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MINISTER FOR BROADBAND, COMMUNICATIONS AND THE DIGITAL ECONOMY
DEPUTY LEADER OF THE GOVERNMENT IN THE SENATE

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Australian Financial Review National Broadband Conference

Thank you Glenn [Burge, Editor AFR] and good afternoon everyone.

It is always a pleasure to join the Fin Review for its regular conferences.

And it is with particular pleasure today that I join the Fin Review for its conference on 'eNational Broadband'.

I was in Sydney in early April for the AFR Infrastructure Conference, just days before our National Broadband Network announcement.

Clearly much has happened since then and I'll be talking a little bit more about that in a few moments.

Regardless of the sensitivities in April, the Fin conference was a great opportunity to speak about the Rudd Government's key infrastructure priorities.

There's no more important objective for this Government than supporting jobs today by investing in the infrastructure we need for tomorrow.

As you know, investment in nation building infrastructure is the central theme of our economic stimulus and will be a prime driver of employment across the economy.

We are delivering historic investments in our nation's essential infrastructure — investments in our road, rail, ports, universities and hospitals.

Since the first stimulus payment announced in October, almost 70 cents in every dollar has gone to infrastructure.

While many of our investments are being made in response to the global economic recession, these investments lay the long-term foundations for future growth and productivity across the economy.

The impact of these investments will be felt for years to come.

This is certainly the case for broadband.

I know the Fin Review takes a particular interest in infrastructure and I welcome its continued critical analysis.

The Fin has always taken a keen interest in the communications sector and has been at the forefront of reporting on the National Broadband Network.

So, it is great to be here for the National Broadband Conference and with so many so people in touch with the day-to-day development of our digital economy.

Ubiquitous, high speed broadband infrastructure is a major enabler for the digital economy.

However, there are a range of other factors that we need considered if we are to

realise the true transformative potential of this technology.

While the Government is forging ahead with the National Broadband Network, we are also working to ensure that all Australians are able to reap the benefits of this investment.

Digital Economy

It is important that we all understand the opportunities on offer in the digital economy and how organisations across all sectors of the economy can tap into the benefits.

In the past year, our efforts in this area have included a major consultation on our digital future.

The consultation recognises that for Australia to truly thrive and grow as a digital economy leader, we all need to collaborate to map our future.

Through consultations and discussions that have taken place, we have identified key themes and priorities for the digital economy.

We are now in the very final stages of preparation for the release of Australia's Digital Economy Future Directions Paper, which has been developed through these consultations.

The paper will identify what a successful digital economy could look like.

Of course trying to describe an end point with absolute precision is an impossible task because the technological drivers mean the goalposts constantly change.

This is what makes the potential of the digital economy exciting.

But it is possible to identify the elements that make up a thriving digital economy.

Industry told us that what it wanted from Government was leadership and vision.

Through our extensive consultations with industry and within the whole of Government, we have tried to encapsulate that vision.

But this is just the starting point.

As is always the case with technology, things move quickly.

Our vision will need to be adapted for the evolving environment.

Significantly, the paper will recognise that digital economies are primarily market-led with Government in the role of key enabler.

The Rudd government has already asserted its position as an enabler through investments such as the National Broadband Network and the Digital Education Revolution.

I am pleased to note that this has been recognised by a weight of commentary from the ICT sector and broader industry about the transformative capacity of this project.

I think it was summed up well by the Australian General Manager of Google who said: *"The NBN, recently announced by the Government, will be the greatest enabler of change Australian businesses and users could wish for."*

"I don't think enough of us realise the importance of this for Australia. This is going to lead to a new spirit of entrepreneurship in Australia."

Promoting the capacity of high-speed broadband to change the way business and the economy works is central to broadening the conversation about digital technologies.

I welcome the continuing efforts of industry and the innovators of Australia to take this message to the public.

National Broadband Network

I'm sure by now, all of you here are aware of the scale and scope of the National Broadband Network.

It will be the single largest nation-building infrastructure project in Australia's history.

It is an important economic stimulus that will support 25,000 jobs in Australia for each year of the eight year build — peaking at 37,000.

Additionally, it will lay the foundations for future growth, productivity and innovation across all sectors of the economy as we emerge from the global recession.

Ubiquitous, affordable high speed broadband will provide new opportunities for businesses, schools, hospitals and consumers in their every day lives.

One of the critical features of the National Broadband Network is that it will be Australia's first truly national wholesale-only communications network.

It represents an historic piece of micro-economic reform in the telecommunications sector.

Genuine competition in the Australian telecommunications sector has been stifled by the failure of previous governments to put in place structural arrangements to allow all carriers to compete on fair terms.

The previous Government privatised Telstra without ever resolving the conflict of a vertically and horizontally integrated incumbent, owning the network infrastructure and dominating the retail market.

The National Broadband Network finally resolves this conflict once and for all because it delivers separation between the infrastructure provider and retail service providers.

It will mean better and fairer infrastructure access for service providers, greater retail competition, and better services for families and businesses.

It will drive genuine competitive pressure in the telecommunications sector, to the benefit of consumers and businesses that use these services.

It will form the basis for a generation of innovators and for businesses to drive efficiency and productivity growth.

It will also change the way we deliver critical public services and manage our investments in infrastructure and utilities.

I am pleased to note the overwhelmingly positive reaction from industry about the National Broadband Network project since it was announced in April.

Indeed, in a recent speech to the National Press Club, Kim Williams, the CEO of Foxtel, noted;

"I think most of the response to the broadband initiative has been positive and in fact most of the negative commentary has really come, essentially, of a political nature rather than in terms of the operators and the landscape."

That said, I do understand that many people in this room have questions about the NBN.

Today I would like to take the opportunity to update you on some of the key elements

of the NBN, and the forward momentum that is being created.

Regional Backbone

Last week I announced the first locations in regional Australia that will receive priority investment with NBN infrastructure.

We consistently receive the message from industry that one of the key barriers to entry in regional Australia is the high cost of 'interregional backbone' or 'backhaul' infrastructure.

These are the broadband highways that connect our cities, towns and rural areas to the wider world, and they are a critical input for any provider wishing to offer services out to these locations.

Currently, some regional locations are served by only a single provider; and prices on these routes are significantly higher than in areas where there is direct competition.

Broadband service providers have given a strong indication that improved backbone competition will allow them to expand further into regional Australia and deliver new options for users.

Michael Malone, the Managing Director of Australia's 3rd largest ISP iiNet said QUOTE

"We have been conscious that the well documented lack of competitive backhaul, amongst other things, has created an impediment to the extension of metro-equivalent services for regional customers.

The Government was very conscious of this when it chose the first 6 locations that were determined after an extensive consultation process.

Last week I announced that they are:

- Emerald and Longreach, Queensland,
- Geraldton, Western Australia,
- Darwin, Northern Territory,
- Broken Hill, New South Wales,
- Victor Harbor, South Australia, and
- South West Gippsland, Victoria.

The Government also announced a competitive tender for the construction, operation and maintenance of backbone links for these six locations, and we expect the build to commence in September this year.

Let me make clear that these investments are just the beginning.

With a competitive response to this first round of locations, we expect to name more regional locations for investment later this year.

Furthermore, the rollout of the National Broadband Network will ensure that affordable, backbone capacity is available across the entire country.

Tasmania

In Tasmania we are in very advanced and final stage negotiations with the state Government to begin a priority rollout across the state.

Our plan is that the Tasmanian Government, in conjunction with Aurora Energy, will construct a Fibre-to-the-Premises network to 200,000 Tasmanian households and businesses.

The remainder of premises will be served by next generation wireless or satellite services.

The Tasmanian component of the National Broadband Network is still the subject of ongoing commercial negotiations and there is little detail that I can provide today.

However, I am pleased to say that the Tasmanian Government has given very positive indications about its ability to begin rollout in a very short timeframe and I look forward to finalising an agreement.

For too long Tasmania has languished with poor access to high-speed broadband, which has once again been confirmed by the latest ABS stats.

The National Broadband Network is a unique opportunity to raise Tasmania to a world broadband leader and enable it to capitalise on the digital economy opportunity.

These important early steps in the rollout of the NBN — in regional locations and Tasmania - demonstrate the Government's resolve to deliver the National Broadband Network for regional Australia.

It is also demonstration that we are moving quickly to implement this historic nation-building project.

Network Information Bill

In the last week of Parliament, the Government introduced a bill to allow for the collection of network information that will help inform the implementation study and the rollout of the NBN.

This information is critical if we are to ensure that the NBN rollout occurs as cost-effectively and efficiently as possible.

It will help identify commercial opportunities, and will ensure ensure that the rollout happens as quickly as possible so that consumers, businesses, schools and hospitals can start to enjoy the benefits of high speed broadband.

In the first instance, the Government will seek to acquire this information voluntarily.

The legislation is designed as a safety net, and includes a number of provisions to ensure the information cannot be used inappropriately and to protect confidentiality.

The legislation is now before a Senate Committee and I encourage those interested to comment on it.

Regulatory Reform

In addition to arrangements to facilitate the rollout of the NBN, the Government is also moving ahead with reforms to improve outcomes for telecommunications consumers while the National Broadband Network is being rolled out.

It has been made clear over a long period of time that there are significant issues with the existing regulatory and competitive regime.

In the short term, Australia's telecommunications regulatory regime requires significant change.

The Government intends to make reforms to improve the existing environment in the short-term.

We are open-minded on the reform options but are strongly committed to ensuring the regulatory framework is effective in promoting the long-term interests of end-users.

There has been an extremely strong response to the public consultation and more than 120 submissions were received.

The submissions support our conviction that regulatory reform is urgently required.

The Government is giving careful consideration to the views put forward.

We are determined to proceed with our reform agenda and we will be working hard to introduce legislation this year.

The bottom line is that the regulatory reforms we are now developing will improve competition and service during the transition to the National Broadband Network.

Implementation Study

Of course, there are many complexities to a rollout of this scale.

That is why we are undertaking detailed implementation planning to establish the solutions and parameters for the project.

The implementation study will be extensive.

It will examine detailed engineering, commercial and structural issues.

The study will determine the operating arrangements, network design, and ways to attract private sector investment.

It will also look at ways to provide procurement opportunities for local businesses.

It will provide further opportunities for stakeholders and other experts to share their views and expertise.

These views and the advice we receive will contribute to an integrated report on the implementation study for completion in early 2010.

The Government is aware of the range of detailed considerations that must be taken into account with the National Broadband Network.

I also understand that many people want to understand in detail, issues that go to the heart of the rollout and operation.

Issues like the precise configuration of the network, the prices that will be offered and the assumptions that underpin the Government's \$43 billion cost estimate.

Implementation planning will clearly need to strike at the heart of considerations such as:

- pricing,
- future take-up rates,
- exactly how many homes and businesses will be passed or connected,
- the mix of aerial versus underground rollouts,
- the location, indoors or outdoors, of customer equipment,
- the quality of existing assets, and
- the design and specification of access services on the FTTP network.

These are all, clearly, major factors for this project and implementation planning will involve commercial, technical and legal specialists to ensure the best possible outcome.

The Government is currently considering responses to a tender for a Lead Advisor for this implementation planning stage.

We received an extremely strong response to an earlier Expressions of Interest stage and I am looking forward to finalising this decision so the Lead Advisor can be up and running in the second half of July.

Another area of progress has been the establishment of the National Broadband

Network Company.

We have appointed an interim board, made up of senior public servants with the appropriate skills and experience to manage the company in its infancy.

Meanwhile, we are actively searching for the right candidates to take the chair and make up the permanent board of the company.

Executive search firm Egon Zehnder International has been appointed to assist with the search and ensure we have the best possible exposure to the available talent.

I have said before that interest from possible candidates has been strong and I acknowledge the continued press speculation about potential appointments.

What is important is that we find the right people to lead this unique project through planning, rollout and into launch stages.

Egon Zehnder completed its contract with the Government last month and has provided a shortlist of candidates for our consideration.

I am hopeful that we will finalise these appointments by the end of this month.

The progress we have made already is a clear indication of the Rudd Government's commitment to make the National Broadband Network a reality.

As I have said, we are the strong belief that this project is vital to our national prosperity — for jobs today and jobs in the future.

We believe that the Government's involvement in this investment is key to enabling industry to maximise its potential in the digital economy.

It is not good enough that Australia is in the bottom half of OECD countries for broadband take-up — we were ranked 16 out of 30 in 2008.

It is not good enough that Australians pay more for broadband than most OECD countries — we were ranked 20 out of 29 in 2007.

It is not good enough that Australian small businesses pay more than all but 2 other countries for fixed line services.

The National Broadband Network will help Australia keep pace with fast-moving nations and take the lead on many others as the global digital economy develops.

Government involvement in broadband is a growing trend and Australia is not alone in this regard.

Countries around the world, and particularly our Asia Pacific neighbours, are rapidly adopting fibre broadband.

This includes global Fibre-to-the-Premises leaders such as South Korea, Hong Kong, Japan, Taiwan and fast-growing China.

In fact, 78 per cent of global fibre to the premise connections are in the Asia-Pacific region.

While each country starts from a different position, and their policy responses will reflect this, there is a growing consensus that investment in high speed broadband infrastructure is critical.

Clearly, broadband is a growing consideration for national economies, businesses of all sizes and other organisations around the world.

High-speed broadband is a key enabler for the digital economy, an environment that promises transformative opportunities to improve the way we all go about our

day-to-day lives.

Enabling all Australians to take part in this environment is a key goal for the Rudd Government and why we have resolved to invest in the National Broadband Network.

Thank you.

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