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CONROY – VULGAR, SLOPPY AND FACT-FREE

Senator Conroy's speech to the National Press Club today was as sloppy as it was vulgar.

It may have been the first time a Communications Minister has used such crude language on television during children's viewing hours, but it is not the first time this Minister has delivered unsourced and unjustified assertions about technology.

The lack of hard evidence in Senator Conroy's address speaks volumes. He has a whole Department to provide him with the facts, but his speech is reference free. My speeches on broadband provide references for technological claims.¹ In his speech the Minister dismisses the technologies being used to deliver next-generation broadband in every other major economy in the world. These technologies are satisfactory for broadband users, telecommunications companies and governments in the United States, Canada, Britain, France, Germany, Italy, the Netherlands, Denmark, South Korea, Japan and China. But they are not good enough for Senator Conroy.

The lack of intellectual rigour or consistency in Senator Conroy's approach to policy is underlined by the way in which he dismisses any alternative to his Fibre to the Home (FTTH) network as being utterly inadequate – even though telecommunications companies around the world are building and using upgraded broadband networks with a mix of technologies.

¹ See Press Club Speech August 3 2011 <http://www.malcolmturnbull.com.au/media/speeches/address-to-the-national-press-club-australia/> and speech to World Broadband Forum 27 September 2011 <http://www.malcolmturnbull.com.au/media/dont-suspend-the-laws-of-economics-malcolm-turnbull-speaks-to-broadband-world-forum-paris-27-september-2011/>

It is common ground that there will continue to be more demand for broadband services, driven in large part by the exponential growth in wireless broadband enabled smart phones. So there is no dispute that there will need to be more investment in the backbone of the network.

The policy dispute over the NBN from a technology point of view is simply whether, in order to upgrade Australians' broadband services, it is necessary to overbuild and decommission the entire existing fixed line customer access networks (both copper and HFC) and replace them with a vastly expensive new FTTH network.

Senator Conroy dismisses Fibre to the Node (FTTN) as a viable broadband technology despite having promoted it to the Australian people as the correct and affordable solution until April 2009, and despite it being widely deployed in almost every other comparable developed economy.

The proposition that it won't work in Australia is an assertion made not only without evidence, but in defiance of the evidence.

The speeds that are available on FTTN do indeed depend on the length of the copper loop between the end of the fibre and the customer's premises. Costs differ from place to place but as a general rule, FTTH costs between 3 and 4 times as much as FTTN. ²

This was confirmed when I met with BT on 5 October. The UK's largest carrier advised that the cost of FTTH was around 3 times more than FTTN and that their FTTN/VDSL rollout would deliver 80 mbps download and 20 mbps upload in 2012.

Further as to speeds, in contrast to the unsourced, reference-free assertions made by Stephen Conroy this is what I said at the National Press Club on August 3 this year.

² See Analysys Mason "FTTx roll-out and capex in developed countries: forecasts 2011-2016" by Rupert Wood, April 2011 estimates FTTH costs 3.4 times to roll out and connect than FTTN

“While all-fibre connections are becoming more common especially in greenfields sites, copper is far from dead as NBN’s admirers sometimes claim – high speeds up 40 to 50 megabits per second and shortly 80 mbps together with continued economic value are being mined from existing infrastructure in many places.”

The references for these claims are here:

*Rob Gallagher “Questioning the Unquestionable: Is FTTH really the future of broadband?” <http://blogs.informatandm.com/2357/questioning-the-unquestionable-is-fiber-to-the-home-really-the-future-of-broadband/>
See BT’s announcement from May 2011 regarding 80 mbps over FTTC <http://www.btplc.com/news/Articles/ShowArticle.cfm?ArticleID=8CF30FA2-13B6-42CD-B11D-AA7F19B44734> Accessed August 2, 2011”.*

By contrast there are numerous unsourced and unsubstantiated claims throughout Senator Conroy’s speech. For example he dismisses HFC as a broadband technology, even though in every other market where there are HFC networks they are being used to deliver high speed broadband. Indeed in Australia Telstra is upgrading its HFC network to run at 100 megabits per second..

And how Senator Conroy claim the New Zealand experience (where 75 per cent of the country will be connected to fibre at a cost to the government of \$NZ600 million) as something that confirms his reckless \$50 billion investment? The New Zealand experience is an indictment of the wastefulness of the Gillard Government’s NBN as I described in my August 3 speech to the Press Club.³ Senator Conroy’s complaint that the Coalition’s complaint would use a mix of technologies misses the whole point. Every network is a mix of technologies – even the NBN will use separate FTTH, fixed wireless and satellite networks to reach households. A rational approach to network upgrade is to use the most cost-effective technologies in each location, and that is what is being done in almost every other comparable market.

Having misrepresented most of the technologies being used by other countries to deliver broadband, Senator Conroy concludes the only conceivable option is

³ <http://www.malcolmturnbull.com.au/media/speeches/address-to-the-national-press-club-australia/>

apparently Labor's fibre-to-the-premises National Broadband Network – and hang the cost.

But his spurious claims and lapse into swearing failed to answer any single one of the real questions about the NBN:

- NBN Co's Corporate Plan said it would pass 58,000 Australian premises with fibre by June 2011 (not counting 4,000 at trial sites in Tasmania). Why did it only pass 14,256 (not including 3,987 at trial sites in Tasmania)?
- NBN Co's Corporate Plan said it would have 35,000 active customers by June 2011. Why did it only have 622?
- NBN Co's Corporate Plan claimed it would earn revenues of \$3 million in 2010-11 and \$42 million 2011-12. Why did it earn no revenues from selling services in 2010-11, and what will be its revenues from selling services in 2011-12?
- NBN Co's Corporate Plan forecast it would pay \$15 billion to Telstra between 2010 and 2021. In reality NBN Co's payments to Telstra and Optus are likely to be at least \$21 billion in those years unless the NBN fails to roll out on schedule. Is there therefore a \$6 billion black hole in the NBN Co's forecasts and when does Senator Conroy plan to be honest with the Australian people about it?
- NBN Co's Corporate Plan in December 2010 claimed 'peak capital' required from taxpayers was \$41 billion. What is the 'peak capital' now required?
- The Government's financial advisors, Greenhill Caliburn, recommended the Government release financial data for the NBN every quarter. Why did Senator Conroy decide to hide this information from taxpayers?
- NBN Co claimed to shareholder ministers in October it had 'passed' 75,000 greenfield homes with fibre. In November NBN Co's website claimed 8,000 greenfield estates *under contract* (neither passed or connected but scheduled for work in coming months). Why has NBN Co made false claims to its shareholder ministers?
- NBN Co's contracts with Telstra and Optus are still secret – and the information they contain, such as the terms and conditions of future payments and rollout obligations, is a critical input to any alternative policy. On what date does Senator Conroy plan to release them to the public?
- The Productivity Commission has stated the NBN Co will not earn a commercial rate of return on its capital, and even NBN Co CEO Mike Quigley has admitted the project is not commercial. When will the Labor Government include the cost of the NBN on its Budget measure of outlays and what will this do to Labor's projected surpluses for the next three financial years?

So far, Australian taxpayers have poured \$1.7 billion into NBN. In return, there is little to show for it other than a new government-funded monopolist throwing its weight around and imposing prices on retail service providers. After four years in power, Labor has improved broadband for approximately 2,000 Australian households. There are 2 million more that have been left waiting since November 2007.

When will Senator Conroy stop the personal abuse, engage with the facts, observe that his policy is out of step with that of every other advanced country in the world, and admit Labor's NBN is unaffordable and an utter failure?

And if his approach to the NBN is such an economic and technological triumph why does he continue to reject the growing demands for a rigorous and independent cost-benefit analysis?

ENDS

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