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Turnbull's faster, cheaper NBN

By Paddy Manning, on Background Briefing

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Prime Minister Malcolm Turnbull

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*When Malcolm Turnbull dumped Labor's fibre optic NBN and replaced it with a mix of old and new technologies, he pledged a faster and cheaper broadband network. But the project is already slower and more expensive than promised. **Paddy Manning** investigates our biggest infrastructure project.*

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In 2013, then opposition communications spokesman Malcolm Turnbull pledged to ditch Labor's fibre-to-the-premises national broadband network and replace it with a mix of technologies including upgraded copper wires and pay TV cables.

Now, despite a blowout in the cost of his version of the NBN from \$29.5 billion to \$56 billion, he insists it is better than what Labor would have delivered.

'A mixed technology model is cheaper and faster and more efficient. That is beyond question,' Turnbull, now prime minister, told parliament last week.

But, according to communications consultant Paul Budde, it's not. He says many in the telecommunications industry are losing confidence in the NBN.

'If you look at the shambles which we have now, obviously he doesn't know what he is doing,' Budde says.

Two years after taking office, Turnbull continues to blame the rising cost of the NBN on the previous Labor government and the previous management of the company.

'The Labor government, incumbent with the company, with access to the company systems, did not even know how much it was costing to connect a premises with fibre,' says the PM.

'They were clueless—absolutely clueless, and wasting billions of dollars. We actually now know what the project is costing, and we know what the alternatives are, and the facts are that if we were to proceed with the Labor Party's alternative it would take six to eight years longer and cost up to \$30 billion more.'

In an exclusive interview with *Background Briefing*, former NBN chief Mike Quigley says the blowout in the government's 'multi-technology mix' (MTM) version of the NBN has been almost wholly caused by the cost of upgrading existing networks.

'I think it was simply an ongoing underestimate, and a quite tragic underestimate, of the costs of introducing these technologies. That's fibre to the node, that's cabinets out in the street, and upgrading a HFC network ... using those old cables, the copper cables and the Pay-TV cables,' he says.

'On NBN Co's own numbers, together with a strategic review, you can absolutely prove that the \$15 billion has nothing to do with the fibre to the premises or the fixed wireless or the satellite, the original technologies. It's nothing to do with that.'

'In fact, those costs came down between the strategic review and the latest corporate plan, which means the actual costs of the other parts, the newer MTM parts, have gone up more than \$15 billion.'

Quigley says Turnbull's claim that the NBN had no idea of its cost when the Coalition came into government 'simply isn't factual'.

'It wasn't a complete shambles at all. We had four years of being reviewed on a very regular basis by a number of auditors, the Australian National Audit Office, PwC, you name it. Never ever did we get any significant problems,' he says.

'Our measurements of our costs were different, by the way, to how NBN Co is choosing to measure today—but they were absolutely valid and the audit reports prove that.'

The Coalition claims that an all-fibre NBN could cost as much as \$90 billion. But the truth is nobody knows what Labor's NBN would have cost had the Coalition not been elected.

'We've done no analysis to say what if we never stopped, what if 2013 election issue had a different results on it to see, therefore, what were the peak funding costs? We've not analysed that. We don't know,' Bill Morrow, the current chief executive of the NBN, says.

What's looming is another big change to the mixed technology network, bringing fibre optic cables closer to the home. Industry sources think that's where the NBN is headed, and so does shadow communications minister Jason Clare.

'I suspect that the government will announce, before the next election, that they're going to abandon fibre to the node and go to something called fibre to the curb, fibre to the distribution point,' Clare says.

'NBN has already been trialling rolling fibre out all the way to the pit near your home and testing that with VDSL. They're also running trials of a new technology called G.fast, and I wouldn't be surprised if before the next election they say they're going to roll this out, roll fibre, effectively, almost to the home—a bit like fibre to the basement of an apartment block.

'If they do that, it won't be proof that their model is right. It'll be proof that they got it wrong on fibre to the node, and fibre to the node is just not up to it, that you've got to get fibre as close to the home as you possibly can.'

Bringing fibre to the distribution point, right outside your house or business, will be more expensive than fibre to the node, hundreds of metres away, according to Bill Morrow. By how much, he can't say.

'It's too early to tell. They haven't been fully commercialised yet so we haven't had prices from the vendors. We haven't gone that far with them in terms of reaching out for competitive bids,' he says.

'If you looked on a per megabit capable, hopefully it's going to be cheaper. If you looked on a per unit basis, it's going to be more than what the current FTTN is, because obviously what's in the technology could cost a little bit more. Ultimately in practice it should still be far cheaper than fibre to the premises.'

One thing is clear: there is no going back to the fibre to the premises, the NBN's former CEO Mike Quigley says.

'I think given all the decisions that have been made, the rollouts that are happening, the deals being renegotiated with Telstra, you just can't unscramble that omelette. Decisions have been made. So going back to a full fibre to the premises rollout? I just don't think that's possible.'

Duration: 38min 40sec

Broadcast: Sun 1 Nov 2015, 8:05am

Transcript

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Paddy Manning: You might have seen these ads on television:

TV ad: Imagine the questions it could answer, the ideas it could inspire. Switch to NBN's broadband network and help your kids unlock their true potential.

Paddy Manning: It's the promise of super-fast broadband, streaming live to every phone and tablet, TV and computer, and soon connecting literally billions of devices at home and work, from the car you drive, to the pills you swallow. But after six years of talking about the NBN, most Australians are still waiting.

Speaker: The member for Blaxland.

Jason Clare: Thank you Mr Speaker. My question is to the Prime Minister. Before the last election the now Prime Minister promised that all Australians would have access to internet speeds of 25 megabits per second by the end of 2016. Does the Prime Minister admit that this is another broken promise?

Paddy Manning: The Prime Minister admitted his original deadline was too optimistic, but insisted his decision to dump Labor's fibre-optic NBN and replace it with a mix of old and new technologies, was right on the money.

Malcolm Turnbull: A mixed technology model is cheaper and faster and more efficient. That is beyond question.

Paddy Manning: But is it beyond question?

Hi, I'm Paddy Manning and today on *Background Briefing* we look at Malcolm Turnbull's decision to dump Labor's NBN and switch to a 'multi-technology mix' of fibre, pay-TV cables, and upgraded copper phone lines. Billed as being 'fast, affordable, and sooner', it was meant to save taxpayers billions. It hasn't.

Paul Budde: Up till recently I thought the NBN perhaps could be the one, the only good story that this government could take into the election, but I think the majority of people have now said sorry Malcolm Turnbull. You know, if you look at the shambles of what we have now, then obviously he doesn't know what he is doing.

Paddy Manning: That's communications analyst Paul Budde. Back in August, before Malcom Turnbull became Prime Minister, Budde wrote in a blog that the government was telling lies about the NBN, the project was going from bad to worse and the Communications Minister had no clue what he was doing.

Paul Budde: He phoned me of course, you know, and he wasn't happy. You know, I didn't write the article to make him happy, so I told him that. I said, listen, I'm an independent consultant and that's what my views are and you made comments in the election and after the election and before the election and I honestly believe that what you said at that point in time was not correct.

And then he obviously comes up with arguments like 'I did not say in six months time we're going to roll fibre-to-the-node.' I said, 'No, no, but you made an announcement that things would turn around.' I mean, he is good in words, yeah, he will twist the words in the way that you want it. I mean, there's no way to have a conversation with him on that, there is absolutely no way. I've tried it many times and it's just not possible.

Paddy Manning: Labor's Shadow Communications Minister Jason Clare says Malcolm Turnbull has been quite successful in avoiding scrutiny.

Jason Clare: This myth that has been perpetuated by Malcolm Turnbull and by other people that he's somehow fixed the NBN, is just that, it is a myth. It's blown out in cost, it's blown out in time.

Paddy Manning: If we are to be an innovative, agile economy, it's hard to think of a more critical piece of infrastructure than high-speed broadband. Yet Australia is slipping further behind in international broadband rankings; we are now comparable with Greece.

Malcolm Turnbull: Good afternoon everybody. Today I'm announcing a 21st century government.

Paddy Manning: And he went on to say:

Malcolm Turnbull: We're not seeking to proof ourselves against the future. We are seeking to embrace it.

Paddy Manning: Just three months ago, Malcolm Turnbull revealed that the NBN had blown out by another \$15 billion. It's the second blowout since the coalition took office. Originally, it was meant to cost \$29.5 billion. Then it became \$41 billion. Now it's going to cost up to \$56 billion.

Malcolm Turnbull argues it is not really a blowout; the NBN was in a mess when the Coalition took office and it took time to work out what the true costs were.

Malcolm Turnbull: For the first time in the NBN Co's history, all of us can have real confidence in the numbers that are being presented.

Paddy Manning: The NBN chief executive Bill Morrow backs up the Prime Minister.

Bill Morrow: First of all I would say it's not an increase in cost, in fact it's probably a more accurate reflection of the cost.

Paddy Manning: Isn't that just spin just to say it's not a blowout, it's a more accurate reflection of cost?

Bill Morrow: That's the way we look at it Paddy, yes.

Paddy Manning: That's not how everyone sees it, though. In an exclusive interview with *Background Briefing*, Morrow's predecessor Mike Quigley has spoken out for the first time since he retired in 2013. He says the government has no one to blame but itself.

Mike Quigley: If you recall back in April 2013, there were commitments made that all premises in Australia were going to have the NBN by the end of December 2016. That is now December 2020, and the costs have gone up very substantially. Now, you could argue that's not very surprising, but what is a little surprising is that there's been an ongoing attempt to blame all of those delays and all those increased costs on the previous plan, on the fibre-to-the-premise base plan. That's simply wrong.

Paddy Manning: Quigley says it's wrong because the cost of upgrading old pay-TV and copper networks to deliver the 'multi-technology mix' is rising.

Mike Quigley: What's also clear now is the Multi-Technology Mix using these old cable infrastructures is going to be much more expensive than was originally anticipated. I think they're facts now, they're indisputable facts.

Paddy Manning: And that's not the end of it. If the US is any guide, large telcos like AT&T are moving away from copper networks altogether because they are not fast enough.

Mike Quigley: And you've also got to remember that ultimately it's going to have to be upgraded, for the same reasons that AT&T have decided to abandon their fibre-to-the-node, and start doing fibre-to-the-premise because sooner or later you run out of capacity. It doesn't really matter whether people think that 15 megabits per second is enough or 25 or 50, the market speaks, and in the US what AT&T are saying is the market is saying they need very high speeds. Not 50 megabits per second but multiples of hundreds of megabits per second into the future.

Paddy Manning: Bill Morrow from NBN says AT&T is responding to the American market and there just isn't the same willingness to pay for superfast broadband in Australia yet.

Bill Morrow: The reality when you look at what people would actually be willing to pay, Paddy, this is the whole point, that consumers aren't ready to pay for that. Just to give you a highlight for our country and what we have right now, this is so telling to me, we have a million homes and businesses right now today that have fibre going up to them. Therefore they have access to a gigabit-per-second speed service that we can offer. Less than 30 have taken it, even though they can have it. The reason they don't want it is because they don't need it and they're not willing to pay for something that they don't need.

Paddy Manning: As we will see, that may be partly because the NBN has often been rolled out in the wrong places. When I hit the road last week I found small businesses crying out for faster and more reliable connections, in some cases forking out well over \$1,000 a month for download speeds that, in 2015, can only be described as ordinary.

Alexandria, just six kilometres from the Sydney CBD, is a part of the fastest-growing residential precinct in Australia, and unlucky enough to be a few kilometres from the three nearest telephone exchanges at Redfern, Mascot and Kensington. Going by the NBN's latest schedule, Alexandria is due to get either fibre-to-the-node, or a Hybrid Fibre Coaxial cable rollout, using the same cables that deliver pay-TV now, in the second half of 2017 or the first half of 2018.

Furniture retailer Cosh Living pays \$80 a month for ADSL which it can't upgrade. Manager Guy March says it's a joke.

Guy March: The internet here is pathetic. In the morning it is at its best. But come after lunchtime, it drops down to a point where it's not even worth operating. It is pathetic. You can't search the web. Typing emails, you watch the letters appear on the screen after you've already typed. So, very frustrating.

Paddy Manning: And what kind of speeds?

Guy March: It should be superfast, 3 meg. Are we getting it? Not in the afternoon we're not.

Paddy Manning: Exit Films is an independent studio in nearby Erskineville that makes television commercials and music videos. Exit moves lots of data around and relies on fast broadband. Given they are only a kilometre from the Newtown exchange, Telstra told the company ADSL should be fast enough. But Samantha Lombardo told *Background Briefing*:

Samantha Lombardo: It was crap, yes.

Paddy Manning: And literally impossible to run your business?

Samantha Lombardo: It wasn't impossible but it was frustrating, because we do a lot of uploading of videos and things for presentations, so if you needed to make a change on a clip then it would take like two hours to upload a tiny clip and it just was impossible to get anything done properly. We'd have to come into work like three hours early if we had a presentation knowing that it might take an hour to upload.

Paddy Manning: Exit had to come up with their own fix. They borrowed spare phone lines from a neighbouring business and used them to build an ethernet-over-copper solution that allowed speeds of 20 megabits per second, down and up, at around \$400 a month.

Samantha Lombardo: So then we upgraded to this copper system and I think we did a few trials of different routers and things to make it work better for us, but since then the internet has been much better. The wifi is still not the best but if you plug in from the wall with an ethernet cable it's lightning...well, not lightning but it's fast.

Paddy Manning: You can't get fibre down here?

Samantha Lombardo: So no, we definitely looked into getting fibre because our Melbourne office has fibre and it's just the best thing ever. Everyone still complains about the internet here, constantly, because people are just impatient but it is a lot better than it was. We could get fibre but it was going to cost thousands and thousands of dollars to install, and then it was going to be thousands of dollars to run every month.

Paddy Manning: A couple of kilometres away in Marrickville, online wine retailers United were stuck on similarly woeful ADSL, and are now paying more than \$500 a month for a line-of-sight, fixed wireless service that is still pretty slow and is often affected by bad weather. United is not moving big files around, just one-page orders, but it does need a reliable service. The old ADSL connection with all its down-time was untenable.

Peter: We lose...I think it worked out an average of maybe around 20 man-hours a week to slow internet, which is pretty high. We're getting about 3.8...when we do a speed test we're getting 3.8, we were getting about 1.8 before. It was so slow that our PCs would think there was nothing coming.

Paddy Manning: Right next door, Con Christodoulou has a fashion wholesaling and logistics business called Aphrodite, buying in garments from suppliers in China, India and Bangladesh and delivering them to major national retailers such as Big W and Katies. Every item is tracked through a cloud-based electronic data interface. Again, ADSL was simply not good enough and local copper was stretched, so Con went all the way and installed his own fibre, using a connection wrangled from Optus.

Con Christodoulou: We've decided to go with fibre optic network with Exetel, fibre optic network 20/20, guaranteed speeds, guaranteed downloads and uploads, and that's what we've used ever since.

Paddy Manning: Can you say how much that cost you?

Con Christodoulou: That's costing \$1,100 a month including GST and that's on a 36-month plan.

Paddy Manning: All these businesses are paying through the nose for mediocre broadband. When the NBN finally comes, their internet will be significantly faster, and cheaper. But when will it come? Even the Communications Minister Mitch Fifield (who declined to be interviewed for this program) has admitted the NBN roll-out schedule is ambitious. NBN chairman Ziggy Switkowski told one newspaper the targets were 'heroic'. Bill Morrow says his chairman has often described the company as heroic.

Bill Morrow: I believe he uses the word in the context of great leaders, great managers, great employees together working hard, they can achieve great things that in his eyes are heroic in nature. It's going to be that kind of behaviour, that kind of performance going forward to be able to meet the targets that are on hand.

Paddy Manning: The NBN was conceived by Labor in 2009, with a plan to shut down the copper and HFC networks, and connect more than 90% of homes and businesses across Australia with fibre-optic cable offering download speeds of 100 megabits per second or higher. The other 10% of premises, mostly in remote and regional locations, would be served by new satellites (the first has just been launched), or so-called fixed wireless technology, which works by a line of sight to a receiver, much like a mobile phone tower. The whole project was meant to cost \$43 billion.

Tony Abbott, when he took over as opposition leader, wanted to scrap it.

Tony Abbott: The coalition won't go ahead with the National Broadband Network, avoiding the creation of a \$43 billion white elephant.

Paddy Manning: But once Labor signed a multi-billion dollar deal with Telstra, scrapping the entire project was no longer possible. In opposition, Malcolm Turnbull spent two years preparing an alternative policy, to deliver a cheaper network using fibre-to-the-node technology. It was launched in April 2013 by Tony Abbott:

Tony Abbott: But there is one person who I particularly want to mention. We have a strong and credible broadband policy because the man who has devised it, the man who will implement it virtually invented the internet in this country, thank you so much Malcolm Turnbull.

Malcolm Turnbull: This review must be an exercise in truth-telling.

Paddy Manning: A month after Tony Abbott won the election, Malcolm Turnbull commissioned a strategic review of the NBN. As he told the NBN Rebooted conference:

Malcolm Turnbull: We want hand-on-heart true, realistic and achievable options, prudently costed and scoped, on which we the government will make weighty decisions. There is no longer any room at the NBN Co for spin or for telling the minister what people imagine he wants to hear. In short, I expect the team, the management, the board at the NBN Co to regard every forecast, every decision, as something they would be prepared to defend in a prospectus for a public listed company. It is critical for the health of that company that it has forecasts and goals which it can meet. I can only imagine how debilitating it must have been over the last three years to be constantly setting and missing and setting and missing one forecast after another.

Paddy Manning: The review, by Malcolm Turnbull's hand-picked consultants, came back within ten weeks to deliver the Minister his first bad news: the coalition's policy would not cost \$29.5 billion, it would cost \$41 billion, and the promise of 25 megabits per second by 2016 was simply unachievable. Malcolm Turnbull lay the blame squarely on Labor and the previous management of the NBN.

Journalist: It's about blowouts and broken promises.

Malcolm Turnbull: We failed to recognise how big a mess the Labor Party had left the NBN in.

Paddy Manning: Renegotiating the Telstra deal cost the government plenty, and took more than a year. The new deal was worse for taxpayers and unquestionably better for Telstra shareholders. By August the cost had

blown out again, to somewhere between \$46 billion and \$56 billion, for a network that only delivers fibre to 20% of premises.

Mike Quigley says the unexpected cost of the Coalition's Multi-Technology Mix is the only possible explanation for the blowout.

Mike Quigley: I think it was simply an ongoing underestimate, and a quite tragic underestimate of the costs of introducing these technologies, that's fibre-to-the-node, that's cabinets out in the street, and upgrading a HFC network using those old cables, the copper cables and the pay-TV cables.

What you can demonstrate on NBN Co's own numbers, NBN Co's numbers together with a strategic review, you can absolutely prove that the \$15 billion has nothing to do with the fibre-to-the-premise or the fixed wireless or the satellite, the original technologies. It's nothing to do with that. In fact, those costs came down between the strategic review and the latest corporate plan, which means the actual costs of the other parts, the newer MTM parts, have gone up more than \$15 billion.

Paddy Manning: Malcolm Turnbull continually asserts the NBN had become a shambles under Quigley's management and had no idea what its costs were. Here he is in Parliament a fortnight ago:

Malcolm Turnbull: They were clueless, absolutely clueless, clueless and wasting billions of dollars. What we do know now, we actually now know what the project is costing, and we know what the alternatives are and the facts are, that if we were to proceed with the Labor Party's alternative it would take six to eight years longer and cost up to \$30 billion more.

Paddy Manning: Mike Quigley rejects the criticism outright.

Mike Quigley: That simply isn't factual. It wasn't a complete shambles at all. We had four years of being reviewed on a very regular basis by a number of auditors, the Australian National Audit Office, PwC, you name it. Never, ever once did we get any significant problems. Our measurements of our costs, they were different, by the way, to how NBN Co is choosing to measure today, but they were absolutely valid, and the audit reports prove that.

Paddy Manning: Mike Quigley says Turnbull's mixed-technology NBN may be cheaper up-front, but it's going to be far more expensive to run. That's because the old copper network has to be maintained, and the cost of powering the nodes is huge.

Mike Quigley: The long-going operating costs are higher for the Multi-Technology Mix because you're using old copper which has maintenance, and that maintenance, by the way, the costs of that maintenance is now with NBN Co. We made sure all the ducts, pits and exchange buildings we were using were Telstra's responsibility to make sure they work properly. NBN Co's got that responsibility now, so the maintenance costs are going to be higher on MTM.

This is not easy. It's not easy to keep messing around with a big, complex network like this. What people often forget is the IT systems that have to support all of this and that's been, I think, a big surprise in the Multi-Technology Mix, just how expensive it is to upgrade the IT systems.

Paddy Manning: Labor's NBN was far from perfect. You might think the NBN would be rolled out so as to capture as much revenue as quickly as possible, to offset the expense and save taxpayers' money. Unfortunately not. It seems to be the luck of the draw who gets fibre and who doesn't.

The NSW central coast, north of Sydney, did get lucky, it was one of the first parts of the country to get fibre-to-the-premise four years ago. At the individual suburb level however, the picture is confusing. Gosford, where the council chambers and local court are located, has lightning-fast fibre despite a relatively stagnant economy and high vacancy on the main street. Nearby Erina, the commercial hub of the region, is still waiting.

Take Nathan Edwards at Central Coast Home Loans, which has to interface with the big banks, and is stuck on ADSL1.

Nathan Edwards: There's no ADSL2 ports available in Erina, which is a bit strange considering it is a commercial hub, but the NBN is available in Springfield, which is only 500 metres away, which is all residential.

Paddy Manning: A few streets away, Leah Knight runs the Karalta Connect serviced office business with a dozen tenants. She pays \$364 a month for a fixed wireless service that offers a tiny 4 megs up and down.

Leah Knight: I actually couldn't fill some of my suites because we couldn't get internet here. There was no copper left in the street, and we could only get ADSL1, and I had businesses that would not come into my building. So I had vacancies here for months because I couldn't get internet.

Paddy Manning: Meanwhile the NBN has rolled out in Gosford...

Leah Knight: Yeah and they get ADSL2 in Gosford.

Paddy Manning: So you're saying it's frustrating. You go for a drive or you play golf at Magenta...

Leah Knight: I play golf at Magenta and we drive through part of the central coast that has a lot of government housing, a lot of unemployment, a lot of people on Centrelink, through Long Jetty, and they got NBN and have access to NBN now, most of them can't afford to pay for it, so they don't use it, so they're not utilising the technology. Yet somewhere in Erina where everyone comes to work and there are businesses and banks and everything, we are screaming for it and can't get it.

Paddy Manning: Over in Gosford however, those businesses lucky enough to be hooked up to NBN through fibre get fantastic internet costing no more than the ADSL it replaced. Deborah Parry from the local Ford dealership, which has been on the NBN since last November, is paying just \$125 a month for their service.

So 100 down, 40 up, and it's costing you...

Deborah Parry: \$125 a month including GST. It's pretty cheap, isn't it. I pay more at home for an ADSL that works absolutely shithouse.

Paddy Manning: Could you rephrase that?

Deborah Parry: Absolutely terrible!

Paddy Manning: What's more, Parry's dealership is now making huge savings by ditching Telstra altogether and transferring their phone service over to the internet.

So if you look at it combined, your cost of internet and phone has gone down by three quarters?

Deborah Parry: Oh, easy, probably \$1,500 a month at least...at least.

Paddy Manning: It's a bonanza. Parry says it's unfair, and thinks everyone should get fibre. NBN chief Bill Morrow, who has family in Gosford and knows the area well, agrees there was no commercial rationale for the original rollout.

Bill Morrow: Indeed. And again, that's preceded my time and the current government's time in this as to when those locations were chosen and how that rollout map existed. Again, it wasn't taken from a logical business commercial point of view as to where the initial rollout started. Unfortunately or fortunately because those started in those areas, in order to keep the cost down for taxpayer investment, we are growing out from those areas. But I'll remind you Paddy, and I think you're aware of this, I also have a mandate from the government that says I have to focus and prioritise on unserved areas.

Paddy Manning: Former NBN chief Mike Quigley admits that return on investment was not the criteria.

Mike Quigley: No, I'd have to say that trying to look at short-term return on investment wasn't what we were trying to do when we were trying to roll out that network. We were trying to get it built as fast...because remember our intention was to roll it out everywhere. There were demands from everybody to have this network built as fast as possible. So I can't give you an explanation, Paddy, for why some places were done

and others weren't, but I can tell you it wasn't done on just purely how do you maximise returns. That's the difference, I think, between a government business enterprise and a commercial entity. If you were just trying to maximise returns, you'd do all the easiest places first, such as was done with the original HFC. You'd do all the cities, you'd do all of those places, but they were often not the places that were really desperate for broadband.

Paddy Manning: The rollout was not the only questionable aspect of Labor's NBN. Quigley concedes that it was crazy to try and rewire multi-unit buildings with fibre, and much more sensible to install fibre to the basement, as the Coalition is now doing.

Mike Quigley: I think one sensible change that could have made is to put fibre into the basement, and then just use the copper or what's called Cat-5 Ethernet cable that are up the risers as they exist. I think that's a sensible thing to do. I don't think too many people would argue with that.

Paddy Manning: Quigley also says the upgrade of the HFC or pay-TV cable network is not dead money.

Mike Quigley: If that's done well and properly, it's a very capable technology, the HFC technology, it's been used in the US as well. So the two technologies that can carry high bandwidths are fibre-to-the-premise and HFC. The money that's spent on HFC, you could say it's not been wasted.

Paddy Manning: By far the most contentious investment is the billions which NBN will invest in upgrading the copper network by installing thousands of new nodes which may soon be redundant.

Mike Quigley: The money putting remote cabinets out all over the metropolitan areas and putting electronics and power to those, I'd say you would really have to think twice about doing that.

Paddy Manning: Do we risk investing in a stranded asset there?

Mike Quigley: Absolutely, we risk investing in a stranded asset, and I think at some point, it's going to be bypassed by fibre, and it is simply not the case that what you're putting down there for fibre-to-the-node can be upgraded to fibre-to-the-premise. Even if you use these new technologies such as vectoring or G.fast, you have to move the equipment much, much closer to the end user, so the cabinets are redundant.

Paddy Manning: The government maintains it is necessary to switch to the multi-technology mix because connecting fibre all the way to the premise—digging up driveways and gardens—was going to cost too much. As the costs of the multi-technology mix keep rising, the government's main response has been to keep saying that Labor's all-fibre network would have cost even more. But this argument can only last so long.

Malcolm Turnbull says that the Labor NBN that you were responsible for, the cost was going to blow out perhaps as high as \$94 billion.

Mike Quigley: Yeah, those... I have no idea, Paddy, where those numbers came from and we've heard all sorts of numbers. We've heard \$94 billion. We've heard \$73 billion in the strategic review. We've heard \$64 billion in the strategic review.

Paddy Manning: Why is he saying it then?

Mike Quigley: Well, obviously as the costs of the latest NBN, the MTM, have risen, have gone from \$29.5 billion up to \$41 billion and then up to somewhere between \$49 billion and \$56 billion, it's absolutely essential I guess for him to try to demonstrate that the original NBN would have also been much more expensive.

Paddy Manning: Mike Quigley.

Communications analyst Paul Budde says the government's figures are inconsistent.

Paul Budde: If you stand up and say the national network that Labor puts in place is going to cost \$90 billion, and then when you're six months into government you say, oh sorry, we made a mistake, it's only \$56

billion. And then you come back and say it's now going to be \$70 billion dollars, or whatever. Now, okay, I think you're lying! What's the truth now? Who knows the truth? And there were quite a few statements. You know, he said, when they went into the elections, 'It won't take us more than six months to turn around.' We're now two years later and we still don't have the multi-mix technology going. Okay, is that a lie or not, what is it? In any case, when he mentioned a six-month turnaround, that's not true.

Paddy Manning: Labor maintains they could have built the all-fibre NBN for \$45 billion. Communications spokesman Jason Clare disputes the government claim that Labor's network would have cost \$30 billion more than the multi-technology mix, and taken another six to eight years to build.

Jason Clare: They're being a bit mischievous here. Don't be misled. What their analysis actually shows is if you were to stop building Labor's NBN, then spend the next few years building Malcolm Turnbull's copper NBN, and then start again and continue to build Labor's NBN, then it would cost all of this extra money and all of this extra time.

Paddy Manning: The truth is, nobody knows what Labor's NBN would have cost, had it been allowed to continue. Bill Morrow admits all the NBN's costings of a future fibre-to-the-premise rollout assume that the current mixed-technology rollout was commenced first.

Bill Morrow: We've done no analysis to say what if we never stop, what if 2013 election issue had a different result on it to see, therefore, what were the peak funding cost? We've not yet analysed that.

Paddy Manning: We don't know?

Bill Morrow: No, we don't know.

Paddy Manning: But Morrow is adamant that building Labor's network for \$40-odd billion was not possible.

Bill Morrow: The average cost per premise to deploy fibre-to-the-prem all the way up to the side of the home into the first plate of the wall inside the home is very easily seen as somewhere between \$4,300 and \$4,600 per household. When you look at the weighted average to build out using the two new technologies and the portion that will still be fibre-to-the-prem, still considering satellite and fixed wireless, it's on average of about \$2,700. You can just see clearly the difference of nearly \$2,000 per household and business. We talk about it in terms of premises. There's roughly 11 million of those that are around the country today. So you can already see a \$22 billion difference in terms of the cost to build out to reach everybody's house.

Paddy Manning: There's no way it could have been built for \$45 billion?

Bill Morrow: Well, again, it depends on the cost. If it's an issue around the peak funding envelope, no way. If you take that 10 million homes using the \$4,400, obviously now you're looking at \$45 billion to be able to do that just on the capex portion there. You have to remember there's all sorts of other costs. You've got IT costs. You've got the cost of putting the satellites up in the sky, the fixed wireless cost components. You have the operating cost which is paying the salaries and the wages and the rents and the buildings, the leases on the buildings. All of those and you match that against the revenue curve that you're building a business against, and that difference is how much money you're going to drain or 'burn', we call it in a start-up notion, and that is no way that that could be capped at \$45 billion. That's where it is further up in the \$70 billion plus range.

Paddy Manning: Morrow says the key is to be able to upgrade the infrastructure as you need to, but he's coy about the cost of future upgrades.

Bill Morrow: In my mind, as a taxpayer here in the country, I would rather pay as I go or pay as I need in terms of demand rather than betting all the demand will be there and pay this extra money that's required. That's just not something most of us would do in our personal bank accounts, in our personal investment decisions, so why would we do it based on representing taxpayer money as well?

Paddy Manning: Well, you would do it if you expected that the future cost of upgrading would be significant.

Bill Morrow: But we have evaluated that as well. It's very interesting...

Paddy Manning: Do you have numbers actually on that, on what the future cost of upgrading from fibre-to-the-node to fibre-to-the-prem would be?

Bill Morrow: We've looked at it and I don't remember what the exact number was, Paddy, but I can also say that it is still spending less than the incremental amount that it would take to be able to go forward.

Paddy Manning: NBN declined to provide the figures to *Background Briefing*.

The NBN is aware of the limitations of fibre-to-the-node. Simon Hackett, a director of NBN appointed by Malcolm Turnbull, even admitted to an industry conference earlier this year that the technology 'sucks'.

What's looming is another big change, an evolution of fibre-to-the-node which brings fibre closer to the home. Industry sources think that's where the NBN is headed. So does Jason Clare:

Jason Clare: I suspect that the government will announce before the next election that they're going to abandon fibre-to-the-node and go to something called fibre to the curb, fibre to the distribution point. NBN has already been trailing rolling fibre out all the way to the pit near your home and testing that with VDSL. They're also running trials of a new technology called G.fast, and I wouldn't be surprised if, before the next election, they say they're going to roll this out, roll fibre, effectively, almost to the home, a bit like fibre to the basement of an apartment block. And what I got to make very clear here, is if they do that it won't be proof that their model is right, it'll be proof that they got it wrong on fibre-to-the-node, and fibre-to-the-node is just not up to it, that you've got to get fibre as close to the home as you possibly can.

Paddy Manning: Bringing fibre to the distribution point, Morrow admits, will be more expensive than fibre-to-the-node. By how much, he doesn't know. If that happens, the cost of the government's broadband could go up again.

Bill Morrow: It's too early to tell. They haven't been fully commercialised yet so we haven't had prices from the vendors. We haven't gone that far with them in terms of reaching out for competitive bids.

Paddy Manning: Are they going to be cheaper than fibre?

Bill Morrow: If you looked on a per megabit capable, hopefully it's going to be cheaper. If you looked on a per unit basis, it's going to be more than what the current FTTN is because obviously it's a new technology, it could cost a little bit more. But ultimately in practice it should still be far cheaper than what fibre-to-the-prem is.

Paddy Manning: One thing is clear; there's no going back. Labour has effectively ruled out a return to fibre-to-the-premise.

Mike Quigley: Given all the decisions that have been made, the rollouts that are happening, the deals being renegotiated with Telstra, you just can't unscramble that omelette. Decisions have been made, so going back to a full fibre-to-the-premise rollout, I just don't think is possible, Paddy.

Paddy Manning: Do you accept now, Jason, that you can't go back, you can't go back to a fibre-to-the-premise model, you can't renegotiate your agreements with Telstra, or we'll get the same delay again?

Jason Clare: There are serious lessons to be learned from the mistakes that Malcolm Turnbull has made. You try and unpick those agreements and you get serious delays, and if anybody thinks that if we win the next election I can just click my fingers and you can go back to a full fibre network, they're wrong. If you think that you can suddenly stop the project and pull out nodes without causing more problems and a lot of wasted, sunk investment, they're wrong. The mess that Malcolm Turnbull has made here is serious. I think, and I've said it publicly, that more fibre should be rolled out and can be rolled out, but if people think that you can just click your fingers and go back to an all-fibre network, you're wrong, you can't.

Paddy Manning: Jason Clare.

We're left with a mixed up network with winners and losers. The costs are still rising. It will require more upgrading, and when it comes time to be sold it will be worth less. For Mike Quigley, the man who built the network and was its founding CEO for four years, it's just sad.

Mike Quigley: The difference is the existing network is carrying current, it's copper, but the network that was going to be built, a fully fibre network, is all glass. There's no metal, it's not carrying power, it would have lasted for a very, very long time, decades and decades, if not centuries. So it is just such a pity that it is no longer being built. It would have been a great national asset.

Paddy Manning: *Background Briefing's* coordinating producer is Linda McGinness, research Anna Whitfeld, technical production Marty Peralta, executive producer is Wendy Carlisle, and I'm Paddy Manning.

Credits

plusminus

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- **Researcher Anna Whitfeld**
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WINE NEWS

Australia was promised superfast broadband with the NBN. This is what we got

7.30 By Geoff Thompson

Updated Wed 24 Apr 2019, 7:59pm

In 2009, the then Labor government promised a fast National Broadband Network (NBN) with optical fibre cables direct to most homes and businesses.

Instead, we've ended up with a mix of technologies including optical fibre, copper wires, Hybrid Fibre Coaxial (HFC), fixed wireless and satellite.

Every year the amount of internet data Australians consume increases by between 20 and 30 per cent.

Last year, the average home had 17 devices connected to the internet and that number is expected to more than double in the next three years.

When the NBN is completed next year, it is estimated fewer than one in four of fibre-to-the-node (FTTN) connections will be capable of achieving the top speeds currently offered over the NBN.

So how will the NBN handle our ever-increasing digital appetite?

RELATED STORY: Labor concedes there is little it can do to fix the NBN if it wins the election

RELATED STORY: Rats, cables and NBN: One journo's tale of 48 days without internet

RELATED STORY: Internet 'prices will have to go up' if NBN doesn't cut access costs, says Telstra boss

Key points:

- Internet data consumption has increased by 20-30 per cent each year
- The average Australian home has 17 devices connected to the internet
- NBN due for completion in 2020
- Fewer than one in four FTTN connections expected to be able to achieve top speeds

Who's getting what?



PHOTO: The NBN rollout is due to be completed next year. (ABC Radio Adelaide: Malcolm Sutton)

The NBN's first CEO, Labor appointee Mike Quigley, still believes a mostly fibre network is inevitable for Australia.

"The one thing we've seen over decades is the demand for speed has increased, the demand on downloads has increased," Mr Quigley told 7.30.

"Even 4K video hasn't penetrated to a large extent yet. The bandwidth you need for 4K is obviously much greater than in high-definition video.

"All those things put demands on the broadband network and they will continue to put demands on the broadband network."

FTTN is the way the greatest proportion of Australians — about 36 per cent — will be connected to the NBN.

HFC is the second-most-common technology, connecting 22 per cent.

The originally promised fibre to the premises (FTTP) will be used by 17 per cent and fibre to the curb (FTTC) will connect 12 per cent.

Fixed wireless connects about 5 per cent and satellite 3 per cent.

'I should have a perfect connection!' The FTTN experience



PHOTO: Ray Shaw initially had good connection, but now suffers regular and extensive drop-outs. (ABC News: Jerry Rickard)

Ray Shaw is managing editor of one of the largest technology review sites in Australia, so he needs a fast internet connection.

When he semi-retired to the NSW Central Coast, he was told that would not be a problem.

"We couldn't look anywhere that there wasn't a decent NBN and connection because I want to work remotely," he told 7.30.

"We chose this place because the node was right outside our door."

Mr Shaw's provider promised him 100 megabits per second download speeds and 40 megabits per second to upload using a FTTN connection, which is just 25 metres from his home.

"That's really close," he said.

"I should have a perfect connection."

And for a while he did. But now he gets drop-outs every day.

"Anywhere between 3 and 18 times — in the last 24 hours it's happened 22 times for a total of 47 minutes," Mr Shaw said.

"I'm losing hours of work.

"Upload speed's important for remote workers.

"And when that goes down or when it's slow, you just can't work."

'Not one day of outage!' The FTTP experience



PHOTO: Gary Schweikert hasn't had one problem with the fibre optic connection directly to his home. (ABC News: Christopher Gillette)

Like Ray Shaw, NBN connectivity was the number one factor for Gary Schweikert when he moved from Sydney to Brisbane.

He chose the northern suburb of Chermside because its homes were among the 17 per cent of residences to win the NBN lottery and have fibre to the premises.

"I wanted to continue my business from home," he told 7.30.

"So I literally looked at the NBN and roll-out map to see where the NBN was, and there was just one area at the time, Chermside.

"And that was it. On the day that we moved in was the day I had the NBN connected."

The video producer converted his garage into a studio and now can push huge video files around the world with ease.

"Since day one in 2013, when we had it installed, we have not had a problem," Mr Schweikert said.

"There hasn't been a day that we've had an outage, slow speed or anything like that."

He pays for the top-shelf package and says he definitely gets what he pays for.

"It's been fantastic. I couldn't have wished for better."

Have you won the NBN lottery?

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No drastic changes planned by major parties



PHOTO: Communications Minister Mitch Fifield says the NBN is meeting the needs of the customers. (ABC News)

Communications Minister Mitch Fifield defended the network and its roll-out.

"NBN is fit for purpose," he told 7.30.

"But there's no technology network that's set in stone, you always need upgrade paths and the NBN is looking at those.

"It's designed to meet the needs that people have.

"It's doing that and it's something that will be continually upgraded to make sure that it keeps pace with needs as they evolve."

Senator Fifield said that under the Coalition's plan, everyone will have access to fast broadband by 2020.

"The real digital divide is between those who have the NBN and those who don't have the NBN, which is why we wanted to complete the NBN as soon as we could," he said.

"Ninety per cent of people on the fixed-line network, the fixed-line footprint, will be able to get speeds of 50 megabits per second or more — 75 per cent of people will be able to get speeds of 100 megabits per second.

"You only need five megabits per second to watch high definition on Netflix."



PHOTO: Shadow Minister for Communications Michelle Rowland says Labor won't rush to 'fix' the NBN. (ABC News)

Despite its original vision, Labor is not promising a quick fix if elected next month but is instead offering to help consumers fix home wiring issues which can affect the NBN's performance.

"Labor is taking a very responsible approach," Labor's communications spokeswoman, Michelle Rowland, told 7.30.

"We made it very clear that there is no quick fix to six years of vandalism by this government. And we will be informed, as we always said, by the realities on the ground.

"We need to examine in the immediate term what we can do in terms of having, for example, a pathway to get more fibre, but in the longer term also recognising that we need to get more Australians valuing broadband and online and currently that is not happening under the second-rate NBN."

Could we have had a faster NBN for less?

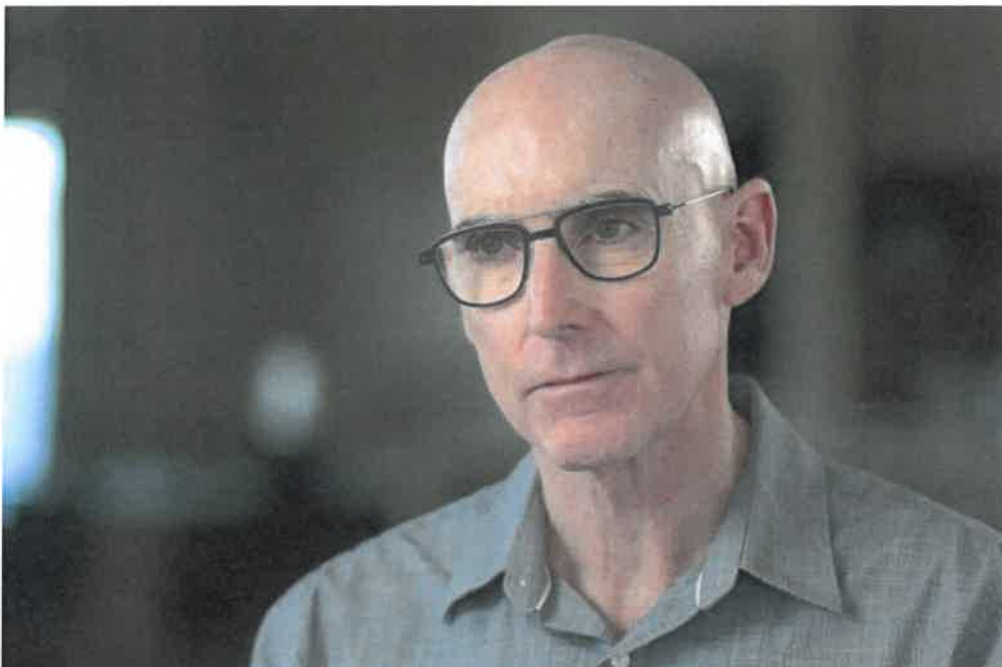


PHOTO: Former NBN CEO Mike Quigley says the original plan for fibre to the premises could have been delivered more cheaply. (ABC News)

Mr Quigley said if Labor's original fibre-to-the-premises plan had been continued, it would be almost complete and would have cost less than the current network.

"We would have the \$45 billion costs instead of the \$51 billion that we've got today for the MTM (multi-technology mix)," he said.

"It would have taken a little longer, I don't dispute that, [but] it certainly wouldn't have taken six to eight years longer."

That assertion is disputed by the Senator Fifield.

"What we have done under this government is what the rest of the world does," he said.

"And that is use a range of technologies to see fast broadband rolled out fastest and at lowest cost.

"That's the approach in Europe. That's the approach in the United States. They use a range of technologies.

"By taking this approach, the NBN will be completed by 2020, which is six to eight years sooner than otherwise would have been the case. And \$30 billion less cost."

But Mr Quigley maintains the Government has inflated the cost of completing the network using FTTP.

"That is completely wrong. Those numbers are based on not a continuation of the FTTP program, but a restart," he said.

"It uses completely erroneous costs for the FTTP.

"In the rest of the world, cost for fibre to the premises have come down dramatically."

Senator Fifield disagrees.

"You only get the full national benefit of fast broadband when everyone has it. Under us, they'll have it sooner," he said.

Topics: telecommunications, government-and-politics, federal-elections, federal-government, alp, liberals, information-and-communication, internet-technology, computers-and-technology, australia, melbourne-3000, ettalong-beach-2257, chermside-4032



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Speech to the 2019 CommsDay Melbourne Congress

Introduction

It is a pleasure to once again speak at this important CommsDay conference.

After four and half months as Minister for Communications, it is timely to take stock of the largest single project within the portfolio, the National Broadband Network.

I want to start with what has been achieved – comparing the broadband landscape today with 2010.

Next I will review how we got to this point – after our Liberal National Government inherited a colossal mess in
Thirdly, I will touch on some enduring problems – thanks to poor policy decisions we inherited from Labor.

Last, I want to sketch out the way forward on NBN. With the rollout due to complete next year, what happens next?

How the broadband landscape has improved since 2010

Let me start with where we are today: 10.2 million premises are able to connect to NBN and over 6 million are connected.

9.1 million premises can connect to the fixed line network – where 90 per cent of premises can receive at least 50 Mbps and all can receive 25 Mbps.

600,000 can connect to fixed wireless with peak speeds between 25 and 50 Mbps and 445,000 can be served by satellite with a minimum peak speed of 25 Mbps.

Ten years ago the picture was much more patchy. About a quarter of Australians were served by modern networks designed as broadband from the outset. The 2.6 million premises in our six biggest cities on the Telstra or Optus HFC networks could get download speeds of up to 30Mbps.^[1] Some other smaller networks such as TransACT in Canberra also offered higher speeds.

^[2]

But most Australians received their fixed-line broadband over ADSL. It worked well for some, but speeds were very patchy depending on how far you were from the exchange.

Quite a lot of homes could not get fixed-line broadband at all. In 2008, the ACCC estimated 11 per cent of homes had no access to ADSL broadband.[3] They might have been too far from the exchange; or there were 'broadband blockers' in the network— such as pair gain systems[4], remote integrated multiplexers and sub exchanges.[5]

In turn, many people got quite poor speeds. Of active Australian internet subscriptions in 2008, 77 per cent were likely to deliver 8 Mbps or lower download speeds; only 4 per cent of services were likely to exceed 24 Mbps download speeds.[6]

Yet for these very patchy ADSL services, the typical price was \$110 a month (in 2019 dollars) — including line rental, which was a compulsory payment if you wanted broadband.

And in a very big difference from today's broadband plans, 10 years ago fixed-line broadband plans had download limits. A typical 2009 plan was capped at 45 gigabytes and if you went over this you paid extra.

Broadband costs significantly less today than in 2009 in real terms, with a typical 50 Mbps plan costing about \$80 a month. And unlike the plans of ten years ago, plans today typically do not have download limits. As a result, people are using much more data.

In June 2019, the average NBN customer used 255 GB of data and purchased an unlimited plan. In December 2009 the typical downloaded allowance for a fixed-line plan was around 45 GB per month.[7]

Quite simply, thanks to the NBN, fixed-line broadband services today cost significantly less — and deliver very substantially more — than 10 years ago. A big part of this has been changes to Telstra’s retail broadband pricing, as the ACCC noted in its Communications Market Report 2017-18:

Telstra’s fixed broadband retail plans are showing a marked increase in value over the past three years, as Telstra has transitioned its business to meet heightened competition.[8]

How we delivered these improvements

Now if I were speaking to you in October 2013, shortly after our Liberal National Government was elected, the picture would have been very different. At that point, there was very little to show for the six and a half billion dollars Labor had already spent on the NBN.

Time after time Labor’s soaring rhetoric had been followed by dismal failure to perform.

In November 2007, Labor said the NBN would be rolled out to every Australian home and businesses within five years of the completion of a competitive assessment process – in other words, by around 2013.[9] Eighteen months later, they had achieved nothing.

So in 2009, Labor dumped their first plan and announced a new plan – fibre to the premises. It was going to cost \$43 billion but there was going to be significant private sector investment in this company”.^[10] Within a year, Labor had dumped this commitment too – after the Implementation Study done by McKinsey and KPMG revealed the reality that the private sector were not going to touch it.^[11]

NBN’s first Corporate Plan in 2010 said that by 2013 the fibre network would pass 1.27 million premises^[12]; what was actually achieved was 207,000 premises passed which was around sixteen per cent of that.^[13]

When we came to government, we set about methodically turning things around. Communications Minister Malcolm Turnbull and Finance Minister Mathias Cormann asked the new leadership of NBN Co to conduct a Strategic Review.

The Review's findings stand as an enduring testament to the managerial incompetence of the Rudd and Gillard Governments. It showed that three years into the rollout, it was already two years behind schedule. The network had reached less than three per cent of households and businesses, with barely 50,000 premises actually connected to the fixed line network.

When NBN released its Corporate Plan in 2014, it adopted the approach recommended by the Strategic Review: a multi-technology mix that would be delivered five years faster than the original plan and would save taxpayers \$30 billion.^[14]

Then Shadow Minister for Communications Jason Clare decided the 3-year rollout plan, saying it was a ramp

In fact, NBN Co achieved and exceeded the promised numbers. In September 2018, NBN exceeded its target of 9.5 million with 10.2 million premises ready to connect, in build or connected.

NBN has also worked hard to improve the customer experience. I recognise that there is still more work to do – but the latest data show the company is meeting installation time frames 96 per cent of the time and fault repair time frames 92 per cent of the time[16].

Network congestion has dropped significantly, download performance continues to improve during the busy hours, and changes to wholesale pricing mean more Australian homes and businesses are taking up higher speed plans.

Some enduring problems

While we have been able to turn around a lot of the mess left by the previous Government, the sad fact is that some of Labor's poor decisions have left an enduring legacy. Dealing with this legacy is going to be a policy challenge for Government for quite some time.

Scrapping of existing networks

The first problem was that Labor deliberately set out to scrap existing networks. Under Labor NBN Co signed agreements with Telstra[17] and Optus[18] for those

companies to withdraw their HFC and other networks from service; and it set out a path of overbuilding

Labor's plan to scrap the HFC networks and then to overbuild them with new fibre networks was extraordinarily wasteful. The HFC networks were only about fifteen years old at the time of this decision. They were capable of delivering 100 Mbps – and with fairly modest upgrades they can deliver speeds of up to one Gigabit per second.

Thankfully Malcolm Turnbull as Communications Minister was able to secure an amendment to the Definitive Agreements so that NBN was able to use the HFC networks. This was a critical change – allowing a quicker and more cost effective rollout.^[20]

Sharp reduction in infrastructure based competition

Quite apart from the sheer wastefulness of the way Labor dealt with these networks, it also meant a sharp reduction of infrastructure based competition in fixed line broadband services. The approach was to establish NBN Co as a near ubiquitous network. It crushed infrastructure-owning competitors by overbuilding networks, and made it near impossible for emerging infrastructure providers to compete.

As I said when I spoke about this issue at the CommsDay conference in 2014:

The focus of telecommunications policy for twenty years had been to stimulate the building of new networks to deliver increased competition, so called 'facilities-based competition.' The Rudd-Gillard-Rudd Government specifically reversed direction on this policy...[21]

I know TPG and Telstra have retained some competing fixed line networks. I also take my hat off to companies like OptiComm, OPENetworks, Redtrain and LBN Co who are still out there vying for business and supplying non-NBN fibre.

But last year the ACCC confirmed what we knew to be true — NBN Co is by far the dominant player in the fixed line market.

Just to be abundantly clear, the Government has no plans to revisit the commercial agreements or migration arrangements in the fixed line footprint. That train has well and truly left the station.

But it is equally clear, the decisions originally made to support a monopoly broadband network have had significant consequences for market structure and competition.

Since the NBN was announced, investment in fixed-line last-mile infrastructure by the private sector has fallen sharply.

A Government owned start-up was a bad idea

The third big set of legacy problems we are left with

flows from Labor's decision to create a government-owned start-up company to build an infrastructure project of this scale.

If I can again quote from an earlier speech, Labor's plan was:

...to build three brand new networks using brand new equipment and the very latest generation technology to pass almost fourteen million premises by 2025; to do so with a brand new company, established from scratch with no existing track record; to force some ten million households off their existing network onto the new network; and incidentally to underpin all of this with brand new billing systems, operational support systems, customer support systems and all of the other IT apparatus of a huge telecommunications enterprise.[22]

This approach made the project vastly more expensive than it needed to be. Consider the substantial stream of payments NBN Co must make to Telstra and Optus, under the Definitive Agreements signed in 2011.

In nominal terms NBN Co's Corporate Plans show around \$10 billion in subscriber payments will be paid to Telstra and Optus by June 2022.

The nominal value of the annual lease payments reaches \$1.1 billion in June 2022. These will continue for at least 35 years from commencement, and there are two ten year optional extensions.

Of course the actual number will depend on many variables such as NBN customer numbers – but by bearing very heavy and continuing costs.

These costs were locked in when we came to government in 2013 – as were a whole range of other contractual commitments made by NBN. These included a \$1.1 billion contract with Ericsson for the fixed wireless network; a \$200 million contract with Optus for managed satellite services for an initial five year period; a \$100 million contract with IPStar for more satellite capacity; [23]

a \$620 million contract with Space Systems /Loral to build two satellites; [24]

a \$280 million contract for satellite ground equipment and services; and \$300 million contract with Arianespace to launch the satellites. [25]

Labor's decision to use a Government owned start-up to build this network foisted the cost and risks involved in deploying the NBN on taxpayers, foregoing opportunities to secure private investment in parts of the network.

It created new barriers to alternative network operators. And, in so doing, it weakened private sector competition as a force driving innovation and efficiency across the industry.

The way forward on NBN

Let me now turn to the way forward on NBN and telecommunications policy. This necessarily includes building on what we have achieved; and continuing to

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Our first priority is to complete the rollout. Thanks to the focus of the NBN board and management, and my predecessor Ministers Malcolm Turnbull and Mitch Fifield, NBN Co is on track and on budget to complete the rollout next year within the peak funding of \$51 billion and with an internal rate of return of 3.2 per cent.

By the time the rollout is completed we will have near ubiquitous availability in the fixed line footprint of 50 Mbps speeds, and all premises will have access to a minimum peak speed of 25 Mbps.

Drive Take-up

Completing the roll out is one thing; getting as many Australians as possible using the network, and using it more and more, is our next priority.

We want to maximise traffic over the NBN – and leverage this national asset to the economic and social benefit of our nation.

More than 40,000 premises are signing up for an NBN service every week and NBN Co forecasts take-up of 73-75 per cent in fixed-line areas by FY23.

Of course a key lever to influence take up and usage is pricing. That is why NBN Co has steadily evolved its approach to pricing. Just three weeks ago NBN issued a

pricing consultation paper, proposing some changes it intends to make, after receiving feedback from retailers.

The paper proposes a 12/1 Mbps entry-level bundle that could retail at \$60 a month with uncapped data inclusions. I hope this will make the NBN more accessible for half a million budget conscious households – who may otherwise be holding back on upgrading or connecting to the NBN.

NBN Co is also making higher speed tiers more affordable to suit growing data needs. And, in parallel, it plans to increase CVC across these speed tiers to further boost capacity in 2021.

NBN Co's new higher speed products (100/20, 250/25 and 1000/50 Mbps) give retailers better opportunities to market these products and gain access to higher CVC inclusions.

Upgrade and extend the Network

Another priority is continuing to drive upgrades of the network. As the Corporate Plan shows, NBN plans to invest more than \$4.5 billion over the next few years on continuing to improve the network.

Next year NBN will begin trials of the G.fast protocol – which holds real potential across the Fibre-to-the-Node (FTTN) and Fibre-to-the-Curb (FTTC) footprints. For short copper runs, G.fast is able to deliver speeds up to 1 Gbps and beyond.

NBN is also looking at HFC upgrades with DOCSIS 3.1

technology. Earlier this year, NBN held successful fibre trials which demonstrated gigabit potential. This is important news for around 2.5 million homes and businesses on the NBN HFC network.

Another way we are extending the network is through NBN's growing presence in the enterprise market – often linked to significant new fibre builds.

In March this year, Coles announced a multi-year partnership with Optus Business and NBN to connect fibre to over 2,400 sites.[\[26\]](#)

The other big retailer, Woolworths, informed the market of a deal that will improve its connectivity by converting retail sites onto NBN fibre through its existing provider, Telstra.[\[27\]](#)

Australia Post has partnered with the NBN and managed service provider Comscentre with a five-year contract to help the organisation upgrade its telecommunication network at over 4,000 sites.[\[28\]](#)

Fostering competition

Our next priority is to foster competition in broadband.

In the fixed line telecommunications sector we need to be serious about competition — not fear or resist it.

We only need to look to Australia's world-leading mobile sector to see just how effective competitive forces have been.

The mobile operators – all privately owned – have successfully deployed four successive generations of mobile services and are well under way on the fifth. Today mobile networks cover 99 per cent of the population.

I am often asked what 5G means for the NBN. The short answer is they are complementary technologies.

NBN can deliver huge volumes of data at low cost per gigabyte, while 5G will provide lower latency and more bandwidth when people are on the move.

Data from the ACCC shows 91 per cent of all data downloaded is on fixed line networks.^[29] Average mobile data consumption is just 10 gigabytes a month compared to 240 gigabytes of fixed line data consumption.

But I want to make it clear that the Government welcomes the fact that the mobile networks provide competition to the NBN. In New Zealand mobile operator Spark is using mobile data services to compete against fixed broadband services; we may see more of that in Australia over 4G or 5G networks.

I suspect if Labor were in Government they would be plotting ways to restrict the operations of 5G networks lest they pose a threat to the NBN. This Government sees things very differently. If 4G and 5G wireless networks compete with NBN Co, that competitive pressure will help NBN to get its products and pricing practices right.

In other areas too this Government believes competition is a positive force. Investment in competing fixed-line, particularly fibre, networks will be important in providing choice for end-users, particularly in the business sector.

The market has already improved considerably since we implemented our *Telecommunications in New Developments* policy in March 2015. A number of alternative network providers are now competing with NBN Co to service new developments and competition from mobile and wireless is also providing discipline for carriers and other options for consumers.

We have more changes coming with the Telecommunications Reform Package, which I will re-introduce in the Parliament in coming months after it lapsed with the end of the last Parliament.

This will bring changes to the carrier separation rules, designed to promote competition and investment, and create more opportunities for new networks to service small business customers and potentially residential customers.

The Regional Broadband Scheme, which is part of the Telecommunications Reform Package, is designed to provide a clear and transparent framework for the funding of essential broadband services in regional and remote Australia. It imposes a levy on all metropolitan providers – to ensure that we have competitive neutrality.

Our Longer Term Regulatory Direction

The legislative package to be introduced shortly

implements the recommendations of the Vertigan Review which reported in 2014. This is an important work to repair some of the most immediate damage done by Labor to pro-competitive policy settings.

At the same time, we need to work on longer term priorities for our regulatory settings – particularly in considering the eventual privatisation of NBN.

I have been clear in my public comments since coming into this portfolio that it is far too premature to speak about the terms for that privatisation.

But what will be very important, as we work towards NBN privatisation at a future point, is that we have in place a regulatory framework which supports competition.

It will also be critical to establish appropriate arrangements for the provision of fixed and mobile voice and broadband services in regional and remote Australia.

Let me expand on this last point. I spoke earlier about the many legacy problems which Labor's NBN has left. A whole class of those problems concerns regional and remote telecommunications, where I work with my friend and colleague, Minister for Regional Services Mark Coulton.

What do we do about the future of the Universal Service Obligation (USO), which today involves the subsidised provision of voice services over the Telstra network in regional and remote Australia?

How is this to be aligned with the provision of subsidised broadband services in regional and remote Australia, given that these are delivered by a different company using different networks?

Is there any scope to better co-ordinate policies for fixed line voice and broadband services with our Mobile Black Spots Program which is successfully stimulating the rollout of mobile coverage to the nearly seventy per cent of Australia's land mass which does not presently have it?

At this early stage as Minister for Communications I am better equipped to ask these questions than to answer them. The Morrison Government has certainly not reached any decisions in these areas. But they are all areas that will need to be addressed in the lead up to any privatisation of NBN – in addition, of course, to the various steps laid out in the NBN legislation passed by the previous Government.

Conclusion

Let me conclude, then, where I started.

The rollout of the NBN has been a massive turnaround exercise – after we inherited a colossal mess.

We have made pretty good progress – but Labor's poor policy design has left some significant legacy issues that will take considerable work to address.

We have a clear short and medium term agenda when it

comes to the NBN – getting more people using it; continuing to upgrade it; and leveraging it for economic and social advantage.

But we also have a broader policy agenda – which goes beyond what NBN Co does. That includes encouraging competition, including from 5G networks – and making progress on some complicated issues in regional and remote communications.

As ever in the communications sector – there is plenty to do!

[1]

<https://www.accc.gov.au/system/files/Optus%20HFC%20investment.PDF>
(<https://www.accc.gov.au/system/files/Optus%20HFC%20investment.PDF>)

Advances were also being made at the time with DOCSIS standards to allow for higher speeds, this saw progressive upgrades being rolled out to Telstra's HFC network to deliver 100Mbps services.

[2] ACCC and ACMA,

(<https://www.accc.gov.au/publications/communications-infrastructure-and-service-availability-in-australia/communications-infrastructure-and-service-availability-in-australia-2008>) *Communications Infrastructure and Services Availability in Australia 2008*
(<https://www.accc.gov.au/publications/communications-infrastructure-and-service-availability-in-australia/communications-infrastructure-and-service-availability-in-australia-2008>), pp. 2-13.

[3] The ACCC's estimate used a radial distance of 3.4km

from the exchange. ADSL2+ speeds fall off markedly as copper lengths increase. Copper lengths of 3.5km or more are likely to see maximum ADSL download speeds in the order of 2-6Mbps.

[4] McKinsey and KPMG,

(<http://pandora.nla.gov.au/pan/119989/20100527-1128/data.dbcde.gov.au/nbn/NBN-Implementation-Study-complete-report.pdf>) *Implementation Study*

(<http://pandora.nla.gov.au/pan/119989/20100527-1128/data.dbcde.gov.au/nbn/NBN-Implementation-Study-complete-report.pdf>), 2010, p. 190 – noted that Telstra had installed up to 1.2 million pair gain systems, although a proportion of those had been remediated.

[5] As one example of the impact of this problem, in 2008 the South Australian Government called for private sector proposals to serve households in Adelaide which could not get a broadband service. The request for proposal documentation stated that 55,000 homes in Adelaide could not get DSL because of pair gain systems. P Fletcher, *Wired Brown Land: Telstra's Battle for Broadband*, UNSW Press, 2009, p 163.

[6] ACCC and ACMA,

(<https://www.accc.gov.au/publications/communications-infrastructure-and-service-availability-in-australia/communications-infrastructure-and-service-availability-in-australia-2008>) *Communications Infrastructure and Services Availability in Australia 2008*

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[7] Based on analysis of representative sample of 26 ADSL plans by major providers from between January 2009 and June 2010 sourced from internet archiving website Way Back Machine at <https://archive.org/web/> (<https://archive.org/web/>). The figure of 45GB was derived from calculating the median data offering.

[8] ACCC Communications Market Report - 2017-18 p4
(<https://www.accc.gov.au/system/files/ACCC%20Communications%20Mar>

[9] Australian Labor Party 44th National Conference 2007 - Ch6 p98
(<https://parlinfo.aph.gov.au/parlInfo/download/library/partypol/1024541/>

[10] April 2009 NBN announcement media release
(https://webarchive.nla.gov.au/awa/20110727014530/http://pandora.nla.gov/0008/www.minister.dbcde.gov.au/media/media_releases/2009/022/index

[11] May 2010 release of the NBN Implementation Study media release
(https://webarchive.nla.gov.au/awa/20110219050105/http://www.minister.and_2010_Implementation_Study
(<https://webarchive.nla.gov.au/awa/20110220174537/http://data.dbcde.gov/Implementation-Study-complete-report.pdf>), page 41.

[12] NBN Co 2011-13 Corporate Plan p15
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(<https://www.nbnco.com.au/content/dam/nbnco/media-releases/2010/nbnco-media-release-telstra-heads-of-agreement-20-jun-10.pdf>).

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Federal Member for Bradfield

Minister for Communications, Cyber Safety and the Arts

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Op-Ed: Telstra can blame its Labor deal

Earlier this week Telstra's chairman argued that NBN Co needs to cut its wholesale broadband prices so Australians can have lower retail broadband prices.

There is nothing wrong with NBN's customers, like Telstra, arguing for NBN to charge them lower prices.

But it is interesting to note that 10 years ago when Telstra was the near-monopoly provider of broadband services it charged retail prices that were markedly higher than consumers are paying today.

In those days Telstra earned EBITDA profit margins of over 80 per cent in its "copper local loop" – the fixed line access network serving Australian households.

Most Australians got their broadband via ADSL – a technology delivered over Telstra's copper lines in its local network.

Telstra used its market power to follow a very profitable strategy of delaying the roll-out of high speed broadband over its network.

With ADSL there was no guarantee of the speed you would get; the further your home was from the exchange, the lower your speed would be. Two thirds received less than 8 Megabits per second (Mbps). Yet for this "no guarantees" service you typically paid \$110 a month in today's dollars including monthly line rental.

Today the NBN is rapidly becoming the dominant fixed line access network. Two thirds of NBN's fixed line customers take 50 Mbps plans or higher; and the typical cost of a 50 Mbps plan is \$80 a month.

Ten years ago there were monthly download limits and customers on average downloaded 11 gigabytes a month; today there are no download limits on most NBN retail plans and the average fixed-line NBN customer downloads 255 gigabytes a month.

Australians are getting much faster broadband, downloading vastly more, and paying a lot less, than 10 years ago.

Of course the flip side of Australians paying less is that Telstra makes much less profit from broadband and other local loop services today.

This reflects a decision by Telstra during the Labor government years to enter into the "Definitive Agreements" with NBN Co - under which Telstra would gradually cease operating its local loop network and transition across to being a reseller of NBN services.

Telstra's chairman suggests that if other telcos were free to build out their networks in competition with NBN Co, that would deliver lower wholesale prices.

If he is referring to the fact that Telstra is restricted from doing this, it is important to recognise that this arises under the Definitive Agreements.

Telstra voluntarily contracted with NBN, in the years when Labor was in government, to accept this restriction – in exchange for a stream of payments that will continue for at least 35 years from commencement, and which this year will see Telstra receive around \$1 billion a year in nominal terms from NBN Co for lease payments.

In nominal terms NBN Co will also pay Telstra and Optus about \$10 billion for all customers connecting to the fixed line NBN from legacy networks.

If Telstra's chairman is referring to other telcos building networks to compete with NBN, there is nothing in the legislation that prevents this.

Nor is there any restriction on Telstra and other mobile operators using their 4G or their emerging 5G networks to compete against the NBN.

Our Liberal-National government is clear – we would not have designed the NBN in the way that Labor did.

So I would certainly agree with Telstra's chairman that a better strategy might well have seen much of the network upgrade funded by the private sector (although not, as he rightly concedes, in regional and remote Australia).

Australia could for example have followed a similar approach to New Zealand – where the equivalent company to Telstra was split into two separate entities, and the network-owning company (now Chorus) upgraded its access network to deliver high speed broadband services (100 Mbps and beyond) with the aid of government subsidies (concessional loans not grants).

Of course history shows that under earlier boards and managements, Telstra was fiercely opposed to such industry transformation.

And it is also a matter of historical record that when our Liberal-National government took office in 2013, Labor had locked in the model we inherited. It had spent \$6.5 billion on the NBN, entered contracts to spend many billions of dollars more – and had connected barely 50,000 premises to the fixed-line network.

We judged that the best course of action for the nation was to complete the rollout as quickly as possible – and by moving away from Labor's ill-judged plans to our multitechnology mix the NBN will be delivered for \$30 billion less, and four years earlier than under Labor's plans.

Today over 10 million premises can connect, over 6 million premises are connected, and by next year the rollout will be complete with 11.5 million premises able to connect.

That has happened with a lot of hard work from NBN Co – and from its key resellers such as Telstra.

It is undeniable that today's broadband business model is less profitable for Telstra than 10 years ago. It is also undeniable that Telstra's board and management freely entered into the deal that has led to today's outcome.

The most important public policy question is whether broadband consumers are better off – and the answer unambiguously is yes.

Paul Fletcher is the Federal Minister for Communications, Cyber Safety and the Arts.

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> **NBN Co reaches 11.5 million build milestone**

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Build milestone

NBN Co has already reached its 2019-20 end-of-year target of delivering National Broadband Network (NBN) connectivity for 11.5 million homes and businesses across Australia.

Minister for Communications, Cyber Safety and the Arts, the Hon Paul Fletcher MP, said the build of the NBN is now 99 per cent complete with the 30 June 2020 build milestone achieved one month ahead of schedule notwithstanding recent bushfires, floods and the COVID-19 pandemic.

"Since the beginning of the year, more than 1 million premises have been declared Ready to Connect and more than 600,000 homes and businesses have signed up for an NBN service.

"The resilience the NBN has shown in recent months, with more people working and studying at home, underlines the network's strength and adaptability. The NBN has cemented its place as the nation's digital backbone for productivity, connectivity and social cohesion.

"In 2013 our Liberal National Government inherited an NBN which was a failing project, with barely more than 50,000 fixed line premises connected.

"We committed to a turnaround – with the NBN to be rolled out four years more quickly and for \$30 billion less than under Labor's plan – and we have delivered. 11.5 million premises are now able to connect, the volume rollout is 99 per cent complete and almost 70 per cent of NBN customers are on 50Mbps or higher plans.

"Over this period NBN's financial performance has steadily improved, with 2019-20 revenue forecast at \$3.7 billion and the company planned to be cash flow positive by 2023-24.

"The company's priorities from here include continuing investment in, and focus on, driving the performance of the network and progressing the very final stages of the build so that every Australian has access to fast broadband.

"The \$6.1 billion in debt finance NBN Co has secured on external markets demonstrates the strong support for the company's business plan and outlook and the capacity to invest."

The 11.5 million figure in NBN Co's Corporate Plan is an estimate of the number of addressable premises in Australia, with new premises added every year due to new construction. NBN Co's 2020-23 Corporate Plan details the complex connections, such as culturally significant and heritage sites, that will be completed as soon as practicable. Bushfires and the COVID-19 pandemic have interrupted some planned connections.

"NBN Co is aiming to make 80 per cent of these complex connections ready to connect by the end of 2020. Of course, new homes are being built continuously - so it will be an ongoing task for NBN to expand its network to make new premises ready to connect," Minister Fletcher said.

Later this year NBN Co will provide formal advice to Minister Fletcher when it considers the volume rollout complete. The Minister will then request the company undertake a detailed technical assessment of its network. The outcome of the assessment will inform the Minister's decision to declare the network built and fully operational under the NBN Companies Act.

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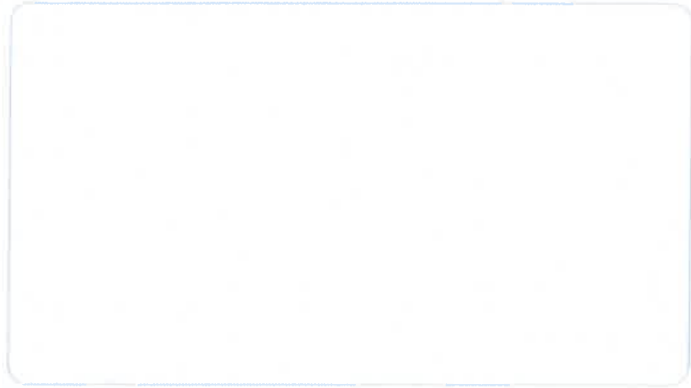


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Paul Fletcher @PaulFletcherMP · 12 Aug
 Latest @NBN_Australia results show NBN Co far exceeded its corporate plan activation targets and network build targets. The NBN was there for Australians in their hour of need they were able to continue working and learning remotely during #COVID19 nbn.tn/2DvtxQ5



3 replies 2 likes

Paul Fletcher @PaulFletcherMP · 12 Aug
 Had we not abandoned Labor's disastrous NBN plan - which would've taken 6-8yrs longer to complete - around 4.5 million Australian homes & businesses in the fixed line footprint would be unable to connect to NBN, depriving millions of Aussies the ability to work & learn from home

16 replies 4 retweets 2 likes

Replies

Ms Dines @ms_dines · 12 Aug
 Replying to @PaulFletcherMP
 Oh come on! If it wasn't for Labor - you lot would never have undertaken such a project. And have done your best to compromise it.

And what we have now is substandard and highly variable. Its a lottery whether you end up with decent speeds.

7 likes

Ron Jones @RBJRON · 12 Aug
 Replying to @PaulFletcherMP
 At least it would be a service that works AND talking about waiting and disasters? Where are those 75 fighter jets HOWARD ordered in 2001? 20 years on and still waiting. AND WHERE'S MY NBN SERVICE?

5 likes

Ancient IT Geek @warwickpauld · 12 Aug
 Replying to @PaulFletcherMP
 If it wasn't for Labor we would be facing the pandemic using ADSL and dial up. Try Zoom at 3 mbs! You crippled the network we need for the 21st century to keep Rupert happy. #auspol now you want credit for a late, expensive, half solution!

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