

Tabled 14/2/12 by
Mr Quigley, NBN Co

Additional Estimates 14 February 2012

Thank you Senator; I will say a few words about the rollout and the next steps for NBN Co.

Last year we put in place the major components that will underpin the NBN rollout.

These included:

- signing construction contracts for the first stage of the rollout in every state and territory
- negotiating commercial agreements with Telstra and Optus
- opening the National Operations and Test Facility in Melbourne where we monitor the network and test new functionality. This is a critical facility for the NBN.

We also:

- announced a 12-month roll-out schedule, which I will update tonight
- signed the first commercial contracts with 35 telcos and ISPs
- lodged with the ACCC the framework for how the NBN will be regulated, and
- commenced commercial services on the network.

There are already positive signs in the market, and the current range of NBN retail pricing is highly competitive with existing bundled ADSL2+ services.

Today, there are 28 active fibre and satellite service providers offering over 130 price points.

This month, Exetel reduced pricing by around 25% to make its NBN plans among the cheapest in the market, and Skymesh—a leading satellite re-seller that now offers NBN fibre services—have released 33 pricing points across five speed tiers.

We are seeing an increase in competition at the retail level and this is very good news for consumers.

The achievements of last year have taken time—as you would expect—because we are tackling issues that have held back this industry for decades.

We are also dealing with the unexpected challenges that come with doing what has never been done before.

Last year, when we suspended the construction contract tenders, some said this was proof the NBN was “off the rails”¹.

We have demonstrated that this was the right move at the time to get ‘value for money’ for Australian taxpayers.

We got the right outcome because we did the right thing. When we decided to suspend the process we knew we would see a lot of negative commentary, but it was the right thing to do.

We will continue to make the right decisions regardless of the criticisms they generate.

I would like to spend a couple of minutes giving you an overview of an area that has been a significant challenge for us.

We have been given the task of connecting disparate building allotments scattered around Australia as part of the new developments or “greenfields” program.

I have distributed a map from our website which shows the location of these new developments around Australia.

As you can see on this map, we are required to simultaneously build in many places across the country.

In simple terms, NBN Co reticulates fibre from a Fibre Access Node in a cabinet within each of these estates to every connectable premises, then builds distribution fibre from that estate to the closest exchange to access an interim transit service.

Because of the location of these developments—usually on the metro and regional fringe—there is little accessible duct infrastructure and building the new ducts is time-consuming. Fibre builds in excess of 6 kilometres for each estate are the norm.

¹ <http://www.liberal.org.au/Latest-News/2011/04/06/Study-highlights-how-Labor-s-broadband-policy-has-failed.aspx>

Taking on the wholesale USO for these development estates before we have a network built is not easy, so it is no surprise that it is taking time. We are in close dialogue with developers about the actions we both need to take to get a satisfactory outcome for end-users.

Where people have begun to move into their new homes, we are keeping residents informed of progress and advising Telstra, as the retail USO holder, that they may receive requests for interim telephone services while the network is being completed.

We are working hard to meet the demand of developers and solve this timing problem. We are confident that we will, just as we have with many other challenges we have faced in the last 3 years.

There is a lot of focus on the cost of the NBN, on speeds, on the technology, and these debates have been well covered in this room and in the media.

But the regulatory aspect is often overlooked, or couched in terms that mean little to the general public. This is a critical issue for the NBN.

Frankly, fixed line telecommunications competition in Australia was in a poor state, but the NBN fundamentally changes this.

There are great benefits in having a wholesale network run by a company that is not competing at the retail level and that provides access on equal terms to any RSP, anywhere in Australia.

The CEO of iiNet—one of Australia's biggest ISPs—said recently: "Since 1999, we have been in constant disputes with Telstra, but now there is very little left for us to argue about."²

In the NBN environment, access to infrastructure occurs through a simple process, not a series of ongoing regulatory battles.

The ACCC approval of Telstra's SSU is the last hurdle before the larger-scale rollout of the NBN. We were granted access to some Telstra infrastructure in second release sites as part of the deal with Telstra announced in June last year.

² <http://www.theaustralian.com.au/business/peak-provider-aspiring-to-grow-iinets-reach/story-e6frg8zx-1226261254758>

But the wider rollout will be unlocked when the ACCC gives assent to the SSU. A couple of weeks after that approval, the key clauses in the agreement will come into effect.

All the planning and design and lessons we have learnt can then be put into action in the volume rollout.

So now, after an important 2011, we are well placed to get into high gear.

Moving on to this year, we have started well with the announcement of the contract for two purpose-built Ka-band satellites.

This was the culmination of a two-year procurement process. We looked very carefully at every possibility for getting the required capacity, including leasing it from existing providers.

I welcome the comments from Optus CEO Paul O'Sullivan yesterday³ supporting our decision to build the satellites.

It would have made our job much easier if sufficient capacity were available on existing satellites, but it simply isn't.

The capacity we are leasing on the interim satellite service is costing us multiples of the cost of the equivalent capacity on the NBN Co satellites.

Put simply, there isn't enough capacity for our purposes and having the Australian Taxpayer own these new satellites is the right answer.

The National Farmers' Federation is right when they say this is a "very positive" development for rural communications⁴.

Offering rural Australians a service similar to what the city enjoys is not providing *a Bentley when a falcon would do*⁵. It is simply providing an adequate service to people who need it.

³ <http://www.smh.com.au/it-pro/government-it/nbn-satellite-stoush-malcolm-turnbull-wrong-says-optus-20120213-1t1hg.html>

⁴ <http://news.smh.com.au/breaking-news-national/nbn-broadband-satellites-please-farmers-20120208-1rcar.html>

The rollout of the NBN is gaining pace. In the three months to January, construction started in areas covering 58,000 premises, taking the total premises in areas currently under construction to 121,000. This is in addition to the 18,000 we have already passed.

By the end of this calendar year, our plan will see the total number of premises passed or with work commenced reaching more than three quarters of a million. 758,000 to be precise.

We now have close to 5,500 premises connected to the NBN across the country. This includes 2,400 in brownfields and approximately 2,900 premises now receiving an interim satellite service.

Today, I am pleased to announce that we have updated the 12-month rollout schedule, adding another 190,000 premises where work will have commenced in the final quarter of calendar 2012.

More information on the locations will be available on the NBN Co website tomorrow.

There will also be details regarding some adjustments to the intensity of the rollout, with some builds being brought forward and others being extended to avoid unnecessary disruption to the local community.

NBN Co expects to release its three-year plan in the near future, which will include many more new locations.

We are getting to a position where we can tell Australians more about the network, where and when it will be built, what they will need to do to connect and what it will mean for them personally and in their businesses.

Our communications will be on a national and a local level and is based on creating awareness, building understanding, and providing information on how to take up a service.

⁵ <http://www.smh.com.au/it-pro/government-it/nbn-broadband-satellites-please-farmers-20120209-1rlp.html>

It has taken time for us to get the building blocks in place, but we are now seeing results. I acknowledge that there are challenges, particularly in new developments, but we are dealing with these systematically.

In the fibre rollout, with the satellite contracts and on the regulatory side, we are getting on with it. This is also the year when we will test and launch our wireless services around Australia with the first test site set to go live shortly.

We have a team of highly competent and dedicated people in NBN Co who are passionate about building this network in a prudent and efficient way. We understand we are building a critical piece of national infrastructure that will serve the nation for 50 years.

Thank you for the opportunity to give you that update on our progress and I look forward to providing you with whatever information I can.