ensure the affordability of broadband services - with the consequence that **nbn** has under-recovered its prudently and efficiently incurred costs.

Moving forward, we recognise that it is now appropriate to set prices in a way that is expected to recover **nbn's** prudently and efficiently incurred costs over time, plus an appropriate portion of **nbn's** accumulated unrecovered losses (the Initial Cost Recovery Account, or ICRA).

In addition, we absolutely agree with Anna Brakey's comments yesterday that end-user customers should be protected from price shocks and Retailers

should be given greater certainty over the costs they face when using the **nbn**. We also fully recognise and align with Anna Brakey's view that with greater cost certainty, Retailers will have incentives to invest in service-related infrastructure and to continue to develop **nbn**-related product offerings. We too look forward to the Retailers rising to this opportunity.

nbn's prices will be informed by our Building Block Model (BBM) and we will propose that **nbn** be provided the opportunity to recover its prudent and efficient costs, pay down debt and achieve a standalone investment-grade credit rating (remembering that the alternative to investment-grade is that you are in junk bond territory!). This is important for the long term stability of not just **nbn** but of our industry and ultimately provides a path to a mix of one or both of self-generated reinvestment in our networks and a return – however modest - on equity to our shareholder. In this context it is worth remembering that **nbn** does not currently pay a dividend.

We will set the price of our suite of services, within the constraints of the MRPs, such that over the SAU Term we have the opportunity to generate the allowable revenues calculated by the BBM and an appropriate proportion of the accumulated losses. These Maximum Regulated Prices will operate as real controls on **nbn**'s pricing, providing greater certainty to Retailers, protecting against any price shocks.

It also means that as the willingness to pay for broadband services grows over time - due to changes in consumer behaviour and the development of new and innovative applications - **nbn** will be able to gradually rebalance its prices and so better respond to demand. These outcomes will promote the efficient take-up and use of the **nbn** network.

We believe that a revenue control is the most effective form of regulation and will provide a stable form of economic regulation in circumstances where there is significant demand uncertainty (including from 5G substitution) which leads to continued **nbn** revenue sustainability risk.

Now, I could never do justice to the incredible amount of time and energy that many people in this room have contributed to the proposed SAU Variation that we are planning to lodge just as soon as all the pre-lodgement processes are completed.

I hope the industry will, in quieter moments be pleasantly surprised at the amount we have taken on board in the proposed variation, though of course it will always want more on behalf of customers and will voice that – and we respect that. Indeed, we expect spirited debate and a plurality of views. We also know that our own thinking and capability is evolving over time too. A

contest of ideas and suggestions on ways to do things better is the sign of a vibrant, competitive industry. So, as always, we appreciate your candour! From our perspective we have aimed, as best we can, to balance the various needs and concerns of retailers - particularly those that emerged over the course of the ACCC Working Groups – but also the needs of good regulatory practice and ultimately of customers – the end users we are all here to serve.

To these ends are planning to make a number of key modifications including a new pricing offer; significant price controls; revenue controls; provision for enhanced oversight by the ACCC; increased transparency; a new approach to straight-line depreciation and enhanced utilisation and performance reporting.

We look forward to continued conversations and a significant consultation process on this important undertaking.

Fibre Connect

Before I finish, I'd like to take a moment to give you an update the important work that is taking place inside the network. Specifically, our Fibre Upgrades.

This is a core part of our current \$4.5 billion network upgrade program, which started with fibre being built far deeper into many communities around Australia.

On 22 March 2022, after 18 months of survey, design and construction, the first 50,000 or so premises currently served by Fibre to the Node will become eligible to order any one of our higher speed tiers.

If it hasn't been available previously, these customers will now be able to order **nbn** Home Fast, which offers wholesale download speeds of up to 100 Mbps. More excitingly, speeds never before available from **nbn** in these areas will now be available. **nbn** Home Superfast, which offers wholesale download speeds of up to 250 Mbps, will now be available as will **nbn** Home Ultrafast (FTTP), which offers wholesale download speeds of close to 1 Gbps, on demand. And as a family with four teenagers/young adults, I can vouch for the benefits of Ultrafast for the gamers ... and their parents in the room!

By the end of next year up to 2 million premises currently served by FTTN, and around 1.5 million premises currently served by FTTC will be able to order services with download speeds of close to 1 Gbps.

As I said before, behind every **nbn** service is a great retailer and we look forward to working with retailers to bring these possibilities to market and putting the ever-increasing capabilities of the network in the hands and on the screens of customers.

So to close

Thank you all for being part of our vibrant industry.

Thank you Grahame, for inviting me and **nbn** to contribute to this Congress.

And I look forward to catching up with some familiar faces – and some new ones – at morning tea.

ENDS

Will Irving's speech at the CommsDay Melbourne Congress on Wednesday 16 March 2022 was based on this text. This text may not be an exact word-for-word transcript of his speech on the day.