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MINISTER FOR COMMUNICATIONS  
MINISTER FOR THE ARTS  
MANAGER OF GOVERNMENT BUSINESS IN THE SENATE

## SPEECH

### **CommsDay Summit 2016 The Westin Sydney, Martin Place Sydney**

**4 April 2016  
9.15am**

**E & OE**

**FIFIELD:**

Well thanks so much Renee, and can I acknowledge the work that your foundation does. As a former Social Services Minister, Australians who face extra challenges for reasons beyond their control is something that's dear in my heart.

Good morning everyone and particularly to Grahame and Petroc, thank you to you and your team for organising this CommsDay summit.

It was terrific to hear from Kate McKenzie this morning. I think we all know with such a mobile-dependent society, consumers do have very high expectations of their service providers. And the manner in which Kate and the Telstra team have addressed these concerns is certainly something to be acknowledged.

Ladies and Gentlemen I think there are probably two reasons why we're here today. The first was to hear Kate. The second is to be here this evening and to experience Grahame on the decks as DJ at tonight's dinner. A little warning, in brackets, Grahame's particular fondness is 80's electro pop. So think Depeche Mode, Pet Shop Boys, Spandau Ballet. Grahame in that respect is someone after my own heart. Grahame kindly offered me to be guest DJ. Sadly, I have a gig in Canberra tonight. So while I'll be unable to join, I am happy to be able to provide a few industry related musts I think for the playlist.

Musts for the list are:

- "Ring, Ring" by ABBA,
- "Call Me" by Blondie,

- “Telephone Line” by Electric Light Orchestra,
- “The Telephone Call” by Kraftwerk,
- and “Call Me Maybe” by Carly Rae Jepsen.

But I’m not seriously proposing those tracks for Grahame to play tonight, because none of them are particularly danceable. But there will be Mitch’s playlist tonight, I won’t share with you what it is, you’ll have to turn up tonight to hear what it is. So something to hang out for.

Today I’d like to talk to you about something other than 80s electro pop as tempting as it is. But today I’d take the opportunity to update the industry on the Government’s agenda across the Communications portfolio. And how the Turnbull Government is working to bring analog networks and regulation into the digital age.

First, I’ll speak on how we got here. How today’s regulatory environment has its roots in an analog era incompatible with the way the world operates today.

Secondly, I’ll outline the Government’s reform agenda in the Communications space, ensuring both the regulations and the regulators are fit-for-purpose for the modern era.

And finally I want to talk about the **nbn**, and address the entirely misguided efforts of our opponents to undermine public confidence in the rollout.

### **How did we get here: regulations from an analog era**

I’ll begin by briefly touching on how today’s regulations still hark back to the analog era.

We have media regulations, in the form of the *Broadcasting Services Act 1992*, which were designed for an age when the internet barely existed.

We have telecommunications regulations, in the form of the *Telecommunications Act 1997*, which were designed for an age when broadband barely existed.

We have spectrum regulations, in the form of the *Radiocommunications Act 1992*, which were designed for an age when mobile data, smartphones and tablets barely existed.

And we have a consumer protection regime, in the form of the *Telecommunications (Consumer Protection and Service Standards) Act 1999*, which was designed for an age when the basic expectation for telecoms users was a copper-line telephone with a dial tone.

Many of the laws that we have today were crafted in – and for – an analog world. They simply don't reflect the world that we live in. They don't reflect the changes in technology. They don't reflect the improvements in consumer choice.

And so the Turnbull Government is approaching all aspects of the Communications portfolio, as with all portfolios, to ensure that the laws we have are fit-for-purpose. That they reflect our transitioning economy.

Our economy isn't just transitioning with less reliance on the mining sector. It's transitioning constantly in terms of communications technology, applications, and consumer options and choice.

### **Reforming regulation: What the government is doing to bring analog regulation into the digital age**

With this brief bit of background, let me give you an overview of the Government's reform agenda in this portfolio.

#### *Media Reform*

First, it feels entirely appropriate to canvass the Government's media reform agenda at a telecommunications-industry event. Given this industry's pivotal role in the disruption of 'traditional' media.

And given the dissolving distinctions between carriers, broadcasters and content providers.

Optus' acquisition of the English Premier League rights is a case in point: the fact that we now have a telco selling the broadcast rights to a broadcaster - and not the other way around - shows just how rapidly the competitive landscape has shifted.

You all work in an industry that has been through rapid and significant change. But our media laws have been stuck in 1987.

The core parts of our media laws were devised in the same year that the first hand-held analog mobile phone call in Australia was made by the Communications Minister to the Managing Director of what was then Telecom.

These laws have been tinkered with, but their core remains largely unaltered.

The media landscape, meanwhile, is unrecognisable.

As you know, the Government has introduced legislation to abolish the 75 per cent audience 'reach rule', which prohibits a person from controlling commercial television broadcasting licences where the combined licence areas exceed 75 per cent of the Australian population.

And also the '2 out of 3' rule, which prohibits a person from controlling more than two of three regulated media platforms in any commercial radio licence area.

When anyone can use a 4G-connected smartphone or tablet to access news, sports, streaming video, podcasts, global radio, social media and blogs from a limitless range of sources, the '2 out of 3' rule no longer makes sense.

So these reforms will make media regulations more contemporary for competing media companies in the digital age.

### *Spectrum Reform*

Just as the Government is reforming regulations for the industry which broadcasts on the radio waves, it makes sense that we also reform the regulatory environment imposed on those radio waves.

In the same month that the Media Reform Bill was introduced into Parliament, I also launched a consultation paper on proposed legislative amendments to the Radiocommunications Act.

Australia's current framework has been in place since 1992. At the time, it led the world by introducing market-based mechanisms that allowed the most coveted parts of the spectrum to be allocated to their highest-value use.

But nobody could have predicted just how rapidly our appetite for mobile technology, and therefore spectrum, would develop in the following years.

When these laws were introduced, I was working as an adviser to a state government Minister and I had the sought-after job of carrying the Minister's mobile phone. Which came complete with a shoulder-strap and a battery about the size of a briefcase. I thought I looked pretty good.

1992 was also the year that the world's first SMS text message was sent, using 140 bytes of mobile data.

We've come a long way since then. In the three months ended 30 June 2015, Australians downloaded over 38,000 terabytes of data on mobile networks<sup>1</sup>.

In the Government's response to the 2015 Spectrum Review recommendations, we said we would focus on three important areas of reform:

- A clearer, simplified policy framework to ensure transparency and accountability in decision-making;
- The introduction of a single licensing framework; and
- Integration of the treatment of broadcasting spectrum into the general framework.

Changes are not intended to mandate particular approaches to the use of spectrum. Instead, they are designed to remove barriers to innovation and encourage industry to manage spectrum in different ways.

Submissions to the consultation paper are open until April 29, to be followed by additional consultation on a legislation exposure draft.

#### *USO & Consumer Protection Reform*

Another area of telecommunications regulation which was established in the analog age is the consumer protection regime laid out in the *Telecommunications (Consumer Protection and Service Standards) Act 1999*, including the Universal Service Obligation.

This is the legislation which ensures that all people in Australia, wherever they live, have reasonable access to a "standard telephone service" (STS) and payphones.

Just like our media laws, this consumer protection regime made good sense at the time it was written.

Back then, mobile telephones were a luxury. Dial-up internet at home was growing in popularity but hardly a necessity. And payphones were considered an essential service.

But technology has raced ahead, and the consumer protection regime has not kept up.

It is important to question what benefits end-users - and taxpayers - receive from two major spending programs which deliver different communications services in parallel.

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<sup>1</sup> ABS Data 8153.0 - Internet Activity, Australia, June 2015  
<http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/8153.0Main%20Features4June%202015?opendocument&tabname=Summary&prodno=8153.0&issue=June%202015&num=&view=>

On one hand the Government is investing \$29.5 billion to roll out the NBN, which will provide all Australian premises with access to high-speed broadband by 2020.

At the same time, the Government and carriers, via the Telecommunications Industry Levy, jointly contribute around \$270 million every year towards the USO standard telephone service and payphone obligations.

And these, in most cases, are delivered over the copper network that the NBN is replacing.

It is worth asking if these regulatory and contractual arrangements continue to be relevant to consumers in the digital era. While also recognising that there are long-term contracts already in place for the provision of these services.

This question was canvassed in the recent Regional Telecommunications Review.

The report found that the STS is of “rapidly declining relevance” and that the cost effectiveness of the existing USO regime is “questionable”.<sup>2</sup>

While it is premature to determine the appropriate model for new regulatory and funding arrangements, adjustments to the current regime need to be investigated, given changes to available broadband technologies and consumer expectations.

The Government will task the Productivity Commission to undertake a review into the future requirements for universal service regulation. The Terms of Reference will be issued shortly.

In parallel to the Productivity Commission review, the Government will also consult on reform options for the broader consumer safeguards framework. Including what future retail-level safeguards should look like, and how these are best structured and funded.

### **Rolling out the Coalition’s nbn: A business model, not a technology choice**

So now that I have outlined the Turnbull Government’s agenda for bringing analog regulations into the digital age, I’d like to turn to how we are rolling out the infrastructure of the digital age. The NBN.

When this Government inherited the National Broadband Network, the project was fraught with serious issues and mired in delays.

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<sup>2</sup> Regional Telecommunications Independent Review Committee 2015 p xiii

At its core was a flawed decision taken by the previous government to base the project on a single fixed-line technology choice. Fibre only and fibre everywhere.

As **nbn** CEO Bill Morrow demonstrated a couple of weeks ago when he hosted industry journalists — including CommsDay — on a site tour, this inflexible FTTP prescription continues to throw up gremlins, even after years of design and construction refinements.

Notwithstanding this Government's decision to continue the contracted FTTP build while in transition to minimise industry disruption, the key difference between the former government's **nbn** and our redesign of the project is that our approach is based squarely on a **business model** — not a technology choice.

Our policy has always given **nbn** flexibility in network and technology design decisions as long as the economics stack up.

**nbn** and its industry partners are working collaboratively on developing new cost-effective solutions such as fibre-to-the-distribution point and the aptly-named 'skinny fibre'.

Of course, **nbn** is not alone.

Network operators and governments around the world are considering the best mix of technologies to meet their commercial and social objectives.

And the practical performance gap continues to narrow between expensive and slow-to-deploy all-fibre systems, and those that use copper, particularly to connect end-user premises.

Importantly, these technologies can co-exist.

It is incorrect to suggest that **nbn**'s current investment in nodes will soon be stranded.

As Nokia is demonstrating with A1 Telekom Austria and others, even within a local loop, you can have different premises using VDSL, G.fast and Vplus<sup>3</sup>.

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<sup>3</sup> Alcatel- Lucent (2016) Vplus: Fill the gaps in your ultra-broadband Network. Alcatel-Lucent. <https://www.alcatel-lucent.com/solutions/vplus>

Now I want to acknowledge that there have been a series of allegations circulating that the rollout is somehow off track. The Company has put paid to those falsehoods on several occasions over recent months. And I will do so again today.

The **nbn** coverage footprint as of today is just shy of two million<sup>4</sup> homes and businesses. And there are over 890,000<sup>5</sup> active connections.

It's expected that by the end of June this year, more than 2.2 million premises<sup>6</sup> will be able to order a fixed or wireless **nbn** service. Even cruising at **nbn**'s post-Christmas average run rate of 27,000 per week, this target will be reached in around eight weeks' time.

Similarly, the number of connected premises is growing on average at 14,000 a week - easily in line with forecasts<sup>7</sup>.

Incidentally, that's more homes connected in a single month than the former Government managed to connect in over three years.

So in less than three years, the Coalition Government has completely turned around what is the most complex infrastructure mega-project in Australia's history.

And every day the rollout gathers pace, vindicating this Government's policy decisions.

Opponents of the multi-technology rollout are fond of the mantra "do it once, do it with fibre".

But reverting to this approach would mean leaving millions of Australians without high-speed broadband until 2026 or even 2028, and putting even greater pressure on affordability.

In contrast, under our **nbn** business model, the company estimates the build phase will be complete by 2020. The earnings phase will also begin far sooner with peak funding expected to reach around \$49 billion in FY21.

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<sup>4</sup> As at 24 March 2016, 1,929,920 premises ready for service (excludes satellite).

<sup>5</sup> As at 24 March 2016, 894,068 premises activated.

<sup>6</sup> nbn 2016 Corporate Plan, excluding satellite, page 60

<sup>7</sup> Nbn weekly progress report. <http://www.nbnco.com.au/corporate-information/about-nbn-co/corporate-plan/weekly-progress-report.html>



And of course, bringing forward revenues by completing connections sooner will enable **nbn** to better manage its future funding requirements.

Opponents of our **nbn** business model have also taken to citing Akamai's 'State of the Internet' reports to support careless claims that Australia is being 'left behind'.

But despite the hyperbole, the Akamai Report is actually the clearest evidence yet that our 'lowest-cost, fastest rollout' approach is the right one.

Despite being nearly six years into an FTTP rollout with more than 700,000 services in operation, the latest Akamai snapshot indicates that Australia sits at 48th in the world for average internet speed at 8.2 megabits per second, and 60th for peak-speeds of 39.3 megabits per second.<sup>8</sup>

Contrary to the opinion of FTTP advocates, a reversion to an all-fibre rollout is more likely to see Australia remain stagnant in the average speed rankings. As redesigns, construction interruptions, extended connection timeframes and affordability pressures inevitably leave more Australians waiting longer for better broadband.

Peak speed rankings can be an unreliable indicator of utilisation. A quick glance through Akamai's 2015 fourth-quarter data shows there is little correlation between available *peak* speeds and *average* speeds in the top-ten countries ranked.

For example, while Singapore had the number-one *peak* speed ranking at 135.7 Mbps, it comes in at 16th globally for *average* speeds of just 13.9 Mbps. That's only 5.7 Mbps faster than the average broadband speed in Australia today.

Once again, these statistics tells us much more about broadband business models than technology choices.

By leveraging existing infrastructure such as copper lead-ins and HFC, and using neighbourhood nodes as connection multipliers, the Coalition's **nbn** rollout will see close to three quarters of all Australian homes able to access a minimum of 25 megabits by June 2018, and all homes by 2020.

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<sup>8</sup> Akamai Q4 2015 State of the Internet report p30

When it comes to Australia moving up the Akamai league table, the speed metric that matters most is the speed of the rollout.

We're pursuing ubiquity and affordability.

I've often said that those campaigning for an all-fibre rollout are taking a theological approach rather than a technological approach.

And today, I'm going to make a prediction: if the theological opposition to our multi-technology mix were playing guest DJ at the CommsDay Dinner tonight, the track at the top of the playlist would be "Losing My Religion" by REM.

Because it appears that the Opposition is laying the groundwork for a broadband backflip in the lead up to the next election.

In recent weeks, when asked about Labor's broadband policy, the Shadow Communications spokesman has simply said that "that Labor will rollout more fibre."

Not *all* fibre. Just *more* fibre.

Which is tantamount to an admission that the Coalition's technology-agnostic business model is right.

Of course, we are only able to use the copper and HFC in existing networks thanks to this Government renegotiating the **nbn** Definitive Agreements with Telstra and Optus. Had Labor's original agreements remained intact, there would be no access available to the copper now or in the future.

Labor is finally coming around to understanding that Australian taxpayers won't wear paying for a gold-plated network while languishing for years waiting for service upgrades.

It's now close to three years since Anthony Albanese fantasised about a thousand-megabit future for 37 billion dollars. At the time there were fewer than 40,000 **nbn** fibre services in operation.

Today there are more than 700,000 of those same services, yet fewer than 5 **nbn** consumers per one-hundred-thousand are buying a speed above 100 megabits.

The evidence shows that users do not currently value FTTP to the point that they are actually willing to pay for it.

As all of the RSPs in the room know, more than 80% of users connecting to the **nbn** are signing up to plans on speed tiers of 25 Mbps or below.

And this financial year, of all of the premises that **nbn** has rolled out to with FTTN and FTTB, only two premises have paid to upgrade to FTTP under the 'Technology Choice' program.

Conversely, there is clearly consumer appetite to move up from ADSL to vectored VDSL. Just a few months after switching on services in Belmont New South Wales, the take-up rate is already above 30 per cent and close to 50 per cent in some areas.

Once again, this evidence underscores the validity of our business model for the **nbn** which focusses on delivering broadband services that already exceed mainstream needs, in the most timely and affordable way.

Despite this, there remain some who would seek to undermine confidence in the project, particularly the FTTN rollout.

But in its professional and diligent way, the management of **nbn** has carefully tested these various claims and theories, particularly regarding copper performance, and all have been found wanting.

As Bill Morrow explained at a recent Senate hearing, there are now more than 30,000 FTTN services in operation. And the average available download speed across these services is testing at 83 megabits per second - well in excess of the design guidelines of 50 megabits in 90 per cent of the fixed footprint.

Now, without looking at anyone in the room, I think we can all agree that end-to-end speed on the Internet is only as fast as the slowest link, which may be outside the wholesale access network.

And I know that CVC provisioning is something that Bill Morrow will address when he speaks to you tomorrow so I will leave it at that.

## **Conclusion**

So let me conclude by saying that the Coalition is delivering on its reform agenda to bring Australia into the digital era.

We came into government faced with regulatory regimes with their roots in the analog age.

And in less than three years we have kicked off a reform agenda which will see Australia's media laws, radiofrequency spectrum regulations, and telecoms consumer protections regimes brought into the digital age.

At the same time, we have made great strides in accelerating the rollout of the **nbn** to ensure that every Australian has access to the infrastructure of the digital age.

Thank you, and I hope everybody enjoys the rest of the Summit.

**[end]**

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