

Stephen Rue – CommsDay Melbourne 2018

0910-0935 - Keynote address: Working together towards 2020

Good morning,

I would like to start by saying thank you to Minister Fifield for opening the event and his previous remarks.

I would also like to acknowledge and give thanks to the traditional owners of the land on which we are holding today's event.

In addition, can I also thank Grahame Lynch and his team at CommsDay for inviting me here to speak at the Melbourne Summit.

We have such a fast moving industry that events like this give us a great opportunity to come together as industry peers and look back on the road we've travelled, and look forward to what's ahead.

And in looking back just recently, I want to recognise my predecessor Bill Morrow and his contribution over four years leading the delivery of the **nbn** network. It goes without saying that we've come through a significant period and we're all grateful for his energy and determination during that time.

Working for a company like NBN really gives you a vision for how technology can improve the lives of people. It's why it's a very special honour for me to have been appointed CEO of NBN, and a role that I consider a real privilege. I left Ireland for Australia back in 1991 and have been able to build a fantastic life here in Australia with my family.

We have a huge amount to be grateful for.

When I left my last private sector position, I really wanted to work on something different. Something where I could be part of an organisation that would help pay back what I have received from this country.

I found that opportunity when I joined NBN and it's been incredible to be part of something that is changing the face of our nation.

I wholeheartedly believe in the NBN project and know that we're creating a crucial piece of infrastructure that all Australians will benefit from.

Let us remind ourselves of the goal of the NBN project: to provide high-speed connectivity to all Australians no matter where they live – and that is exactly what we are doing.

In fact, we're already seeing the impact of what we are doing. The Connecting Australia research we commissioned earlier this year demonstrates the impact that the NBN network has already had on the lives of Australians.

It shows that Australia is projected to reach the top 10 OECD countries for internet equality by 2021* - that is because we are touching virtually every home and business.

We've heard for years about the coming benefits of a digital economy. This is the first time we can actually see the real world impact of making Australia one of the best connected continents on the planet.

Thanks to the fact that regional areas were connected first, the digital divide between the city and the bush is shrinking.

The Connecting Australia research, conducted by analytics firm Alpha Beta, shows how the network is driving economic benefits with an estimated \$10.4 billion additional economic growth per year by 2021.

The research also says the NBN will create new jobs – an estimated 31,000 by 2021. It will grow more businesses - estimated up to 80,000 by 2021 - and help new entrepreneurs, particularly women.

It is estimated there could be up to 92,600 additional self-employed people by 2021, of which more than 52,000 will be women.

The fact is that every developed country across the world is struggling with the problem of providing universal high-speed connectivity, and it is a very difficult challenge to meet for a number of reasons.

The difference between Australia and the rest of the world is that we are doing something about it via the delivery of the NBN network.

We're connecting people to high-speed broadband here in Australia that – in many other countries - would be left on the wrong side of the digital divide. I am privileged to be leading a company that is doing that.

You will hear many things from me in the future, I am sure. However, one message will remain the same. The purpose of technology – and the purpose of the **nbn** – is to help improve people's lives.

It's to improve the way they are entertained and stay connected to family and friends. It's to help enable greater entrepreneurship and new ways of working. It's also to help open up new educational opportunities and greater access to health services – for all Australians, from any location.

As an industry, let's never forget that purpose.

[The road ahead]

The implementation of the NBN network represents the biggest transformation in the telecoms industry in its long history in this country.

There's a huge amount of change for the industry to cope with in a relatively short timeframe, and we know we'll face some challenges again over the next couple of years.

However, if we look back on the road we have travelled over the last 12 months since CommsDay Melbourne 2017, I think we can all agree that we have made solid progress.

In October 2017, we had around 6 million premises Ready to Connect to the network and had activated just under 3 million premises.

Fast forward to today and – despite the sales pause on the HFC network - we have 7.2 million premises Ready to Connect and 4.3 million premises activated.

However, RTC and Activation numbers do not really tell the whole story. The deployment of the **nbn** network is a multi-faceted exercise in which we are always seeking to meet a range of objectives.

Firstly, we need to meet the Statement of Expectations from the Federal Government and complete the network by 2020 – and deliver a modest return to our shareholders.

Secondly, we need to make sure that we provide the best possible experience for end-users once they are on the **nbn** network.

Thirdly, we need to help ensure that the telecoms industry remains vibrant with the ability to prosper in the long term.

That is a constant balancing act and we can only meet our goals by working closely with our industry partners – and the last year has given us ample proof of how we can succeed when we work together.

Last October we had about five hours of congestion per home, per week. With the Focus on 50 promotion, we and our retailers have brought that down to as low as 15 minutes.

To put that in perspective, a year ago customers with services that had heavy bandwidth congestion could have experienced regular buffering and dropouts. Today, customers with minimal congestion may only experience occasional buffering during the busy evening periods.

However, we know that congestion levels are likely to fluctuate over time and, in recent months, we have seen congestion edge up again to around one hour as the Focus on 50 campaign comes to its end.

We have brought two great new products to the market in our 50Mbps and 100Mbps bundled packages that bring together an AVC alongside a bundled CVC component.

These have had a very positive reception from many of our retailers and we expect take-up of our new bundles to be strong.

However, we also recognise that the market has a variety of needs and that some internet providers prefer our existing pricing instead of the discount bundles.

We understand that commercial considerations are important for retailers – but we also need to understand that congestion is bad for the end users when they don't get the experience they expect.

And it is bad for the whole industry to have unhappy customers.

By providing end users with a good service, we've seen an increase in higher speed packages being bought by homes and businesses.

Indeed, because of the Focus on 50 campaign we have increased the percentage of users on our higher speed 50Mbps package from just 16 per cent in November to 49 per cent at the end of August.

We are very proud of that achievement.

We know that the majority of end user satisfaction is based on the end users' experience when using the network.

So, looking ahead, as our retailers make important commercial decisions in the coming weeks we would like to think that customer experience is at the forefront of every decision. This thinking is in the interests of the whole industry.

Since taking on the job as NBN CEO, I have already met with many of my peers in the industry in order to have these kinds of conversations and expect to continue having more of them going forward.

I understand that we all have different positions in this but ultimately we need to work towards finding solutions where we all benefit – where we can help each other get to where we all need to get to.

[The Customer First Focus]

Over the next couple of years, we will face new challenges as we connect the second half of the nation to the NBN network.

I fully accept that there will be some issues we do not agree on over the next couple of years but we must never lose sight of the fact that the customer experience matters more than anything else.

There is no better example than our decision to pause sales on the HFC network nearly a year ago.

As I am sure you will understand, that was a tough decision to make but one that we knew would help us address the network issues that were affecting customer experience.

We've put substantial engineering resources into getting the HFC network to a fully optimised condition. We're doing that before we release new HFC areas to retailers – to ensure the best possible experience for end-users.

We've released nearly 200,000 optimised HFC premises back into the market for sale and expect to release more than 100,000 per month for the remainder of this year and beyond.

The early signs are very positive. We know end-users are getting a more stable connection to the network and our Right First Time connections have substantially improved.

[Fixed Wireless]

Now, let us move to another one of our technologies where we have invested heavily in improving customer experience; Fixed Wireless.

Back in 2011, Fixed Wireless was launched offering only a maximum 12/1Mbps service and we were seeing average monthly usage of only around 30GB per month.

The mass take-up of over-the-top video streaming from mid-2015 has helped propel usage to more than 180GB per month on the network – a truly astonishing increase.

Given the shared capacity of the Fixed Wireless medium – and with take-up on some towers sitting at more than 50% - it's little surprise that we've experienced some congestion on the network.

There have been a small number of cells that haven't been delivering at least an average of 6Mbps at peak-time.

We've tried to make these our priority in our ongoing upgrade program that will be completed in the coming year.

However, as you may know from our Corporate Plan announcement on August 31st, we are now taking our investment in Fixed Wireless up another level again.

We're planning to invest a further \$800 million in the network – taking our total capital expenditure on Fixed Wireless to \$4 billion. We're also consulting with the industry on the introduction of new products.

This is all in the interests of customer experience. We understand that some end-users have been frustrated by the congestion they've experienced. ,

Currently, less than four per cent of cells remain congested and – although this is a small percentage – we know it's still too many. Despite the issues we are addressing, we remain very proud of our Fixed Wireless network and the benefits it's delivering for regional Australia.

The reality is that we are delivering fast connectivity to areas that – in many cases – did not have access to good quality broadband previously.

[5G]

Whilst we are on the subject of wireless technology, I note with interest that this conference will spend much of the day talking about the pending arrival of 5G.

As you will probably have seen in the media, there's been plenty of commentary about 5G and what it is going to mean for the market when it arrives.

I don't propose to deliver a commentary on 5G here today; those that will speak after me are much better placed to do that.

However, I will point out that we see 5G very much as a complement to fixed broadband.

The recent ABS Internet Activity Report found that mobile networks handled 3.2% of the total Internet data volume of 3.8 terabytes in the April to June quarter, with fixed-broadband carrying the rest.

Indeed, the NBN network is now delivering an average of 205 gigabytes per month to connected premises. With video consumption increasing substantially, we can see that increasing to 300 gigabytes per month over the next couple of years.

In the future, we may see 5G networks carry a greater proportion of the overall data but that will depend on a range of different factors. We'll have to wait and see how the industry develops.

What I can say with some confidence is that we certainly do not see 5G replacing the NBN network as some have speculated.

We see 5G as something that will complement what we have built with the NBN and something that will make sure that Australians have access to great fixed and wireless connectivity.

[FTTC]

Perhaps the biggest challenge we are facing over the next couple of years is scaling our Fibre-to-the-Curb network to be able to service 1.4 million premises by 2020.

As you know, FTTC means that we are taking fibre very deep into the network. If you think about it, the average copper length on ADSL is 2.5 kilometres, then on our FTTN network we have reduced that down to around 500 metres. So, on FTTC we are now taking that fibre to within around 30 metres of most premises.

This means we are not only pulling the fibre a lot deeper into the network but we are pulling it down residential streets. There, we often have to remediate pits and install new conduits that adds time and complexity to the build.

To manage this, we are working with our Delivery Partners to make sure we can explore every possible avenue for speeding up the build.

We have a great record in accelerating the deployment of all of our technologies by working closely with our Delivery Partners and equipment suppliers. This is exactly what we are hoping to achieve with FTTC as well.

Importantly, we're very proud of the work we've done on FTTC to date in achieving very high levels of customer satisfaction from early end-users.

So, although we are looking to increase the speed of the build out of the technology we don't want to do so at the expense of customer experience. So, we will again be working with our retailers and delivery partners to get that balance right.

[Putting the customer in control]

One final thing I want to touch on before I conclude is how we can all work together to give the customer more control over their experience.

Back in days gone by, a telephone company could connect a fixed-line phone service and then walk away. It was fundamentally a set and forget exercise.

That's not the case in these days in the broadband era. As we've tried to explain with our new Check, Select and Connect campaign, there are many things that end-users can do to make sure they get a better experience on the NBN.

Firstly, check out what plan they're going to need. If they're part of a large family living in the same house then a 12Mbps connection won't be good enough at peak-time, they will need a higher speed plan.

Secondly, select the right plan and NBN provider. There's more than 150 to choose from! Some providers are targeted at value-seekers and others at those who want a premium grade service at all times, so we want them to make sure they pick the right plan for their needs. Retailers play a big role in explaining this to end users and setting their expectations about what their chosen service will deliver.

Finally – and this is really the most overlooked part of the chain – making sure they're connected as best as they can be to their service.

That means making sure that their in-home wiring is up to scratch and that it's not impacting the quality of their connection.

Remembering that so much of the NBN experience is now enjoyed over tablets and smartphones via Wi-Fi, it also means ensuring that their modem is placed in the best possible location. And also making sure that they're using a good quality modem that has strong Wi-Fi capability.

We're working to educate end-users on these topics, but as an industry we can always do more to help customers understand the ways they can optimise their own connection.

This is important as we continue to activate more end users over the next couple of years.

[Working together]

In my life outside telecommunications, I'm a great student and lover of sport. In particular, team sport.

It's something I've always had a passion for. For me, it's the thrill and excitement of the game. It's the skill, the crowd, the atmosphere, and the unknown outcome.

However, it's also the togetherness of the team as they strive towards the goal – the way they coordinate themselves and work together to win the game. It's always excited me.

Indeed, unity of the team is critical to success.

At NBN, we have four values – of the first of which is 'one team'.

We also have five strategic imperatives – one of which is 'united partnerships'. We're achieving the outcomes for Australia I spoke about earlier through teamwork and unity with the industry.

I want to acknowledge the many instances where the industry has worked in strong collaboration with **nbn**.

For example:

Retailers worked closely with us on our pricing changes and moved hundreds of thousands of end-users onto higher-speed plans.

Retailers helped us fine-tune our activations process, helping us increase our Right First Time activations metric from 87% last August to 93%. Today, that's still rising.

Retailers have also liaised closely with us on issues such as the best modems to issue to end-users. It's a crucial issue but one that can easily be overlooked. These are just a few great examples of collaboration. Thank you, and we must continue to work together.

[Conclusion]

It is worth noting that by next April NBN Co will be celebrating its tenth anniversary.

As an industry we have travelled a very long road together over those ten years. It's been a difficult journey at times – as you would expect during the kind of transformation we are going through.

However, with the NBN network now nearly 75% complete and more than half the predicted end-user base now on the network, we are well on the way to our final destination of a better connected Australia.

By June 2020, we will have virtually every single premises in Australia able to access an NBN connection offering at least 25Mbps, with the fixed line network offering much more. As the Connecting Australia research shows, that will make us one of the best connected countries on the planet.

The research tells us that, we've already helped Australians achieve amazing things in getting the first half of the country connected. The proof is truly in the pudding, so a fully connected country will be even better.

However, if there is one lesson that this industry should reflect on from the last decade of NBN deployment is that – if we want Australians to reap potential offered by the network – then we need to work together to achieve it.

Over the next couple of years the slope will get steeper as we reach the summit. We have a lot of complex work in front of us in connecting our capital cities with HFC and FTTC, and in improving customer experience on Fixed Wireless in congested areas.

By working together over the past year in particular, we've made great strides in improving the experience that Australians get on the NBN network.

We know there is more work to do and it's critical that we keep the purpose of the NBN in mind as we connect the second half of the country: the purpose of technology and the NBN is to improve people's lives – to improve the way they stay connected, work, educate themselves and stay healthy. And to deliver that, we need to make sure we're working together to ensure our customers – the homes and businesses – are getting the best possible customer experience that we as an industry can deliver.

Thank You.

[ENDS]