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Proof Committee Hansard

SENATE

ENVIRONMENT AND COMMUNICATIONS LEGISLATION
COMMITTEE

Estimates

(Public)

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ENVIRONMENT AND COMMUNICATIONS LEGISLATION COMMITTEE

Tuesday, 18 June 2024

Members in attendance: Senators Cadell, Davey, Grogan, Hanson-Young, Henderson, Payman and Sharma

INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT, COMMUNICATIONS AND THE ARTS PORTFOLIO

In Attendance

Senator Carol Brown, Assistant Minister for Infrastructure and Transport [by video link]

Australian Postal Corporation

Mr Paul Graham, Group Chief Executive Officer and Managing Director

Mr Nick Macdonald, General Manager, Corporate Secretary and Board

NBN Co. Limited

Mr Philip Knox, Interim Chief Executive Officer

Mr Gavin Williams, Chief Development Officer, Regional and Remote

Ms Anna Perrin, Chief Customer Officer

Mr Dion Ljubanovic, Chief Network Officer

Committee met at 11:56

CHAIR (Senator Grogan): I declare open this spillover hearing of the Environment and Communications Legislation Committee into the 2024-25 budget estimates. I begin by acknowledging the traditional owners of the land on which we meet and pay our respects to elders past, present and emerging. The committee's proceedings today will begin with the Australia Post Corporation, and the committee has fixed Tuesday 6 August 2024 as the date for the return of answers to questions taken on notice.

Under standing order 26, the committee must take all evidence in public session and this includes answers to questions on notice. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence.

The Senate has endorsed the following test of relevance of questions at estimates hearings: any question going to the operations or financial positions of the departments and agencies which are seeking funds in estimates are relevant questions for the purpose of estimates hearings. I remind officers that the Senate has resolved there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and should be given reasonable opportunity to refer questions of an officer to superior officers or to a minister. This resolution does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

Witnesses are reminded of the Senate's order specifying the process by which a claim of public interest immunity should be raised, and I incorporate the public immunity statement into the *Hansard*.

The extract read as follows—

Public interest immunity claims

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(13 May 2009 J.1941)

(Extract, Senate Standing Orders)

CHAIR: I remind all senators that as we continue our work of implementing the *Set the Standard* report, as chair, I will ensure that proceedings are conducted in an orderly, respectful and courteous way.

Australian Postal Corporation

[11:58]

I now welcome the Hon. Carol Brown, Assistant Minister for Infrastructure and Transport representing the Minister for Communications. Minister, would you care to make an opening statement?

Senator Carol Brown: No, thank you, Chair.

CHAIR: Welcome, Mr Graham, group chief executive of the Australia Postal Corporation. Do you have an opening statement that you'd like to provide?

Mr Graham: Yes, Chair, I do.

CHAIR: Lovely. Please go ahead.

Mr Graham: I'd like to start by acknowledging the traditional custodians of the Canberra region, the Ngunnawal and Ngambri people, and pay my respects to their elders past and present. I thank the committee for the opportunity to provide this opening statement. As you know, we have been to this committee many times over the past three years with news of the deteriorating financial outlook. When I joined Australia Post in September 2021, it was clear there were deep structural problems with the business including the unstoppable decline over the past decade in our letters business as well the transition from our over-the-counter transactions to digital services. Thanks to the dedication and commitment of the Australia Post team, our focus on improving the business and historic phase 1 reforms we are starting to see some early green shoots of recovery. I am pleased to report our Post26 Strategy is delivering. The business has worked hard to focus on the right things, stripping out unnecessary costs and complexity, driving efficiencies, tightly managing our expenses and simplifying our operations. We are having a major impact on the things we have control over.

We continue to focus on what matters most for our customers: flexible and more-reliable parcel deliveries, new and innovative services, greater online accessibility through our market leading app, and better customer service. Additionally, we are driving positive changes in our post office retail network, in conjunction with our valued licensees as we work to ensure that there is adequate compensation for their services, particularly Bank@Post. This is a step in the right direction and a good outcome for our customers, our team members and the broader community.

But of course the job is not done. We have a lot more work to do to streamline our business, and further reform is essential to ensure that Australia Post has a sustainable financial future. The first phase of our modernisation, including the changes to our letter business, is progressing well following new regulations that took effect in April

this year. These frequency changes, which are being progressively rolled out across the country, will ensure that Australians will continue to receive their mail in a timely manner and will also allow more of our posties to support the ever-growing e-commerce sector.

We still deliver priority and express letters every day, and important mail like postal votes will continue to be returned inside the required deadlines. But with households now receiving fewer than two letters per week, and an individual sending around three letters per year, it was simply not viable to continue with the status quo. Even with the recently approved 30c increase in stamp prices, Australia Post will lose money on every letter sent. But we are committed to continuing to serve our community.

This commitment to Australia is unwavering, and there is no better example of that than our Bank@Post services. Australia's banks have closed thousands of branches across the country over the past few years, including branches in hundreds of regional towns. Australia Post has stepped in to fill the void that this has left behind. Australia Post is managing close to \$10 billion of cash annually. As banks accelerate their closures they are saving billions of dollars. The inquiry into bank closures in regional Australia released its first final report last month and highlighted that banks have shifted costs on to Australia Post, effectively subsidising bank profits.

In addition to this, we're also facing increasing technology and compliance costs and customer demand for additional services, particularly for small-business customers. We're now processing over a million business transactions annually on behalf of the banks, which was never envisaged or intended when Bank@Post first commenced. In some cases we're unable to meet customer demands. As result, Bank@Post is on a mid-term trajectory of significant losses unless our bank partners provide additional funding. As part of this we also need to consider ensuring that the physical outlet is equipped to handle the extra customers and the increased safety and security measures for customers and our team members. We are talking to our banking partners now, and I am confident that they recognise their obligation to recommit their support of Australia Post so that together we can continue to serve their customers, particularly in rural and regional areas.

We're also involved in discussions with the banks and Armaguard to ensure that cash remains available to the community. As the Treasurer has noted, cash plays a very important role in the economy and must be available to those Australians who want it. A sustainable solution needs to be found for cash delivery nationally, but Australia Post is not the answer. We simply do not have the infrastructure and resources required to deliver significant amounts of legal tender around the country. But we'll do what we can to support a sustainable cash delivery solution as part of our commitment to put our customers and community first.

We're also committed to ensuring the safety of our frontline posties, who in recent years have been subject to an increasing number of dog attacks, often from dogs that at first glance appear non-threatening. Yesterday we launched a new safety campaign calling on dog owners to properly secure their dogs. This is an industry-wide issue, and over the past six months alone more than 11 posties every day are falling victim to safety incidents involving a dog. While half of all incidents occur on a customer's property, more than a quarter of incidents involve dogs roaming the streets. We are focused on highlighting these important safety issues and working hard to ensure that our team members stay safe while performing their vital role of delivering for our customers and community.

Earlier last month we awarded \$250,000 in grants across 152 organisations. Our People of Post Grants program supports projects that align with our four community focus areas: mental health, disaster support and resilience, Indigenous children's literature and learning, and environment and sustainability. We've also just opened up nominations for our Community Grants program, which provides funding of up to \$10,000 to support projects that directly improve mental health and wellbeing in the wider community. And we've just distributed five million cards for Beyond Blue Connections—they are on your desks—with our Beyond Blue mental health campaign. This campaign is designed to highlight the really critical relationship between people staying connected and mental health, and it's the largest mental health campaign in the country.

In closing, on behalf of the board and management I'd like to record my thanks to our Australia Post team, the government, our licensee and union partners, and this parliament for allowing us to make the changes needed as we work together to deliver a better tomorrow and create a sustainable Australia Post. Thank you. I'm happy to take your questions.

CHAIR: We'll go to Senator Hanson-Young.

Senator HANSON-YOUNG: I've got some questions in relation to the closure of the post office in Campbelltown in South Australia. It's been slated to close at the end of August this year, and it's been raised with me by a number of constituents and members of the local council, including the mayor. There is a lot of concern that this is going to be closed when it services, in particular, residential homes for seniors and elderly people who

need to be able to walk to the post office. I'd like to know what analysis was done in relation to Campbelltown post office before the decision to close it happened.

Mr Graham: I don't have the specifics of Campbelltown, but what we do is provide a detailed assessment around any closure that we make, taking into account services that are within close location to that post office and the range of services that are available, because not all services are the same. If it's a corporate post office that decision is directly with us. If it's a licensee there may be other circumstances in relation to lease expiry, retirement or illness. I'm happy to take on notice that specific question and give you the analysis that we conducted and information about what we're doing to ensure that community still has accessibility to services they require.

Senator HANSON-YOUNG: To that point, I want to clarify that there are nine aged-care facilities within easy walking distance of this post office, so that's quite significant. I understand it was difficult to work out what the longer-term plans were in relation to the monthly tenancy of this building. But, as we know, it seems to be our older Australians who really need to have easy access to our post offices. Just to put on the record, the next closest post offices when Campbelltown closes will be Derrimut, which is four kilometres away; Glynde, which is 1.8 kilometres by road; and Traralgon, which is 3.1 kilometres but without a bus service. Hence, for those aged-care residents in particular this is going to be very difficult.

You're taking this on notice, so I will also ask if there are any other post offices slated for closure in South Australia over the next 12 to 24 months. That would be good to know, and I'd like to know what population studies of the current and future demographics were undertaken in relation to this Campbelltown post office. While it services aged-care facilities there is a growth in businesses and families in that area. I'd like to know if there were any strategic or any other conversations and consultations with the local community. It seems as though the local council is pretty annoyed about this. Also, was there any consideration given to, particularly, the disadvantage that this would mean for those residents of the nine aged-care facilities?

Mr Graham: We will take that on notice. As you say, having nine aged-care facilities is quite a unique situation, so I will make sure that has been taken into account, as well as looking at particular services. It may be that Bank@Post is a service they may use. We'll provide that information. No decision on closing a post office is taken lightly and some of these are outside of our control. But we'll provide a full briefing in relation to Campbelltown and in relation to South Australia overall.

Senator HANSON-YOUNG: Thank you. I'd appreciate that. And if there have been any other complaints raised with you about this closure, I'd like to understand the data on that as well.

Mr Graham: Certainly. We catalogue that and will provide that.

CHAIR: Senator Cadell?

Senator CADELL: On firearms, I note there's been a change in the prohibited and restricted items list in the packaging guide in May 2024. What states and territories were permitted to use Australia Post to move items before that change?

Mr Graham: I'm not aware of the specific detail. I know we have been in this chamber before talking about firearms. We have updated, as we do from time to time, our processes and procedures to reflect the latest legislation. Our general rule of thumb in providing a firearms service is that the responsibility is placed on the sender to ensure compliance and that they need to be in compliance with local, state and territory laws. We are not aware of any change that may have been made that has stopped that carriage of those particular items, but we're happy to take that on notice.

Senator CADELL: So you don't think that policy change will affect anyone differently in the way they interact?

Mr Graham: Not that we are aware of, no. But again, given that we have updated it, we haven't received any inquiry from anybody saying that the changes we've made, which are administrative in nature, will change the service they require. But again, I'm happy to take that on notice.

Senator CADELL: I might put some other questions on notice with some examples.

Mr Graham: Please. If we have more specifics on a particular issue then we're able to respond precisely to that.

Senator CADELL: I will quickly pivot to another topic, Australia Post mobile and broadband service. Some emails went out saying that ceases to exist on 1 July 2024. What is the reason behind the shutdown?

Mr Graham: Thank you for the question. We embarked on launching that service a couple of years ago. We provide a range of services. You go to a postal outlet and you'll be able to buy a mobile phone and sign up for a

mobile phone plan. We extended that into broadband. Quite simply, we haven't been able to get traction with our customers. We have been in a loss-making situation. We are not the first company that comes to mind when we think of broadband. It's a very competitive field out there. Despite offering first-off discounts et cetera et cetera, we just simply haven't got traction. Therefore, rather than keep banging our head against a brick wall and trying to sell something that the consumer doesn't want to buy, we have decided to close that service, honouring existing contracts that are in place. Again, this is part of our simplification process. If something is not working and we can't make a dollar out of it, and we don't feel that the community actually wants the service, we will review that.

Senator CADELL: If they wanted it they would be buying it, wouldn't they.

Mr Graham: When you think of broadband you've got Aussie broadband, NBN, Optus, Telstra, TPG. The list is quite endless. We are unfortunately down the bottom of the list, and that's reflected in the lack of sales.

Senator CADELL: Between mobile and broadband, how many customers will this affect overall?

Mr Graham: I will take it on notice. It's a very small number, which is why we're closing the service, but we're happy to take it on notice.

Senator DAVEY: You spoke about your reduction in letter deliveries to every second day. I'm really interested in whether you've had any feedback from your regional post offices as to whether there has been any more significant impact on regional businesses than you might have heard from your urban franchises.

Mr Graham: Thank you for the question. We have not had any specific feedback or an increase in feedback. I think as I said before, the alternative delivery model certainly is focused on metropolitan areas. The standards and the service levels in regional towns do vary depending on the volume or the difficulty in getting there. They have not materially changed, therefore we've not seen any increase in feedback either positive or negative.

Senator DAVEY: I want to follow-up on a topic that we've discussed before. Your Orange community hub provides a much more expanded service, showcases other local businesses and in my understanding even has fitting rooms for people if they want to try on what they have bought online so they can return it straightaway if it's not what they thought they were buying. My understanding is there were different dedicated lines for banking, parcel and traditional post. Are you tracking the data for the different service lines?

Mr Graham: Yes, we are. Indeed, I am happy to announce that we will be opening our second community hub in Burnie in Tasmania on Thursday. Again, that is an expansion along the same bigger footprint. As I said, these hubs are targeted at regional towns. We are tracking the data. As I think I said originally, Orange was not the perfect place because it is a full-service regional town—it's got the banks and the general merchandising stores—but we just happened to have an opportunity to take back the old post office. So we're not seeing the same level of volume in banking transactions that we expect to see in places like Burnie, where some of the banks have left. But we are seeing good traction and very positive customer feedback around the in-store experience. You've got a parcel, you can go straight to the parcel counter. We have physically changed the layout so that the flow of parcels into the facility and back out of the facility is much more efficient. We are seeing positive customer feedback. But again, it is not the ideal town. Burnie will be a better example of a town where other service industries have pulled out, and therefore how did they make use of the larger footprint which has those dedicated lines for those respective services.

Senator DAVEY: I've had concerns raised that this may be a model for consolidation. Maybe it's because Orange was used as the trial site, I'm not sure, but some of the smaller outlying towns like Molong or Eugowra might lose their post office to consolidate into this bigger community hub offering. Can you reassure people that that is not the case, particularly given you have a service obligation in regional areas?

Mr Graham: Yes. That was not the strategy behind the community hub. It was to look at those larger regional towns where we saw the removal of banking services or general merchandising stores like Big W and Kmart. It was to create that consolidation so it's a one-stop shop. That strategy did not encounter or have any view on reducing surrounding post offices. As you say, Senator, we have a very specific regulatory commitment to 2½ thousand post offices in regional and rural. Our goal is to ensure they are sustainable, because many of them, particularly those that provide Bank@Post, are providing an essential service.

Senator DAVEY: I'm glad you mentioned Bank@Post. I listened with interest to your opening statement. I am concerned that Bank@Post is facing losses, given the vital service it provides in many regional areas. I think it's over 300 regional communities where Bank@Post is the only banking service offered. In the recent Senate report one of the recommendations was to see Bank@Post offer increased services, particularly to small businesses, such as increased deposit taking and cash balance. Are you having those conversations with banks? Are your contracts with banks up for renegotiation to ensure that you don't keep facing losses and you can keep increasing your services as banks keep withdrawing their services?

Mr Graham: It is part of the ongoing discussion we have with the banks. Our contracts are not up for renewal, but we genuinely feel that there's been such significant change in this space over the last couple of years, with accelerated closures and cash availability. As you rightly say, we have seen significant requests from small business, simple things like a cash float for the hairdresser or the local coffee shop, that has not been thought through when the original Bank@Post agreement was put in place. Or the local Lions Club comes in on Monday morning with 750 coins to deposit, and we have no coin-counting machines because we're not set up as a bank. That is part of the discussion. We feel that that is a service that we are willing to consider and provide. However, it's on the basis that we are adequately funded for those services. It's not just the actual funding for the services; we've got to make a comparison between those towns. As you say, there are 350 towns where we are the only banking service in town. There are many other towns where we are the second or second last remaining service. There may be a town where there were three or four banks in place, plus Australia Post, so the cash coming into that geography was split five ways, but now we're the only banking service in town. We bear the brunt of all of that.

Also, bank branches were equipped from a security and safety perspective. There were trained bank tellers behind those counters who understood the risk around compliance et cetera. Now people have been taken from that environment into an environment where there is a small licensed post office which is a small mum-and-pop business who are not trained bank tellers and may not have the adequate security or necessary safety similar to that of a bank. And we are seeing, when we are the last bank in town, a 235 per cent increase in transaction volume, because everybody in that town now goes to the post office. I've been in many of them, and they're not equipped physically to handle that many people, because people are also in there looking for their parcels, buying a stamp and other things. At the same time, we get feedback, particularly from small businesses who want to do other things—not just have multiple accounts but change a PIN code or put a signatory on the account—that are not available through our current services. Therefore, they have to go the 40 or 50 kilometres to the next branch where they can do that activity.

The last point I'll make is that these services are critical to these towns, and it must be recognised that they need to be funded adequately to ensure not just the short-term but the mid- and long-term sustainability of these services, because we see that cash is still important, particularly for those that are in different demographics or people who are not digital natives, and we need to provide that service to them. So we are committed to continuing to provide the service, provided the banks step up to the plate. As I've said, they've closed thousands of branches over recent years and transferred the cost of that to Australia Post and its licensees, and we're just looking for a fair outcome.

CHAIR: Last question, Senator Davey.

Senator DAVEY: Last question, absolutely. Regarding what you've just described, another recommendation of the Senate inquiry was to investigate establishing a federal banking service. A lot of people have recommended that it be delivered through Australia Post, but you've just said that would require specific training, specific infrastructure, because you need to meet the security requirements and obligations, and it would certainly require specific funding to ensure that Australia Post can deliver it. But how would that then also roll on to franchisees?

Mr Graham: Yes, it's a good question. Our goal is to ensure that we create a safe environment for both our own team members and those licensees that work for us. The corporate post offices are in somewhat better shape, because a lot of them are in metropolitan areas. They are large buildings which were also designed as mail centres, so they have a degree of security. We are currently conducting an ongoing review of the security of the licensees. They have what I would regard as basic security, but we have concerns that, when they become the last bank in town, that may not be adequate enough, so we're doing that review. We would say to the banks: firstly, standardise the range of services, because we don't have a standard range and it's frustrating for both the customer and our people behind the counter; secondly, look at additional services that we can provide for small businesses or what we'd call administrative services, like changing a PIN code or changing a signature on an account; and, thirdly, a part that plays to your question is what we'd call an infrastructure fund that would allow us to work with the licensee to put in the minimum required safety, whether it be CCTV, a double-lock safe or screens around the post office. The challenge we have with that is that everyone is unique, so it's hard to set a standard format. But safety is the most important thing, and therefore we would work with the banks to ensure that we had that infrastructure fund that would allow us to provide funding to these licensees to create not only a safe environment but also, hopefully, a better customer experience in terms of queuing.

One of the other complaints we get is that there is no private place to discuss your banking. You're standing behind someone, maybe your neighbour, and they're hearing all your personal banking details, and, if the mortgage or mobile broker comes into town, there's nowhere for them to actually sit and conduct a private

conversation. So it's a big, complex situation across our whole landscape—one that we have stepped into. Provided we get the right support from the banks, we believe we can find a pathway to a sustainable outcome that will ensure those services are delivered to that community on an ongoing basis. Most important are the safety and security of the team members and licensees who work in those branches, and a better overall customer experience providing services, particularly those small businesses that we feel were never really accounted for.

The banks say that 98 per cent of all transactions are now online. That may be statistically true, but the vast majority of those are not done in a bank; it's tapping for a coffee or your groceries. We're talking about transactions that are still done in a bank because people either need that service, need that personal contact, or they do not have the capability, from a digital perspective. We step up to the plate and fill that void. But we should not do that at our expense; it should be the investment of the banks to ensure they can sustain that community obligation.

Senator DAVEY: Thank you very much.

CHAIR: Mr Graham, obviously this is something we have discussed a number of times in estimates and in other environments, and obviously the Senate is deeply concerned about this and the inquiry. Where are you at with the banks? There's a fairly consistent view, from our perspective, that the banks should step up and pay for the service. Where are you at with your negotiations with the banks—to the degree that you can say that?

Mr Graham: We're in ongoing discussions with the three major banks. As you know, Chair, one major bank, ANZ, is not a Bank@Post customer. We are meeting with them next week as part of an ongoing dialogue to try and get them into the Bank@Post situation. We are making good progress, but the clock is ticking. I would be hopeful that we'd be able to reach a conclusion, hopefully positively, within the coming 60 to 90 days. We feel that's important because, as I say, the clock is ticking and we want to ensure that we've got a framework that is sustainable for the long term.

When the original Bank@Post agreement was done, it was done at a certain period in time. The world has changed significantly since then. I think the banks and our communities have recognised that a lot of services were not fully considered when that occurred. As the banks have pulled out, they've left that gap. We've stepped in to fill that gap and we are willing to step in to expand the range of services—but, again, on a sound commercial basis. The clock is ticking. It's an urgent priority for me and my leadership team. We are prioritising trying to get a deal done.

CHAIR: Good luck. Senator Henderson.

Senator HENDERSON: Good morning, Mr Graham. Look, I just wanted to ask [inaudible] modernisation processes [inaudible]. How many LPOs or post offices do you need to close to reach 4,000?

Mr Graham: We currently have 4,226, from memory. We can get the specific number for you. We continue to evaluate our network. We have closures. We also have openings, particularly in relation to new growth corridors. Western Sydney, western Melbourne are areas of particular growth where we've put in new postal services. It is an organic, live network. We don't have any specific plans to get to the 4,000 number. We will continue to ebb and flow based on a whole range of circumstances, from lease expiry to people handing back their licence due to retirement or illness through to other areas where we've decided that there is a significant overlap and that the removal or closure of that post office, for whatever reason, would not significantly impact that community.

Senator HENDERSON: Have you identified any post offices that you intend to close? I imagine that you would have, and you've done some work on prospective closures.

Mr Graham: Yes. I've got the exact number in front of me—4,241 post offices as of 30 March. We can update that at the end of the quarter. We do a quarterly review on our post office network, so every quarter we're looking ahead. As you know, we have a commitment to notify community in advance of any closure so that's why we roll on a quarterly basis. As I say, we review that list on a whole range of different circumstances, leases coming up for expiry that we know we cannot renew, where we've been given notice from licensees that they intend to retire and close the doors. In many cases, unfortunately, we're not given notice, and we're just told in a very short timeframe, 'We are basically walking away,' for, again, lots of different reasons. But we do have an ongoing list that we manage on a quarterly basis. That's also a list that has openings, which we believe are related primarily to demographic growth.

Senator HENDERSON: I would ask, on notice, if you could table to the committee that list and any other relevant information in relation to post offices that you are targeting for closure or post offices that you are proposing to open. Could you provide the committee with all relevant information. But I'll go back to my

question, and I just ask that you specifically address my question. Do you have a list of post offices that you are planning to close? How many are you planning to close?

Mr Graham: As I said, we have an ongoing process. In the last quarter, we had 40 post offices that were impacted. I think we had 13 openings and 31 closures. I haven't got the exact number. I'll get that number for you.

Senator HENDERSON: We haven't got a lot of time. What I'm trying to understand is: do you have a list of post offices that you are targeting for closure?

Mr Graham: We have an ongoing list that's done on a quarterly basis. As I think I've said before in this chamber, there is commercial sensitivity in relation to that list because a lot of that is not public information. These are—

Senator HENDERSON: I'm sorry to cut in—I know it's hard when I'm connecting with you remotely—but that's not a reason not to answer the question. Under the rules of the Senate, you are required to answer the question. Could I ask you to advise: How many post offices are you targeting for closure? How many of those post offices are in rural and regional Australia? Could you please provide a list to the committee, either now or on notice.

Mr Graham: I'm happy to provide that on notice, with the commercial-in-confidence caveat that these are not publicly known. We have to work through that. It could have repercussions in terms of our negotiations with landlords and other people. But we're happy to provide a list in confidence so that you've got that available.

Senator HENDERSON: It will be a matter for the committee how we accept that evidence. I understand and accept your concerns about commercial in confidence, but that will be a matter for the committee. I'll obviously defer—

CHAIR: I'll intervene here for a moment. Mr Graham, can I ask that you just take the question on notice and come back to us, because you cannot provide confidential information in an estimates hearing. You can in other types of hearings. Maybe you can take that on notice, assess the situation and provide us with what you can. We can discuss other claims through the committee.

Mr Graham: Thank you.

Senator HENDERSON: Can you give me the number of post offices that you are targeting for closure over the next 12 months?

Mr Graham: No, I cannot, because we do not plan that far ahead. We plan on a quarterly basis. That's what we can manage in relation to both closures and openings. We don't plan that far out. It is difficult to manage the size and scale of our network. But, as I said, depending on what information we can provide, we can give some visibility in relation to the forward quarter, which is where we then work with the community and the relative stakeholders, be it the licensee or our own corporate post office team members, whom we make sure we redeploy into other roles. But we don't plan 12 months in advance.

Senator HENDERSON: Of the 4,241 post offices, how many of those are located in rural and regional Australia?

Mr Graham: There are just over 2,572, from memory, in regional Australia—I'll get the exact number—and the balance are in metropolitan areas.

Senator HENDERSON: You are required to locate no fewer than 2,500 retail outlets in zones classified as rural or remote, under the performance standards.

Mr Graham: That's correct. The exact number we had at the end of April was 2,564 in that rural and remote classification.

Senator HENDERSON: Have you received any representations from members or senators lobbying in relation to postal office closures?

Mr Graham: From time to time, when a post office is closed or planned for closure, we receive correspondence, via both email and written correspondence, requesting information as to the rationale behind that, and we obviously work with the relevant member of parliament to provide that. We also receive correspondence and requests for opening new postal services, particularly in growth corridors, which we also obviously action: we either explain why, at that point in time, we don't feel that's necessary or, indeed, agree that it is something we are looking at or confirm that we will put something on the ground.

Senator HENDERSON: Mr Graham, on notice, could you please table the correspondence from members and senators in relation to postal office closures or openings and any responses from Australia Post. Are you able

to identify any post offices that were slated for closure but where, as a result of representations by MPs or senators, that decision was reversed?

Mr Graham: I can confirm that, to my knowledge, there are no instances where we had planned a closure and that decision was changed as a result of any lobbying or other direct contact from a member of parliament.

Senator HENDERSON: Are you able to give us a list of all the post offices which have been closed over the last 12 months?

Mr Graham: We can, because they are in the public domain. We would be happy to provide that.

CHAIR: I'll get you to wind up, Senator Henderson. We need to rotate.

Senator HENDERSON: Sure. This is my final question. Could you also provide the number of offices, including, obviously, their locations, that have been opened in the last 12 months.

Mr Graham: I'm happy to provide that.

Senator HENDERSON: Thank you very much.

CHAIR: I might just ask one quick follow-up question. There's been a commitment to not close rural post offices—is that correct? Can you confirm that?

Mr Graham: Well, there is a commitment to maintain the current regulatory frameworks, which is a minimum of 2,500.

CHAIR: Great. Obviously, there are some circumstances that you can't control—I know we've talked about this in this committee before—where, potentially, you've got a retiring franchisee or something. Could you maybe just flesh that out for us a little bit?

Mr Graham: Yes. A large proportion of our post offices in regional and remote Australia are licensees. We have an ageing demographic of licence holders. They are reaching the age of retirement or have other difficulties—illness and what have you—so they then surrender their licence. We do find it increasingly difficult to attract people to take on that licence because of the reduction in footfall traffic and the move to digitisation. But we work very closely with the community to try and ensure that the services that they require are still available. That may be through an in-conjunction service with another outlet—maybe that's an IGA or a pharmacy—or it may be a more curated range of services that suit that community's needs. This is a difficult situation. I've previously brought to the attention of this committee the challenging circumstances which a lot of our licensees find themselves in, primarily through no fault of their own or of Australia Post but simply because of the changing dynamics of consumer behaviour.

CHAIR: Thank you very much, Mr Graham. Senator Payman?

Senator PAYMAN: Good afternoon, Mr Graham. I know that previously Australia Post advised us of initiatives to help develop postal services in the Pacific. I was wondering if you could provide an update on the status of those developments and partnerships and give some examples of where this is assisting our Pacific neighbours to develop their postal services.

Mr Graham: Thanks for the question. Yes, we have been working with the government, including the Department of Foreign Affairs and Trade, to provide equipment—both electric delivery vehicles and other operational equipment—as well as uniforms, computers and other services that will help uplift the service quality for Pacific neighbours. Also, recently, in Brisbane, we hosted a gathering of all the Pacific postal operators to come and understand what we do on the ground here in Australia. They visited one of our most automated sites at Redbank. They sat in our customer call centre. They were given an overview of some of our technology and the way that we are looking at developing our strategy. So it was a very informative gathering of people from across the Pacific, to understand more about what Australia Post does today and also how we can continue to assist them. As a result of that meeting, we have a number of new initiatives that we will be actioning in relation to additional training, particularly around health and safety for those nations, and also simple things that we can do that are standard and matter of fact for us but will be a significant enhancement in the service quality for a lot of those Pacific island nations.

Senator PAYMAN: Something that we share is our net zero pathway and how important that is. I understand that Australia Post has a commitment to the target of net zero by 2050. What are some of the initiatives that you're investing in across the retail network and vehicle fleet to support meeting those targets?

Mr Graham: It is a significant commitment from Australia Post. We've got four key areas within our retail networks. We ensure that we have sustainable packaging for all of our products. That is a key focus area for us.

We have our fleet of aeroplanes, which we run in partnership with Qantas. Obviously, that is one of the largest carbon footprints that we have, so we have been a co-investor with Qantas and other companies in alternative aviation fuel, which is now in trial. That is a 45 per cent reduction in the carbon footprint. It needs to have scale, but unless we try and test these things we won't know, so that's an investment we have made. We do have the largest electric delivery fleet in the country, and we've just ordered another 500 vehicles to supplement that fleet.

As we build new facilities and look at upgrading existing facilities, we are focused on looking at alternative energy sources, particularly solar. We've just started moving into our new support office in Melbourne. That is a six-star green-rated building built with sustainable materials. Indeed, we've recycled about 60 per cent of the materials that we had in our old office in Burke Street into that facility. It's a core focus for us as a business and one that we are very conscious of, given the fact that we are delivering 2½ billion articles every year.

Senator PAYMAN: Thank you, Mr Graham.

CHAIR: Senator Henderson, we'll give you back the call, but we only have five minutes. The committee has made the decision to stick to time because we've got the NBN and people have various other commitments this afternoon. Please go ahead.

Senator HENDERSON: No worries. I'll be as quick as I possibly can. Mr Graham, I want to ask about the 2.5-kilometre rule. The performance standards say Australia Post must locate a retail outlet in a metro area, such that at least 90 per cent of residences are within 2.5 kilometres of a retail outlet. We have had concerns raised with us from Melbourne about whether Australia Post is complying with this rule. How do you report on that rule? How is it measured and are you, in every instance, complying with that requirement?

Mr Graham: Yes, we are very clearly aware of that rule. We do believe we are compliant. There is a technical measurement. I'll pass to my colleague Mr Macdonald to respond.

Senator HENDERSON: Just before you do, could you please provide us with a list of every post office in terms of how they are meeting that rule? The other rule that I'm concerned about is the location of retail outlets in non-metro areas such that at least 85 per cent of residences are within 7.5 kilometres of a retail outlet. In relation to each of the 4,241 post offices, can you please provide us with a measurement which shows that you are meeting that requirement? If not, what distance are you out by, in terms of either 2.5 kilometres or 7.5 kilometres?

Mr Graham: We can provide that. There are two key factors. One is the distance and the other is the population percentage, but Mr Macdonald has the expertise on this, so I'll pass to him.

Mr Macdonald: Before responding on the detail, I might mention that there has been a change in the standards which applies to the geographical classification of retail outlets, along similar lines to metropolitan and rural, regional and remote, but the definitions that are used are a more contemporary standard, according to the relevant ABS data. We measure against the performance standards, including these two proximity standards, on an ongoing basis and we are audited on an annual basis. In respect of these proximity requirements, we monitor performance against—

Senator HENDERSON: Mr Macdonald, because I've got such limited time can you please advise the committee how many of the 4,241 post offices are complying with the proximity standards?

Mr Macdonald: That is not a piece of data that I have to hand, but what I can confirm is that we are meeting the current proximity standards in both respects. What I can say is that the first one has a standard of 90 per cent and 92.2 per cent is the result as at the end of April; for the second standard the requirement is 85 per cent, and we were at 89.5 per cent at the end of the month. The way in which we assess our performance against those standards is with a geospatial team that does mapping of outlets against data and produces that result. I can talk more to that process, but, as I said, we do that on a monthly basis, and they're the results that we're tracking at to date.

Senator HENDERSON: Okay—

Mr Graham: Sorry, Senator. I'm happy to provide you with the list of all the post offices and the methodology that is used to calculate the outcomes.

Senator HENDERSON: Thanks, Mr Graham. I'll move very briefly to another issue. On 27 May, the POST+ system crashed and brought down the entire network, and many LPOs, I understand, had issues for up to a week, in terms of running their businesses, as a result. Have you calculated the cost of that systems crash? Also, there was a black tie event held at Bond in Melbourne to celebrate the launch of POST+. Can you provide the committee with details about the cost of that launch event, as I understand it was. Could you provide details about how many people attended and how much was spent on food and alcohol and other associated costs.

Mr Graham: I'm not aware of any event, to be honest, but I'm happy to investigate it. Any event that would have that type of characteristic would have to come across my desk, and I don't recall it, but I'm happy to investigate it.

In terms of the outage: yes, we did have an outage. We have calculated, and worked with the licensees, as to what impairment, from a cost perspective, they may have incurred, and we will be compensating them. We have indeed begun the process of compensating them for what they've calculated as their lost efficiency or lost time.

Senator HENDERSON: What's the quantum of that compensation?

CHAIR: Last question, Senator Henderson.

Mr Graham: It's about \$395,000.

Senator HENDERSON: In total?

Mr Graham: Yes.

Senator HENDERSON: Okay. Thank you very much. Thank you, Chair.

CHAIR: Mr Graham, Mr Macdonald, it's always lovely to see you. Thank you so much for coming along and answering our questions.

Mr Graham: Thank you, senators. Enjoy the rest of the day.

NBN Co Limited

[12:47]

CHAIR: I now call officers from NBN Co to come to the table. I'd particularly like to welcome Mr Philip Knox as the interim CEO of NBN Co. Welcome to our friendly little experience. Do you have an opening statement that you would like to make?

Mr Knox: Yes, Chair, I do.

CHAIR: Please—

Mr Knox: I understand time is precious, so I'll try and endeavour to be quick.

CHAIR: Thank you.

Mr Knox: Good afternoon, senators. It's good to be in Canberra today. On 4 May, Stephen Rue resigned from his position as CEO of NBN after almost a decade with the company. For his first four years with the company, Mr Rue was the Chief Financial Officer. Soon after he was appointed to the position of CEO, I was appointed into the CFO role. I've had the pleasure of working closely with Mr Rue for almost six years, and together we have led the company through a period of significant growth and transformation. The company's consistently met or exceeded its financial and operational objectives year on year. It's been an enormous privilege to work under Mr Rue's leadership and alongside a talented team that has remained dedicated to connecting Australians to high quality broadband services across the country.

As part of our commitment to a smooth transition, effective 7 May I was appointed by NBN's board as the interim CEO. The board has commenced a recruitment process to appoint a permanent CEO. Mr Rue is no longer involved in the day-to-day leadership or operation of the company and has commenced a period of leave, pending his commencement at Optus in November 2024.

It is with great pride that I step into this appointment as the interim CEO. I've served NBN as its Chief Financial Officer since February 2019 and bring to the role more than 30 years of financial experience, including in previous leadership roles, and extensive knowledge of the technology and media industries. I am, of course, well supported by the company, its board and a highly skilled and experienced executive leadership team, three of whom are with me this afternoon. We are joined today by the Chief Network Officer, Mr Dion Ljubanovic; our Chief Development Officer, Regional and Remote, Mr Gavin Williams; and our Chief Customer Officer, Ms Anna Perrin. Ms Perrin joined NBN from Nokia in February 2023. Anna brings a wealth of international experience to NBN from across the telecommunications and digital industries, including senior executive roles at Nokia, Accenture and Axicom. This is Ms Perrin's first appearance before the committee, and, likewise, it's also Mr Ljubanovic's first appearance. Mr Ljubanovic has more than a decade of experience leading NBN's network and operational functions and was appointed as the Chief Network Officer at NBN on 1 October 2023.

CHAIR: Mr Knox, I'm going to just take a moment to say: this is an extraordinarily large statement, of which we have a printed copy. If you would provide us with a slightly abridged version, that might assist. I know that senators do have a lot of questions, and we have to pull up at 1.30.

Mr Knox: Okay. I'll see what I can do.

CHAIR: We can table it, so it will be published.

Mr Knox: I'd rather just continue, if I could.

CHAIR: Just as quickly as you can, because people wish to ask questions.

Mr Knox: I'll do what I can.

CHAIR: And they have your statement in front of them.

Mr Knox: Terrific. Turning now to other matters, I'd like to provide an update on the capital strategy. It remains focused on refinancing the outstanding \$5½ billion that is the balance of the original \$19.5 billion for the Commonwealth loan. That will be completed by June of this year, on time and as required.

I'd also like to say that we are on track to meet our revenue earnings before interest, tax, depreciation and amortisation, or EBITDA, guidance which the company set for the fiscal year, as outlined in our Corporate Plan 2024. The first half of this year we achieved a revenue of \$2.75 billion, up five per cent on last year, and our EBITDA was \$1.99 billion, up 10 per cent on the same time last year. So we're performing against our current Statement of Expectations, with significant capital investment in both growth and maintenance investments—we'll talk about that more today—and we are committed to network upgrades across the fixed line and fixed wireless networks, enabling approximately 90 per cent of fixed-line premises to order up to one-gigabit-per-second services by December 2025 and high-speed plans for all fixed-wireless users by December 2024.

I'd just like to touch on a couple of announcements we've made since our last estimates. In March we launched consultation with our retailers on a proposal to accelerate speeds to customers connected to the NBN network via fibre to the premises and our hybrid fibre coaxial technologies. Our full fibre rollout also reached a major milestone in Victoria and New South Wales by enabling more than one million premises across each state to be eligible for full fibre upgrades to the NBN network. In April, we worked with Nokia to demonstrate a world first by achieving wholesale download speeds of 83 gigabits per second—this was on the live, full-fibre access network—as part of a technical demonstration. In May, we published our wholesale tariff list for FY25 and three-year wholesale pricing road map for FY25-27, as we are required to do under the special access undertaking.

We also issued a number of consultation papers to the industry, in response to the step change in technology adoption and usage in Australia and globally. The move leverages the growing capabilities of fibre connectivity and response to the demand we are seeing now and will see in the future for full fibre upgrades and higher speed tiers. Four weeks ago, we responded to feedback from our internet retailers by bringing forward discussions on two-gigabit-per-second wholesale download speeds. The company also issued a related consultation paper as to the next generation FTTP network termination devices, also referred to as NTDs, or NBN connection boxes—an essential requirement to enable multi-gigabit speeds. The deadline for retailers to respond to the original consultation paper is 27 June, and we expect to confirm outcomes of that consultation in the first quarter of FY25.

Our investments in fibre higher speeds and greater network operational capacity will help us realise the economic and social opportunities that come from a more connected Australia. We are seeing more NBN customers realise the benefits of high speed and reliable full fibre connection. In the current financial year in the 10 months to April 2024 NBN full fibre connections grew by more than 280,000 to 2.1 million premises. Our job is to ensure that the infrastructure is sufficient to support the explosion of data that we are going to see in years to come. We also need to evolve our products over time to keep up with the rapid pace of change in technologies.

Economic research from Accenture commissioned by NBN and published in February 2024 shows that our network is supporting productivity and social equity for the nation. The Accenture research report has estimated that a faster, higher-capacity NBN network will increase gross domestic product, GDP, by about \$400 billion over the eight years—

CHAIR: I'm going to have to wind you up. Senators require some answers to questions. I appreciate the statement, but senators do have it in front of them and we will publish it. Firstly, I'll just say that I had the fibre to the premises experience a couple of months ago, which was great. I was surprised that it didn't cost me anything. People assume that it's going to cost them. You get the email that says 'You can upgrade to this.' I was very surprised. Thank you.

Mr Knox: That's good. Thank you.

Senator SHARMA: Good afternoon, Mr Knox. I have some questions about the NBN financials, which you touched on in your opening statement. Looking at your statements for the six months to 31 December, your financial statement that was published on 8 February, I couldn't find any reference to cash flow or free cash flow in there. Have you got those figures? Could you share them with me?

Mr Knox: I don't have them handy. I'll have to take that on notice.

Senator SHARMA: Do you have a chief financial officer there?

Mr Knox: Not with me, no. I was chief financial officer at the time of that publication.

Senator SHARMA: I'm just asking for some simple financial metrics which are in your published documents. You don't have them available?

Mr Knox: Not to hand. If there's something you can specifically refer to, I might be able to give some colour.

Senator SHARMA: I want to know what free cash flow was for the half year ending 31 December 2023, but it's not in the published release that you put out on 6 February.

Mr Knox: Again, I don't have that to hand. I'd have to follow up that on notice.

Senator SHARMA: We come to a budget estimates and we don't have financial questions? There's no financial—

Mr Knox: The financials are published. I can tell you that our operating cash flows—there is a statement there, I'm now looking at it—there is a statement there on free cash flow.

Senator SHARMA: So what is it?

Mr Knox: December 2023, that six months, it was about \$1.06 billion negative free cash flow.

Senator SHARMA: From what I understand that's a deterioration on the corresponding period for 2022. Is that your understanding as well?

Mr Knox: That is correct.

Senator SHARMA: So what was it at the corresponding period in 2022?

Mr Knox: It was \$623 million negative.

Senator SHARMA: So it's deteriorated by \$400 million in a year, about 70 per cent.

Mr Knox: Deteriorated—it depends on how you look at it. The main reason for the change was the significant investments we continue to make. These largely are the investments that provide us with the return.

Senator SHARMA: What does your forward guidance say on future free cash flow then? Are you expecting that to improve?

Mr Knox: We don't provide forward guidance on our financials, mainly because we now have a considerable amount of commercial debt, and we need to be very careful about crossing boundaries in terms of making forecasts into those markets.

Senator SHARMA: I'm just wondering if free cash flow is likely to continue to deteriorate at 70 per cent per year—but you tell me you don't think so.

Mr Knox: Well into the future. It's the nature of these infrastructure builds, if you like, or investments or assets, that the heavy investment is in the early days and then, once that investment is complete, that is when the cash flows turn positive. It's a question of when we stop the investments. At the moment, the investments are all around lifting that digital capability for all of Australia. So these investments in fiber provide us with savings further down the track because of the cost of servicing legacy technologies.

Senator SHARMA: I might put some more questions on notice because that is a concern for me. Can we turn to user numbers—connection numbers? Some of the figures I've seen there were also of concern to me. According to the last NBN weekly data that I've got, the number of satellite connections, which I think you refer to as Sky Muster, are down to about 86,000, which has fallen by about 20,000 in the past two years. Fixed wireless has basically not shown much growth, I don't think, over the last year. Brownfield sites are dropping as well. Where do you see the areas of growth in terms of connections? Could we start perhaps with the satellite business, Sky Muster? Why do we think numbers are falling there?

Mr Knox: Our resident expert on satellite is Mr Williams.

Mr Williams: Thank you for the question. There has been a fair bit going on in the satellite industry and the satellite footprint. I think in this committee we've addressed some of those points in the past around declines in the satellite numbers. If I try and summarise, the two big things that have hit the market include the expansion of 5G networks with metropolitan pricing for larger plans and the introduction of low-earth orbit satellites. The marketing adage goes: if there's a new hippopotamus in the zoo, the customers will go and take a look. It's realistic to expect that, when there are significant market shifts and new entrants, market shares will move around. For our part, the important thing is to ensure we do everything we can to make sure our service is a match fit. To that end, for our fixed wireless service, we're upgrading that significantly as part of a Commonwealth co-investment of \$480 million to lift its average capability and to lift the highest speeds available on that network so

that customers in regional Australia can really take advantage of the economic benefits that Mr Knox made mention of in his opening remarks. It is also to expand the footprint geographically by about 50 per cent. In terms of the number of homes and businesses, that is about 120,000.

What that has enabled us to do is re-imagine the capacity management on our satellite service. Very importantly, last December, we introduced uncapped data plans on Sky Muster with three speed tiers of up to 100 megabytes per second at various price points. The value propositions for Sky Muster are pretty manifest in terms of \$0 connections, professional installs and assurance and monthly fees that represent very good value.

Senator SHARMA: You said you announced that new offering in December. Is that right?

Mr Williams: Last December, yes.

Senator SHARMA: My figures here show that Skylink customers last December have declined by about 4,000.

Mr Williams: One thing we are is very transparent on our numbers, as you see because they're on the transparency report. This time last year, we were seeing declines in the order of about 2½ thousand a month, and we're seeing now about 400 a month.

Senator SHARMA: Do we expect that to continue to decline and that we'll just slow the rate of decline?

Mr Williams: That remains to be seen. We're seeing signs that the declines on the satellite service are slowing, and we're seeing new cohorts of customers become aware of that service and avail themselves of that service as well. That speaks to the Sky Muster service.

In terms of fixed wireless, I made mention of the transformational upgrades we're making in several steps, including optimising that network such that the service is now delivering typical busy-period speeds of around 50 megabits per second right across the network, and we're probably just past 50 per cent for physical upgrades. The consequence of that, notwithstanding the work we're doing to minimise disruption for customers, is that customers on that fixed-wireless network have patiently experienced some upgrade inconvenience, and we thank them for their patience in that regard. But there has been a very rapid improvement in the service capability. We'll have concluded that upgrade program by December, and it will represent a significant transformational improvement in the value proposition for customers on that footprint.

Senator SHARMA: Are you the expert on the brownfields business as well? Can you answer questions on that?

Mr Williams: I could phone a friend for that. Ms Perrin is probably more able to address those matters.

CHAIR: And I'll need you to wind up on this topic, Senator Sharma.

Senator SHARMA: Alright. This will be my last question. The brownfields business is by far the biggest part of your business, right? And the number of connections has been steadily dropping. I think the last figures were about \$7.15 million, but it seems to be dropping by \$5,000 or \$6,000 every month. What's the reason for that? What does your market analysis say for why the brownfields business continues to decline?

Ms Perrin: Just to take a step back, the premises count that we really follow is the number of additional premises that have been added to the network overall. That's across all our technologies, including fixed wireless and satellite. For the 10 months from the end of the financial year last year to the end of April this year, we added 53,000 premises to the network. Notwithstanding your question, there are—

Senator SHARMA: Sorry—are they actually on the network? Or are they just ready to connect?

Ms Perrin: No, we added 53,000 additional premises connected to the network. So, we see that the number of premises that are connected to the NBN overall continues to grow. There's some complexity around the brownfields numbers, and we are looking at our reporting at the moment. Part of the complexity is that sometimes a brownfield can become a greenfield. Let me just give you some colour on that. You could be moving into a home where you put planning permission into that home. You may decide you want to build two new townhouses on that property. So, it might be that your brownfield premise becomes two greenfield premises. And sometimes, because we don't see customer data—that's owned by the retailer; we only have premises data—sometimes our reporting isn't as accurate. But we know that the 53,000 additional premises on the network is accurate, so that's the one we follow. Also, you will see some changes in brownfields to greenfields as we upgrade to fibre. Some of that will be copper legacy becoming part of the fibre network.

Senator SHARMA: Okay. Chair, I'm conscious of the time, but I'm happy to hand back to you. Thank you, Ms Perrin.

Senator HENDERSON: I want to go back to the satellite business, because that appears to be falling through the floor. What concerns me is that when I raised these issues with NBN two years ago, when I was the shadow minister, my concerns were sort of batted off, even under circumstances in which it was very clear that Starlink was providing an infinitely better service than Sky Muster, and farmers and other people in regional areas were moving to Star Link in droves. Why hasn't the NBN been able to better manage the threat of Starlink and fend off this competitive threat, including by escalating its move to alternative technology?

Mr Williams: NBN is a statutory infrastructure provider who's there for customers in the bush, wherever they are in the country. When it was launched, the Sky Muster service allowed kids in distance education to see, for the first time, their classmates on video. That was a time when low earth orbit technologies weren't available. So NBN signed up to a technological capability that I characterised at the time as 'leading edge' not 'bleeding edge.'

Those satellites have an end of life that's predominantly a function of the amount of fuel in them, and we forecast that fuel to run out in the early 2030s, although there are techniques that can extend the life now. As you alluded to, the satellite industry, has in some respects moved more in the last 3½ years for consumer broadband than it has in 35 years, so what NBN is doing is—

Senator HENDERSON: Sorry, we are under extreme time pressure. Mr Williams, I know that you and I discussed this a couple of years ago, when I raised these concerns, and my concern is this: the government's response to what is a massive issue for NBN was simply to establish a low earth orbit satellite committee back in October 2022, but there doesn't seem to have been any subsequent action, including from the NBN, on this significant competitive threat, and as a result your satellite business is diving.

Mr Williams: If I can respond to that—one of the things that NBN is doing in regional Australia is uplifting its gig-capable fibres, so there are now 660,000-odd homes and businesses in regional Australia that can access fibre on demand to gig. It's also investing, as part of a Commonwealth grant, in lifting its fixed-wireless capability and, importantly, in relation to the satellite footprint, expanding fixed wireless geographically by about 50 per cent to take in what would otherwise have been customers mapped for the satellite service, to the tune of about 120,000 homes and businesses. What that has enabled us to do is launch the plans that I spoke to earlier.

It might sound convenient of me to say this, because it's a service we offer, but the value proposition of zero-dollar professional installs and assurance and retailers offering plans down to 50 bucks a month for uncapped data are the sorts of things that NBN is doing—whilst we engage with the low earth orbit working group you mentioned. I think we've been open in this forum as well about the work we're doing to understand the options we have available to partner with LEO providers to enable NBN to utilise that kind of technology and the appropriate kinds of statutory infrastructure provider obligations that can be fulfilled within that context.

Senator HENDERSON: It's all very well to have a zero connection. But, if you cannot get a proper broadband connection, as many customers have found on Sky Muster, that is driving them to Starlink, which has a superior technology offering compared to Sky Muster. Again I say: given the government's lacklustre response, in setting up a low orbit satellite committee back in October 2022, what has happened since then? How can the NBN possibly expect to maintain customers on its satellite service when it is offering such inferior technology?

Mr Williams: What I'd say to customers who are not enjoying a Sky Muster service that they feel they've bought is to contact the retailer, because professional assurance, wherever it is across our footprint, is one of the things that we do. If we determine that it's an NBN—

Senator HENDERSON: Mr Williams, people are pulling their hair out. They're not going to contact the retailer. What they're doing when their speeds are grinding to a halt is they're contacting Starlink and they're moving across, because they can't run their businesses based on some of the terrible experiences they've had with Sky Muster. So my question is: what is NBN doing about this?

Mr Williams: I have firsthand experience leading my business from regional Australia supported by Sky Muster. It stays up on Teams calls all day with speeds around 100 megabytes per second down, and often when I do speed tests, I get close to 20 meg up. My encouragement to customers who aren't getting the quality of service: it's our job to make sure that they get the service that they're paying for. If we determine with the retailer that it's an NBN issue, we'll send someone out with a truck roll to replace faulty equipment if, indeed, that's causing the fault.

Senator HENDERSON: Do you have any plans to start to offer the sort of technology being offered by Starlink?

Mr Williams: I think I've given testimony to this point in the past, we issued a request for information last year to the low earth orbit satellite industry to understand whether there is an option for NBN, at an appropriate point in time, taking account of—

Senator HENDERSON: What was the result of that expression of interest that you put out—

Mr Williams: For the request for information? That process is ongoing, Senator.

Senator HENDERSON: So that's been a year in the making. Can you provide on notice all correspondence and materials in relation to that offer and any responses you've received? It's concerning that that went out a year ago and yet there's been no development since then.

Mr Williams: I don't think it was quite a year ago, Senator. We'll take that on notice. The process is commercial in confidence, but, noting the Senate can accommodate such things, we'll take it on notice.

Senator HENDERSON: That's a matter for the committee. It's not a given that you are not required to provide that information, so that will be a matter for the committee to determine.

Mr Williams: That's understood. We can take on notice to provide some information on that.

Senator HENDERSON: Thank you very much.

CHAIR: We now have a miraculous feat of three senators with two questions each and approximately 14 minutes. If everyone could be swift and focused and put anything you can on notice, that would be great. We'll go back to Senator Sharma, in the first instance.

Senator SHARMA: I'm curious to know about the fibre-to-the-premises connection. The chair mentioned her own experience of being able to connect it for free. I have had constituents get in touch with me who've said they've been quoted \$9,000 to get connected to the premises when homes on the same street are being offered the service for free. This is in Western Sydney. How is it determined whether people are able to get free fibre-to-the-premises or whether they'll need to pay \$9,000 to upgrade? This particular suburb is Glenmore Park, which is in Western Sydney.

Mr Ljubanovic: In terms of the fibre upgrade program, we are focused on delivering that upgrade, which is 3½ million premises across Australia to be completed by December 2025. For all of those premises and customers that are within that footprint, it is a free upgrade. There are areas outside of that footprint. We have around 600,000 premises that aren't in that program, and, depending on the address, there is a technology choice option for customers to pay for those upgrades where it's uneconomical for NBN to provide it. I would like to, if I could, get that information after the hearing to understand if that is the case. Everyone within the program, within the upgraded footprint, is eligible for a free upgrade. If there are any communications that have gone on incorrectly, we'll follow those up as well.

Senator SHARMA: I'll pass you those details on notice. Conceptually, is it feasible for people in the same neighbourhood, in the same street, in an outer suburban area, for some part of that street to be eligible for the fibre upgrade program but not other parts of the streets? Or are the rings around the fibre upgrade program a little more all-encompassing than that?

Mr Ljubanovic: There are areas within the footprint that are highly uneconomical for us, and that's determined based on pit and pipe infrastructure that's available in certain parts of suburbs and areas that may not be. There are areas where, potentially, some parts of streets and communities won't be able to be part of the 3.5 million upgrade program at this point in time, because of the nature and the costs associated with getting fibre deeper into those areas. So there may be that situation where customers are on the edge of our upgraded program.

Senator SHARMA: Okay. If you wouldn't mind, Mr Ljubanovic, I'll put some of this detail in a question on notice—if you could have a look into it.

Mr Ljubanovic: Absolutely.

Senator SHARMA: Thank you, Chair.

CHAIR: Thank you, Senator Sharma. Just on that, if we hadn't been in a situation where the coalition had a fairly shabby copper option—

Senator CADELL: Just ask questions.

CHAIR: That sort of bungled policy has left us in this situation where we now have to go and retrofit, because it was a bit of a poor cousin. I'm getting a lot of strife off my colleagues here for asking this question, but I do feel like we're rolling on this attack on what is an upgrade or a process to improve the NBN to get more connections across Australia to people. From the questions we've heard from some of my colleagues, you'd imagine we were going backwards, but that is not the case, is it?

Mr Ljubanovic: No. With the work we're doing at the moment in regard to the upgrade across the network—we now have more than 8.7 million premises across Australia able to access gigabit speeds. That's through the upgrade program but also the evolution of what we've done in the HFC networks in metro capital cities across

Australia as well. By the end of December 2025—so within 18 months—we'll have more than 10 million premises, or around 90 per cent of the fixed-line network in Australia, able to achieve gigabit speeds and even beyond those speeds as well, which is something we're in consultation with retailers on at the moment.

CHAIR: Great. That's good to hear. Senator Payman.

Senator PAYMAN: I'll keep it brief. Good afternoon. Obviously, climate change is driving more extreme weather that we're starting to see, including floods and bushfires. Can you just quickly talk us through how you're ensuring that NBN is making your network more resilient and some of the backup capabilities to provide support to communities?

Mr Williams: I'll bullet-point a few things. My patch includes the fixed-wireless and satellite networks, but I would observe that pushing fibre deeper into regional Australia is also putting in objectively very resilient technology that requires less power.

Typically, the thing that fails first in a disaster is power access itself. Short of becoming a power company, which is not really part of our charter, we look at the level of power resilience in our network for fixed wireless—for example, we have Hybrid Power Cubes which support large battery arrays, diesel generators with large fuel cells, and solar power, and some of those can operate offline for many months between fuel runs.

Perhaps one other thing to point out would be our Strengthening Telecommunications Against Natural Disasters program, which has seen us preinstall satellite services into evacuation centres, learning from the Black Summer bushfires, and other services into emergency responder centres. So, yes, the opportunity to have standalone battery or generator provided comms where grid power is off is something that we are supporting for communities.

CHAIR: Senator Davey.

Senator DAVEY: I'll be brief, although I appreciate you mentioning the fantastic coalition government's program Strengthening Telecommunications Against Natural Disasters. I have some questions about that that I will put on notice.

Senator CADELL: I'll call that one-all.

Senator DAVEY: I just have one question which follows on very nicely from Senator Payman's that I wanted to ask today. I've got other questions I'll put on notice. In terms of services after a natural disaster, we know that with old-fashioned telecommunications and old-fashioned landlines there used to be a Universal Service Obligation where services had to be reconnected within a period of time. Is there any such universal service obligation for NBN? If so, what is it? If there's not a legislated USO, what are NBN's KPIs for making sure they reconnect people as soon as possible, particularly after a natural disaster or a power outage?

Mr Ljubanovic: We don't have legislation related to US obligation for NBN. That is held by Telstra. When there is a natural disaster across the NBN network, both in the fixed line and in the fixed wireless and satellite areas, our absolute focus and priority is to reconnect people immediately. We have in the order of around 1,800 technicians both internally directly employed by NBN as well as our service delivery partners that are in all parts of Australia—metro, regional and rural—to support those aspects. We're also very much focused around preventing and proactively looking at weather events that are occurring so we're ready to go with some of the restoration activities that Mr Williams talked about earlier as well. We look at immediate restoration timeframes and we prioritise our resources to make sure people get back online as soon as possible.

Mr Williams: If I could clarify—the Universal Service Obligation relates more to voice services, and the statutory infrastructure provider obligations remain for broadband providers. That's something that NBN is subject to. It is a time where USO, SIP and that whole regime is under significant review.

Senator DAVEY: Thank you very much.

CHAIR: We'll go to Senator Cadell.

Senator CADELL: I'm getting my nerd fix on. In the late 1990s and early 2000s there were lots of RIM servers put on greenfield infill sites with single coppers instead of pairs and stuff like that. Have we replaced most of those so they're connected now more fully? You couldn't get DSL on a single copper when you didn't have a pair. What are they doing now?

Mr Ljubanovic: From a new development estate housing perspective?

Senator CADELL: This was in the 2000s. They were just using RIM servers with single coppers. I wonder if we have retrofitted all of those now, or if there is a process going forward on that.

Mr Ljubanovic: If they're part of the copper footprint that we're upgrading with fibre, absolutely. Fibre will be available to those areas and premises and every new housing and development that applies with NBN. We do push fibre deeper into those areas, whether they are large or small.

Senator CADELL: That's now. The retrofit—

Mr Ljubanovic: As part of the fibre upgrade program that we are doing across the 3.5 million copper footprint, we are putting fibre into those areas.

Senator CADELL: Is that a targeted thing, where you look at where the RIM servers are?

Mr Ljubanovic: In every area. We will make sure, if the premises is in that area and it makes part of our economic decisions around the footprint that we are building fibre into, that all premises will be served with fibre. So we'll take carriage of those areas with fibre.

Senator CADELL: Ethernet over the first mile and those sorts of things are all history and back in the dawn or still operating?

Mr Ljubanovic: Yes. With fibre, more products are coming that we're able to support with retailers around the use of fibre. That's for business services and small businesses. At the end of the day, fibre is the glass that's in the ground. As we change the electronics on either end, at the customer home and at our exchange sites, we're able to continue to provide ongoing services. That's the beauty of fibre as the ultimate technology of what we'll be able to upgrade going into the future decades.

CHAIR: Thanks, everybody, for being so efficient there. Thank you so much for coming. Welcome again, Mr Knox, as the interim CEO.

Mr Knox: Thank you, Chair.

CHAIR: Thank you all for answering our questions. You have taken some questions on notice. The date of return is 6 August. I would like to thank Hansard, broadcasting and the secretariat for all their great work, particularly today as we have jumped from one topic to the other. We had a big day before you guys came along. Any written questions on notice that senators wish to lodge need to be done by 28 June.

Committee adjourned at 13:29