



Keynote speech to CommsDay Summit 2014

Speech by Ziggy Switkowski, NBN Co Chair

CommsDay Summit

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*Check against delivery

Introduction

Good morning. Some months ago when I first accepted the invitation to come and speak this morning I tried to recall what it was I said the last time I appeared at this conference.

Grahame Lynch has a better memory than me. According to Grahame, this is the first Comms Day Summit I've been invited to, let alone attended. So Grahame, thank you for the invitation.

It may well be my last Comms Day Summit too. With the arrival last week of Bill Morrow as CEO, I have surrendered responsibility for NBN Co's day-to-day operations for the oversight and governance roles that comes with being Non-Executive Chair. So in a sense, this is a valedictory speech from me.

It has two themes:

- firstly, some observations of those past six months back on the front line of the Australian telecommunications industry – and the Australian telecommunications *debate* – and what we've achieved over that time;
- and secondly, the next chapter for the NBN and the industry as we work through our transformation.

But let me start out by reaffirming the goal of NBN Co: to provide ubiquitous access to high-speed broadband to all Australians – affordably, quickly and fit for purpose – and to be the monopoly wholesale provider of connectivity across the industry.

Greater Transparency

Arguably the biggest change to the project – and the company – in those six months has been the increased flexibility we have been given by the Government to ensure we can fulfil that mission.

But equally important – and no less radical – has been the improvement in transparency around the NBN.

This is the largest infrastructure project in Australia’s history. People have a right to know how their money is being spent, how the project is being managed, and whether it is hitting its milestones.

Part of that process has been the commitment by NBN Co to release weekly rollout metrics and issue financial results and an operational update each quarter (The next market update takes place on April 16). But so too was the urgent need for a thorough audit of the rollout to date.

I have seen commentary that suggests the Strategic Review was a political exercise, that the results were somehow preordained. It was not and it is insulting to those involved for people to cast aspersions like that.

Remember, this was the first time anyone had delivered a raw and an honest assessment of the progress of the rollout as well as examining in detail a broad range of alternative options for the NBN.

The key finding – that the existing rollout was only 3% complete after five years and would take tens of billions of dollars and many more years to complete – did not make for happy reading for me, nor anybody else who believes in the ability of high speed broadband to help improve Australia’s economic prospects and quality of life.

The alternative path forward – the Optimised Multiple Technology Mix – should reduce costs and bring forward revenues. It allows greater flexibility, where different network technologies can be used in different areas.

The upshot is that it will give Australian homes and businesses access to the NBN sooner with a much less intrusive build.

Greater Stability

In the meantime, we continue to deploy Fibre to the Premises in line with our instructions from the Government.

In part, that’s because we need to minimise the impact of the move to the new model on the construction industry and employment. It is also because we need to keep searching for improvements in the way we work.

It has led us to take a much more collaborative approach with suppliers, delivery partners and customers. We will be successful if the telecom industry thrives and our end user customers value your services.

As one of our executives put it, in the minds of our stakeholders, “NBN” is shorthand for NBN Co plus RSPs plus construction partners plus - probably many of you in the room this morning.

So our Chief Operating Officer, Greg Adcock, has been working with our construction partners:

- to address the issues of the past, resolve claims and move on;
- to improve the certainty and predictability of the rollout so that everyone can plan and invest with confidence;
- and to scale our network deployment to the much higher rates required of a dynamic, competitive economy

Our Head of Product and Sales, John Simon, has also listened closely to the concerns of the retail service providers, who tell us we need to vastly improve delivery against our service level commitments.

So we are taking steps to:

- reduce the held-order queue after 30 days to less than 10% of orders;
- cut in half the average time it takes to complete a new connection – from 30 days last month to 14 days from October (which will be helped by improvements in the construction process);
- and if, for whatever reason, we miss an appointment, we will compensate the RSP.

These commitments are not idle promises. They came into effect this month and they are cemented into our contract with the RSPs – the companies that pay the bills that ultimately generate our revenue.

(Example from the car repair industry - AAMI - completing a smash repair “in full, on time, first time”. Customer satisfaction moves beyond 9 on a 10 point scale in such circumstances versus a much lower number closer to NBN levels when one of those three measures is missed)

Frankly, we need to do a lot better. That is why an open and honest discussion with our partners, our customers – and, at the end of the day, the Australian public – is the only way forward.

Optimised Multiple Technology Mix: Preparatory Work

The work that is underway now is all about putting us in a position to be able to operationalise the new approach. The broad details will be contained in the Corporate Plan which will be released later this year. But that doesn't mean we're not already engaged in active preparations.

We are developing additional products, undertaking various pilots and trials and have begun negotiations with Telstra to update the Definitive Agreements.

As Tony Warren from Telstra remarked earlier this morning, those talks are well underway and there is goodwill on all sides. The teams involved are experienced, having done this before.

Telstra are also one of four RSPs involved in our Fibre to the Building pilot in Melbourne. Telstra, Optus, iiNet and M2 have indicated an interest in trialling the NBN over FTTB so they can gauge the consumer experience.

Similarly, our engineers recently stood up our first node in Umina, just outside Woy Woy on the NSW Central Coast. It is part of a Fibre to the Node build pilot that will see us erect 20 nodes – 10 in Umina, and 10 in Epping in the northern suburbs of Melbourne. Once they are up and running, we will invite RSPs to trial services over FTTN as well.

Lastly, the company has developed some high level FTTN/B product design principles. Last week we distributed a discussion paper to our customers through our Product Development Forum. As with the initial product design, we anticipate a detailed process of consultation.

So we are making pleasing progress, which bodes well for the transition of the rollout to the new model.

The Path Ahead

Having initiated this work, I am in the fortunate position of being able to hand it all over to our new CEO, Bill Morrow.

Bill brings a wealth of experience in turning organisations around and helping them to focus on key priorities.

At this significant juncture in the evolution of the NBN, we have a leader with the right mix of emotional intelligence, vision and energy for the job and I know he is extremely enthusiastic about the task ahead.

Most of all, he recognises we are not just building a network. We are creating the circumstances that will further the digital economy and close the digital divide.

The Last 7%-10%

Nowhere is this more critical than outside metropolitan areas.

Hence the other Strategic Review, currently nearing completion, which is looking at the rollout to the homes and businesses that lie beyond the reach of the fixed-line footprint.

Take-up of our fixed wireless and interim satellite products has been far greater than originally anticipated.

Fixed wireless connections are running at a rate of around 500 a week. The addition of the 25Mbps download/5Mbps upload speed tier makes it an extremely attractive proposition when compared to some other options. There has also been strong support from service providers who see the commercial attraction of the offering.

In terms of satellite, we've taken steps to bridge the gap between now and the launch of the Long Term Satellite Service next year.

Hence the measures announced by the Minister last week to augment the existing interim solution: tightening up the fair use policy; increasing capacity; enabling faster speeds at peak times; and allowing 8000 more users to sign up.

And it is not just the far-flung reaches of the country we're talking about. A significant number of people live on the outer fringes of major population centres. For them, satellite is often the only viable and economic way to deliver high-speed internet.

So the Fixed Wireless and Satellite Strategic Review will be a very useful document to help explain the complex interplay between geography and technology when it comes to rolling out the NBN (and I expect it will articulate this in a way the company has not done up until now).

It will also provide some signposts about how we can continue to serve an important segment of the community.

Disconnection

Another major business priority that is fast approaching is the effective migration of end users to the NBN.

This is where, 18 months after the fibre network has been switched on, premises in an area face a mandatory disconnection from the copper network.

Remember, the Strategic Review handed down in December estimated that about a quarter of all the homes and businesses in the fixed-line footprint should still receive FTTP. That's around 3 million homes and business.

D-day for the first fifteen communities around Australia to switch their voice and broadband services is in 45 days from now. There are about 19,000 homes and businesses in those communities that had an active copper service.

We've made extensive progress to ensure the vast majority of premises can connect – and not just residences. For instance, big commercial enterprises, such as the banks with EFTPOS, are making active preparations for the switch.

But the transition has also thrown up a number of challenges.

For instance, despite some fairly energetic local marketing by way of direct mail, information kiosks, advertising, PR and door-knocking, there are still some people who have yet to migrate. They need to get their order in before 23 May.

We are also having to engage in some careful hand-holding with vulnerable groups, such as the elderly and the infirm. With them in mind, we have set up a register of people with medical alarms.

And, of that total of 19,000 premises, there are still 50 that cannot connect. The company is working closely with industry to try and get these so-called Service Class Zeros over the line.

As I mentioned at the Half-Year Results, I expect that was a simple enough initiative to commit to 18 months ago. But the experience is teaching us valuable lessons that we will need to apply ahead of disconnection in other fibre areas as construction moves to scale.

Conclusion

These are just some of the immediate challenges for Bill.

Some of the reviews that the government is conducting may also have significant implications for us. For instance, the Vertigan Review is considering some fairly major threshold issues in relation to regulation, competition and the access regime.

And if the past is any guide, Bill won't suffer any lack of attention from the media, the public and Senator Conroy.

Our long-term aim has to be to move beyond politics and contentiousness to become a definitive but an unremarkable part of the telecommunications landscape. We need to be indispensable but inconspicuous.

That is, broadband and the NBN will be necessary for modern life, but ticking along so seamlessly that few notice us anymore, including the headline writers.

As I have stressed in other forums focused at consumers and their representatives, we need to move on from an obsession with technology platforms and focus on outcomes and performance. This includes upgrades to technology when demand dictates. Success will be when we are almost invisible.

With a very capable and engaged Board, with Bill at the helm and with the Strategic Review as a signpost we have the direction and we have the team to lead us there.

One of the most watched talks in the popular TED series is by the author Simon Sinek, who analysed what made companies successful in business. He inverted the conventional approach to marketing – What? How? Why? - to always begin with Why?

This is exactly why it is so easy to excite and even inspire people about the mission of the NBN. We are doing something important – for the economy, society, households and business – and that is putting in place a critical ecosystem for a dynamic economy in the 21st Century.

Thank you.

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