

PLEASE CHECK AGAINST DELIVERY

MELBOURNE PRESS CLUB - 22 MARCH 2011

INTRODUCTION

Thank you for inviting me to the Melbourne Press Club this afternoon.

I suspect you invited me here because there's so little about the NBN in the media these days you thought it was high time you got to ask a few questions.

That's not serious, of course – let me outline what I would like to talk about.

- I want to give you a very brief update about the state of the project.
- I want to respond to some of the more fanciful claims being made about the NBN.
- I want to take the time to explain why so much confusion still reigns about what it is that we are doing and explain to you how NBN Co intends to address that head-on.
- But most importantly I want to address the topic on your invitations – why a \$27Billion taxpayer investment in NBN is important for our country's future.

STATE OF THE PROJECT

Firstly to the state of the NBN itself and what we are doing.

From a standing start just over 18 months ago it's interesting to see how far we have come.

If you were to ask me what we've been doing in NBN Co for the past 18 months I'd say: building a telco and getting ready to pass 6,000 premises a day at the peak of construction and maintaining that rate for a number of years.

We've seen the launch of the first three NBN sites in Tasmania, and we are nearing completion in the construction phase in our five mainland First Release Sites. We expect to start work with a number of retail service providers on network tests in the First Release sites from the end of April.

We will start these trials with a handful of individuals, increasing to several hundred test customers.

While the focus is often on the construction program, NBN Co is not a construction company. We are a telecommunications company responsible for the design and operation of a network, as well as construction.

Standing up a network requires a complex set of engineering plans, network design, IT systems, procurement processes, product development, policy decisions, project management and, of course, the people to make all this happen.

We're also well advanced in developing our back-end, operating and billings systems – not glamorous by any means but complex systems that will be critical to the successful operation of the network.

On the commercial side we are also engaged in a complex process negotiating the definitive agreement with Telstra. This agreement, if ratified by Telstra shareholders, will mean a sensible re-use of existing infrastructure, less disruption for the community and a reduction in our costs.

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But the Telstra deal also means we are effectively upgrading the nation's telecommunications infrastructure and capacity. Shutting down the old copper network that's served us well for 60 years and replacing it with an optical fibre network, ready to handle technological advances for decades to come.

Doing a deal is therefore good for residents and good for taxpayers and makes pretty good sense.

How can I be sure? Because NBN Co has done what we call the "Base Case", which is about building the NBN without a deal with Telstra. It's against that Base Case that we judge the value of doing the deal.

FEDERAL OVERSIGHT

So a lot of progress is already being made. And none of it will be news to those of you who are seasoned followers of the NBN debate. All this information is on the public record. Indeed, most of it is available in many and varied forms, including:

- In the Corporate Plan. I can't recall another government business enterprise that's outlined its detailed business case in a published document of over 160 pages;
- There's a large amount of information on our website, including the indicative maps of where we propose to rollout fibre, wireless and satellite. You can also find very detailed documents there about our products and services.
- We also make an effort to keep the marketplace, industry and public informed through public industry engagement sessions conducted around the country.

We have statutory obligations to a number of external bodies:

- For instance, we're subject to audit by the Australian National Audit Office;
- We have to furnish ASIC with our annual results and keep them up to date about things like shareholder equity injections and changes in directorships.

Our shareholder ministers also expect us to act in accordance with legislation before the Parliament. We therefore need to inform the ACCC of our pricing and the terms and conditions of the supply of NBN Co services to RSPs, and publish that information.

And then there's Parliament.

Bismarck once said that "Laws are like sausages, it is better not to see them being made". As a regular visitor to Canberra, I now understand what he meant.

Certainly there are a large and increasing number of avenues for examination and investigation of the operations of NBN Co.

Such as:

- the Senate Environment and Communications Legislation Committee;
- the House of Representatives Standing Committee on Infrastructure and Communications; and now
- the Joint Parliamentary Committee on the NBN.

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This is on top of the Senate Estimates process, that sees us available for questioning three times a year.

I make every effort to appear before Estimates myself, and have attended each one since I have been in the job.

The Estimates process in particular allows scope for widespread questioning. I'm sure that for media observers it makes for riveting viewing.

But my experience suggests that that Estimates is not the best avenue for explaining often complex and difficult technical issues and their interplay with policy.

Fortunately – and I think it is fortunate – there is also the process of Questions on Notice to clarify issues or provide additional detail not possible during the hearings. However the volume of questions does give you pause for thought.

In the Communications portfolio this last Estimates:

- The ACMA was asked 5 questions on notice
- SBS 2
- Australia Post 27
- The ABC 43; and
- NBN Co 202

Of course, I understand why we have to provide such a detailed level of information.

We don't shy away from our responsibility to give a full account of how we are managing the project.

We at NBN Co are conscious that we have been entrusted with taxpayer's money. A lot of taxpayer's money.

It's proper that this nation-building project is subjected to tough questions and a very vigorous debate. But at the same time we must get on with the serious job of building a network.

There seem to be some who would like to see us act like a government department. I can assure you though the team at NBN Co is not made like that. Almost to a person we are a team that comes from the commercial sector with appropriate telco, business or engineering backgrounds.

MYTHS AND MISCONCEPTIONS

Despite all the information we have provided, and continue to provide, there is still a lot of confusion about what we are doing.

Fibre v. wireless

For instance, there's the perception that wireless and fibre broadband services are somehow in competition and that one has to be better than the other. The fact is that they are complementary.

It is possible to build a wireless network that matches fixed broadband. But to do that would involve building a mobile base station on almost every power pole.

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And you would still need to connect those base stations to fibre to get the types of speeds and capacity people will want.

Wireless gives you mobility but fibre provides the bandwidth for applications that you cannot easily handle on mobile – such as video.

When I talk to the biggest telecommunications companies in the world – British Telecom, France Telecom, Deutsche Telecom and AT&T – they're amused that this debate is even happening in Australia.

In fact, these same telcos are all looking at how to shift traffic off their mobile networks and onto fixed networks using technology such as Wi-Fi.

When you switch on your iPad in an airport or a coffee shop, you're generally connecting to a Wi-Fi network. It's not a mobile network; you're connecting wirelessly to a modem that's fed by a fixed network.

Analysys Mason – an independent telecoms, technology and media consultancy operating in Europe, the Middle East, the US and Asia – has written that fixed–mobile substitution used to refer to the idea that customers were replacing their fixed voice calls with mobile calls.

However today, as video and web content becomes more important, mobile customers are increasingly accessing the Internet through the fixed network via WiFi, particularly for USB modem or large-screen data, and this is likely to continue in the future.

Private vs public funding

Then there's the debate about public vs private investment.

There is a small "p" political theory that says all private spending is good and public spending is bad. It is this type of thinking that was reflected in the Economist Intelligence Unit report card recently that ranked the Australian NBN poorly because of the degree of government spending.

But it is impossible to compare Australia with other countries where there is the population density to justify the private investment in new networks and services.

We have a different situation – we have a vast country with a sparse population.

It is therefore not surprising that the Australian Government has arrived at a different policy model. The government's model is to have one underlying nation-wide network platform on which all retail service providers can compete.

No private company would build this network in its entirety.

But, as we know, the Government believes such a network is in the national interest and so they established NBN Co to build and operate it.

Now before I get accused of being political, I want to stress NBN Co doesn't make policy. We act on directions from Government. I'm just describing what those directions are.

Of course there are other approaches governments can take. For example in Korea there are four different vertically integrated network operators providing broadband services through a mix of technologies.

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I for one believe that having one underlying network available on non-discriminatory terms to all retail service providers is an appropriate model for a country like Australia.

We expect competition and innovation to be very robust on the NBN. Service providers will need to be focussed on the development of better products and services at the retail level rather than investing in the underlying infrastructure.

Cost & scale

Then there's the more fundamental question of whether the NBN is worth the money. That goes to whether you regard what we're doing as a cost or an investment.

The financial model underpinning the NBN has been designed specifically to provide a level of return for the government. The plan is taxpayers will get their \$27 billion investment back with interest – and we'll start delivering that return even while the project is still being rolled out.

In return, Australia gets a leap forward in its broadband capability and a network it can use for decades.

This comes through loudly in many of the written submissions to one of the Parliamentary committees looking into the NBN. Many of them are from local councils who are overwhelmingly supportive of the project – anxiously awaiting its arrival and the potential it has for rural and regional development.

It also comes through in the case studies of Tasmanians in the three towns who are already connected to the NBN and are enjoying the benefits.

Like David. A signwriter at Midway Point who says:

“In the past some customers have thought it's too hard to physically send me their artwork files, so they chose somewhere closer, whereas now, over the NBN, location is no longer a problem – there are no obstacles at all. I can download most of the files clients send me in seconds and it doesn't matter how close or far away the customer is. The possibilities are endless.”

Views like these expose another of the great polarising areas of the NBN debate – between those who say it's too expensive and should be halted, and those who argue that fibre should be extended further, seemingly regardless of the cost.

We have seen both arguments carried in one daily broadsheet – though not generally on the same day. I suppose you could argue this is journalistic balance, though each contradictory position seems to be used as a reason to criticise the NBN.

Disruptive effect

And while I am on the subject of media coverage of the NBN, here's a selection of my favourite headlines:

- “Internet piracy could be fuelled by NBN”
- “Telcos fear NBN will crush them”
- “AFP raises cyber-crime fears over NBN”
- “SBS warns of ‘digital ghettos’ as a result of NBN”
- “Australia's NBN Co is the Trojan Horse for Internet Censorship”

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- “NBN Co harbours Aliens”

OK, so I made the last one up. But the disturbing thing is it didn't sound out of place in the list of actual hysterical headlines I just read.

REASONS FOR CONFUSION

As a government-owned business operating in an intensely political environment, we often get caught in the cross-fire. This can add to confusion.

Prior to the election last year we were not much of a media focus.

All that changed during the course of the campaign when the broadband policy emerged as one of the key differences between the two main political parties.

Then, when the result of the election was a stalemate, the NBN became one of the pivotal issues in the decision of the three independents to support the Labor Party to form a government.

So I am resigned to the NBN remaining a “live” political issue for some time yet. I can't change that. But I can try to change the levels of understanding about what we are doing and why.

PUBLIC INFORMATION CAMPAIGN

It's something we've been reticent about doing until now because our focus has necessarily been on writing our Corporate Plan, building our test sites and seeking to conclude the deal with Telstra.

But assuming the Telstra deal does go through – and I hope that it does – we will have an obligation to explain the change the NBN will bring about.

In fact we will have no choice. We are required to fund a public information and education campaign that explains the implications of the migration from copper to fibre to householders and businesses.

This is an unsurprising requirement when you think about it. When the copper network gets shut down a whole series of things need to have happened to ensure people will continue to get a phone and broadband service. It will take a co-ordinated effort from NBN Co and retailers.

It's not dissimilar to the current TV digital switchover campaign that you might be familiar with. Except we'll be talking about people's ability to communicate - not just watch TV.

The campaign will be carried out in conjunction with the industry and in consultation with the Commonwealth. It will commence prior to national rollout and will continue until completion of migration in relevant areas – effectively a decade.

CONCLUSION

Bearing in mind that the NBN has become a political issue, by and large the coverage of us has been fairly good – particularly in the specialist telecommunications media.

They are the ones who are most across the extensive and open consultations with our access seekers about the development of our network and our products.

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I would count our industry engagement as one of the success stories of the NBN so far.

However, we should be making our case, not only to industry and politicians, but also directly to the Australian people.

So we welcome the scrutiny you place us under (even though some of the coverage itself may cause us to wince sometimes).

But it's incumbent upon us to ensure people better understand what it is we're building ... and how they will benefit ... because as we all know, this is a project that will touch the lives of every Australian.

Thank you.