

**Four Corners interview with Geoff Thompson
Commonwealth Parliamentary Office, Sydney
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GEOFF THOMPSON:

Mitch Fifield, when will the NBN be finished, and what will it deliver?

FIFIELD:

The NBN will be completed by 2020 and it will deliver fast speeds to the nation. There will be a minimum mandated speed of 25Mbps and 90 per cent of the fixed-line footprint will have speeds of 50Mbps. So, this will be a step change for Australians compared to the pre-nbn world. Australians are already noticing the difference. And the more people who come on to the NBN network, the greater the national economic benefits will be.

THOMPSON:

It's really ramping up, isn't it, in the next 12-18 months. There's a bit of a rollout frenzy peaking at about 70,000 premises a week?

FIFIELD:

Well, you're right. This is a network that is rolling out at a pace. When we came into office in 2013, there were only about 51,000 people who were connected to the network. We now have the NBN available to more than 50 per cent of the nation. That's more than six million premises. Already close to three million people have hooked up to the NBN. By the middle of next year it will be three quarters complete. And all done and dusted by 2020.

THOMPSON:

How are Australians responding?

FIFIELD:

I think overwhelmingly Australians are having a good experience on the NBN. With a project of this magnitude, we're essentially endeavouring to do over the course of six to eight years what the PMG and Telecom took the best part of 70 years to do. There will be issues for individuals and there will be issues for some businesses. But, overwhelmingly the experience is a good one.

THOMPSON:

When it's finished, will it be enough to meet the needs of Australians?

FIFIELD:

The NBN network will be one that's fit for purpose. Our objective as a Government is to see the NBN rolled out as soon as possible and at the least cost through what's known as the multi-technology mix approach that we're taking. The NBN will be completed six to eight years sooner than would have been the case under the approach of our predecessors and at around \$30 billion less cost.

THOMPSON:

Will it meet the future needs of Australians?

FIFIELD:

The NBN will meet what it is that Australians need a fast broadband network for. There's no technology project that is ever set in amber. It's not set in stone. There will be upgrades over time.

THOMPSON:

Is the Government in a rush to complete a sub-standard NBN?

FIFIELD:

We're in a rush to do what the Australian public want. I think anyone in public life knows that 99.9 per cent of people that you talk to ask the question, "When will I get the NBN?" and "Preferably, I'd like it yesterday". That's the message that came through to us loud and clear. Which is why we've set a deadline of 2020 by which to have the NBN completed. Our predecessors effectively had I guess what I'd call a theological

vision for the NBN. They had fantasy targets. We wanted to be realistic. The NBN can be completed by 2020, that's six to eight years sooner than would have otherwise been the case.

THOMPSON:

Is the rush, at least partly because, the NBN needs to start making a profit. Is the business model one of the fundamental issues with it?

FIFIELD:

We've set the 2020 target because Australians want the NBN. And they want it soon. We don't think that it would be good for the nation, and we don't think Australians would accept, having to wait until 2026 or 2028 to get the NBN. You get the full national economic benefits of fast broadband when the whole nation has it.

THOMPSON:

Everyone agrees, don't they, that it would've been better to end up with a mostly fibre to the premises network?

FIFIELD:

Well, I think it's important to recognise that the guts of the NBN is fibre. The NBN is a fibre-based network. We are, for the last component, in the street in some cases using copper. We are for the last component in the street in some cases using the existing HFC pay TV cable. The reason we're doing that is because that really speeds up the rollout of the NBN. It really reduces the costs of the rollout of the NBN. So, the guts of this is fibre. And Australians will get fast speeds.

THOMPSON:

The largest number of Australians will be getting fibre to the node. Why are we ten years behind New Zealand?

FIFIELD:

Well New Zealand started I think about 2009 with some fibre to the node. New Zealand is actually deploying a range of technology types. New Zealand will use fixed-wireless. New Zealand will continue to use, in many cases, the ADSL network. So they are pursuing a multi-technology mix. But we will compare favourably with New Zealand. New Zealand will have mandated minimum speeds of 10Mbps. Our minimum mandated speed will be 25Mbps. We'll have a fixed-line footprint of about 92 per cent of premises. New Zealand will have a fixed line footprint of 85 per cent of premises. Thus far, in New Zealand, the take-up rate to get on to the network is about 34 per cent. In Australia, with the NBN, it's about 75 per cent. We're going to have our network done and dusted by 2020. New Zealand is going to have to wait until 2025. So, I think Australia compares very favourably with New Zealand.

THOMPSON:

By 2020 or 2021 75 per cent of New Zealander's will have access to fibre to the premises, Australians won't.

FIFIELD:

Australia will have a fast broadband network that is fit for purpose. Fibre to the Node is a good technology that can deliver fast speeds. But, our mandate to NBN is use the technology that makes sense in a given area, that will see the NBN rolled out fastest and at lowest cost. But of course, NBN is always minded to look to potential upgrade paths in the future as they're necessary.

THOMPSON:

Many people argue that we'd be better to stay the course, rather than end up with a network that will almost immediately need to be upgraded.

FIFIELD:

Well, when you say "stay the course," our predecessors missed every rollout target that they had set themselves. When you say "stay the course", our predecessors essentially delivered a failed project. Despite \$6.5 billion having been spent over four years only 51,000 premises were actually hooked up to the NBN and contractors had downed tools in four states.

The NBN under our predecessors was in absolutely no danger of hitting any milestones. The approach that we've taken has got the NBN back on track. We'll see it completed by 2020. We'll see it completed at \$30 billion less cost. And we'll also see internet bills for households \$500 less than they would have been under the Labor approach.

THOMPSON:

The Coalition went to the 2013 election claiming the original rollout would blow out to \$94 billion, that wasn't true was it?

FIFIELD:

The NBN was assessed when we came into office at 2013 as potentially costing \$23 billion more if the full fibre rollout continued. That was reassessed in 2015 on the basis of what it would cost if you went back and commenced doing fibre to the whole nation. And that was \$30 billion. So whichever way you look at it. If you look at it as it was in 2013 you're talking an extra \$23 billion. If you looked at it afresh in 2015, it would be an extra \$30 billion. So our approach will see the NBN built at substantially less cost and delivered to Australians sooner.

THOMPSON:

Where do you get that \$30 billion figure from?

FIFIELD:

The \$30 billion for 2015 is the counterfactual. What it would cost if the NBN reverted to a full fibre build.

THOMPSON:

That's reverted to not the cost of it if you just continued the build without interruption.

FIFIELD:

Reverted would be a cost of \$30 billion. If it continued without interruption it would've been, according to the work done in 2013, about \$23 billion extra. So it doesn't matter which way you look at it. If you looked at it as a continuous build or if you looked at a reversion. You're talking between \$23 and \$30 billion extra cost.

THOMPSON:

Some of the reasoning in the strategic review is a bit flawed though isn't it? I mean, why does it assume such small efficiency savings over time when every country in the world finds great rollout efficiencies over time. Such as New Zealand 45 per cent?

FIFIELD:

What isn't being taken into account there, is that New Zealand did some of their more difficult and more expensive premises first up. The costings that are being looked at now in New Zealand as comparators are looking at those areas that are relatively straightforward.

Our mandate to NBN is to connect the entire nation. NBN doesn't have the capacity to just pick the eye teeth out of those areas that are profitable, or those areas that are easy. But if you look in the United States the example of Google Fibre. Google were looking to do fibre to the premise in basically entire cities. But eventually, they reached the conclusion that it was just too expensive to do. So, Google Fibre have now abandoned fibre to the premise. They're increasingly using fixed wireless. So, when you're doing international comparisons, you've got to recognise that you can't just look at those countries that are seeking to pick the eye teeth out of a market and the easy builds, with the NBN, which has the mandate to deliver for all premises.

THOMPSON:

But the Google example aside, the increased efficiencies over time of any business really, but specifically for rolling out fibre to the premise, is universal with a 50 per cent reduction in the UK. Why is there such, almost no efficiency saving in Australia. It seems to be miraculous?

FIFIELD:

Well again, you're not comparing like with like. There is almost nowhere in the world that is doing fibre to the premise in every premise in the nation. Small nations, geographically compact nations such as Singapore. Maybe. But you're not seeing fibre to the premise to every premise in the US. You're not seeing fibre to the premise to every premise in the UK. You're not seeing fibre to the premise in every premise in France. The reason for that is because fibre to the premise is very expensive. There's significant civil works involved that usually involve digging up everyone's front yard. So the comparisons of cost for fibre to the prem in Australia and fibre to the prem overseas are not comparing like with like. If you did fibre to the premise in Australia to every premise, that includes very difficult locations as well as the straightforward. Most of the international comparators are not comparing like with like.

THOMPSON:

In some of nbn's own trials in Milton and elsewhere, they found themselves 25 per cent reduction in costs over time. Their efficiency savings. You must concede that if Australia had continued with rolling out fibre to the premises it would've got a lot cheaper over time, and Bill Morrow concedes that.

FIFIELD:

While there may have been efficiencies, they would not have been of the magnitude of \$20 to \$30 billion to bridge the gap in the cost between our approach to the NBN and that of our predecessors. A full fibre to the premise approach would cost tens of billions of dollars more.

THOMPSON:

But why do you keep saying the \$30 billion figure when you know that was not a costing of the original plan, that was a costing of changing courses in 2015 and doing an overbuild and the rest of it.

FIFIELD:

Well if you don't like the 2015 reversion figure let's go to the 2013 \$23 billion figure which was looking at a continuation. So, it doesn't matter which way you slice it, it doesn't matter which way you dice it. Fibre to the premise for every premise in the nation would cost tens of billions of dollars more and would take many years longer. They're the facts.

THOMPSON:

Well it costs more because it takes longer for the large part. That \$30 billion figure also relies heavily on the assumption you'd never reach rollout approaching 30,000 homes a week. Bill Morrow has conceded himself that would be possible.

FIFIELD:

Look the run rate may well have increased. But it is just a statement of fact that given the civil works that are involved for fibre to the premise it costs more and it takes longer.

THOMPSON:

So essentially Australia's getting a substandard network because it can be done more quickly for less cost?

FIFIELD:

Australia will get a good, fast broadband network that's fit for purpose, that delivers speeds that are significantly higher than those in the pre-NBN world with minimum mandated speeds of 25Mbps, speeds of 50Mbps for 90 per cent of the fixed-line foot print. And they'll be getting those a good number of years ahead of when they would've got the NBN under the approach of our predecessors and at significantly less cost. And because it's at significantly less cost that also means that what they'll be paying monthly, year in, year out, for broadband will be significantly less than it would be under the approach of our predecessors.

THOMPSON:

Now blowouts are not unusual in Australia's big infrastructure projects, Australia's largest as this one is. It has blown out under the Coalition too, hasn't it?

FIFIELD:

When we came into office we found that the NBN was in a significantly worse state than we had understood. We also discovered that our predecessors actually didn't know how much it was costing to connect each premise to the network. So we had a better handle on the costings for the project after a short period of time in Government.

THOMPSON:

But there's a pattern here isn't there. Going back to \$94 billion to this false figure of \$30 billion that you throw around. And it's in your political interests to convince the Australian public that continuing with the fibre to the premises rollout originally would have been pretty prohibitively expensive.

FIFIELD:

Well the fact is continuing with the approach of our predecessors would've been prohibitively expensive. If you look at 2013, as I mentioned, even on a continuation basis you're talking about \$23 billion extra cost. Now that's...

THOMPSON:

That's based on assumptions that really don't withstand scrutiny. There's no efficiencies and the run rate could never be reached. And we know that both of those things could occur.

FIFIELD:

Even assuming that there were efficiencies and an improved run rate, they would not be of the magnitude that is cited by people like Mr Quigley. They would not be of a magnitude to bridge a \$23 billion gap. And they would not be of a magnitude that you would see the NBN rolled out nationwide any time before the mid-2020s. We took the decision that the Australian public wanted the NBN sooner rather than later. And that the NBN should be delivered within a funding envelope. \$49 billion has been the funding envelope for the NBN for some time. And I've got great confidence in Bill Morrow and the management team that he will deliver within that funding envelope and that he will deliver by 2020.

THOMPSON:

Now, a lot of members of the public think well, why not wait a little bit longer and get something better, which retains that exciting vision I suppose of a fibre connected Australia. When really if you had stuck with FTTP it might have taken a few more years and a few more billion but you'd have a better result in the end.

FIFIELD:

What Australians tell me and what Australians tell my parliamentary colleagues is that they want the NBN sooner rather than later. That message has come through loud and clear. So we've set 2020 as the time frame and we will achieve the NBN at tens of billions of dollars less cost than would've otherwise been the case.

THOMPSON:

You're doing that simply because you're avoiding extra construction and connecting inferior technology to the largest number of Australian homes.

FIFIELD:

Well, again, Geoff, you're operating on a false premise...

THOMPSON:

But that's a fact, what's not true about that? That statement is a fact.

FIFIELD:

That false premise is that ...

THOMPSON:

What's the false premise?

FIFIELD:

Is that the NBN under our mandate for the organisation isn't fit for purpose and that it won't be delivering fast speeds for people. It will do both of those things. The other false premise is that every nation in the world is rolling out fibre to the premise. That's not the case. Pretty much every other country in the world is pursuing a multi-technology mix approach using a combination of fixed wireless, pay TV cable, fibre to the node, fibre to the premise. What we're doing in Australia is what is done around the world and that is using a range of technologies.

THOMPSON:

You will just be getting it a lot later.

FIFIELD:

Well, no not a lot later. The United States and the UK, they have a mandate of a minimum speed of 10Mbps. The United States and the United Kingdom. We will have a minimum speed mandate of 25Mbps, and 90 per cent of the fixed line footprint 50Mbps. So the Australian experience on the NBN will compare very favourably with the rest of the world.

THOMPSON:

A lot of people aren't getting the speeds they're paying for and you can't guarantee a congestion-free network like you can in New Zealand. What do you say to that?

FIFIELD:

There are a number of issues that can affect the speed that people are experiencing on the network. And particularly in the transition there will be issues of the in-home wiring that people have. Whether people

have the right modem. But also, it's important that retailers purchase the capacity that they need to service their customers. That's important.

THOMPSON:

Now, and do you think that they're failing? The RSPs are not doing what they should be doing in fact by the NBN. And a lot of people are not enjoying the NBN experience at the moment.

FIFIELD:

We have tasked the ACCC to put about 4,000 probes in homes around Australia so that there can be speed monitoring which will be made public to ensure that people are getting what they pay for and that the experience that people have with their retailers is transparent. The ACCC has also given strong guidance to retailers as to how they should advertise the products that they're selling to make sure that they're up front and that people have good information. Something that hasn't always been the case.

THOMPSON:

When this was launched as a great vision for Australians, all about education and health. And there's a strong argument that to really deliver those services and to save the sort of money you could eventually on the budget, that there needs to be what they call ubiquity. That everyone needs to be able to have much the same service, particularly uploads. The NBN won't deliver that, will it?

FIFIELD:

Well the NBN will deliver to all Australians much sooner than would've been the case otherwise, a national fast broadband network. And the NBN will have the capacity to upgrade the network as that's required.

THOMPSON:

But there's no budget for upgrade is there.

FIFIELD:

NBN management are confident that their revenue model and their business model will support upgrades as they're required.

THOMPSON:

But there is no budget for an upgrade is there. The NBN that is done in 2020 is the NBN that we've got.

FIFIELD:

NBN as a business is planning and will plan for upgrades as they're required. And NBN as a business are confident that their business model and their revenues will support upgrades.

THOMPSON:

Will your Government ever consider just writing off the need for NBN to make an income so we can get rid of the dreaded CVC.

FIFIELD:

NBN as a business needs to be able to cover its costs. It needs to be able to maintain its network. And it needs to plan for future upgrades as they're required. That's appropriate. Already, there's been a \$29 billion taxpayer equity injection into NBN as an organisation. But ultimately as with our voice telephone service, a broadband network is a user pays network where individuals and businesses will pay for the services that they consume.

THOMPSON:

Do you think Australians have got to get used to paying more for broadband speeds they want?

FIFIELD:

The current packages that there are, provided by retailers on the NBN network, are broadly comparable to those on the pre-NBN network. But there is a new variable with the NBN network that wasn't there on the pre-NBN network. And that's speed. So consumers will have a range of speed options that they didn't have before.

THOMPSON:

What do you say to people in say, Dubbo, I mean Dubbo one side of the street it had fibre to the premises and the other side of the street you have fibre to the node. In time, as demand increases, that's going to maybe even have an effect on property prices. What do you say to those people?

FIFIELD:

Well I guess real estate agents will say what real estate agents will say when they're trying to sell a property. And individuals take into account a wide range of factors when looking to make a property purchase. But whether someone is on fibre to the node or whether someone is on fibre to the premise, they'll have a good experience. And it's interesting to look at the speed packages that people are purchasing. About 83 per cent of people are purchasing speed products of 25Mbps or less and that doesn't really vary much whether you're talking fibre to the node or fibre to the premise.

THOMPSON:

So there's enough for today, but not necessarily for the future?

FIFIELD:

The NBN will be fit for purpose. It will support the needs that Australians have. But, no network, no technology is ever set in stone. There are always upgrades. NBN is looking to those and indeed NBN has already identified a number of upgrade paths.

THOMPSON:

Isn't the current NBN rollout in danger of entrenching a digital divide in Australia with the haves and have-nots?

FIFIELD:

Our predecessors wanted to see a digital divide continue for longer. If you pursue a path, which they were, which would see the NBN not completed until the mid-2020s, then there would be a digital divide in Australia for a period of time. Because we've set an objective of having the NBN completed by 2020, there'll be less of a digital divide in Australia much sooner.

THOMPSON:

But someone's property could have \$30,000 spent on it getting fibre to the premises. And someone else on fibre to the node doesn't get that privilege. How is that fair?

FIFIELD:

Well we think this is a good network. It will have minimum mandated speeds of 25Mbps. Compare that to the US. Compare that to the UK. Who have minimum mandated speeds of 10Mbps. And 90 per cent...

THOMPSON:

But it's not fair though, is it? It's not - because you've got different technologies across the network. Some people win. Some people lose.

FIFIELD:

I think it's fair that Australians will have the NBN by 2020, a good number of years than would've been the case under our predecessors. I think it's fair that Australians are going to have a network that costs \$30 billion less or \$24 billion less depending on the time frame you want to take, that is the case under us. I think both those things are fair. I also think it's fair that Australians under the Coalition's NBN will be paying \$500 less per year for their broadband than they would have under the approach of our predecessors.

THOMPSON:

That's assuming the assumptions... Isn't the increasing rollout of fibre to the curb an admission fibre to the node is a failure?

FIFIELD:

No. The mandate that we've given NBN is to be technology agnostic. And that means that they can use the technology that makes sense in a given area to see the NBN rolled out fastest and at the lowest cost. That gives NBN the freedom to change the technology where that makes sense. So in some places, fibre to the node will make sense. In greenfield developments fibre to the premise makes sense. In other areas, it makes sense to use an existing HFC pay TV cable and in other areas, it will make sense to use fibre to the curb.

THOMPSON:

Now, tell us a bit about demand. It's doubling every few years. Growing 13 per cent a year. It's not going to be long before it's not good enough.

FIFIELD:

NBN as designed can meet the needs that Australians have...

THOMPSON:

Today.

FIFIELD:

And as needs change over time, NBN is well capable of and will plan to adapt the network as that's needed.

THOMPSON:

But if you stayed the course that wouldn't be necessary and Australia would have a gold standard NBN?

FIFIELD:

The phrase "stay the course" implies that our predecessors had identified some type of broadband nirvana. In fact the opposite was the truth. It was a failed project. \$6.5 billion over four years. Only 51,000 people actually hooked up to the NBN. Contractors downed tools in four states...

THOMPSON:

But that doesn't mean the technology choice was a failure.

FIFIELD:

It means that the management and the approach of our predecessors was a failure...

THOMPSON:

But you could have just changed that.

FIFIELD:

It means that the management and approach of our predecessors was a failure. But also, the fundamental design was wrong. If you want to have NBN to Australians as soon as possible and at lowest cost, you wouldn't have taken their approach. We think Australians want the NBN. They want it soon. They don't want to have to wait until the mid-2020s. And I don't think Australians would appreciate an extra \$24, an extra \$30 billion cost for the NBN. And I don't think Australians would appreciate having to pay an extra \$500 a year for their broadband which would've been the case if we stayed the course of our predecessors.

THOMPSON:

In New Zealand people talk about the way you make money on a network is by having the fast fibre and taxing the creative things that are done on it. Successes are borne of that network. And there is a change in consciousness. So that when you have got in Australia 85 per cent of people are getting 25Mbps or less. 90 per cent of new connections in New Zealand choose 100Mbps or higher. There is a shift in consciousness that seems to occur. Don't you get the feeling that people are not really getting excited about Australia's NBN?

FIFIELD:

Well I'm in the business of delivering. Of delivering the NBN by 2020. And doing it within the responsible financial envelope that the organisation has. NBN is a network on which the majority of people are having a good experience. The more people who are on the NBN, the more people who are experiencing the better speeds, the greater the appreciation will be, that this is a network that's fit for purpose.

THOMPSON:

Because you're in such a rush, there's a lot of contractors out there and there's some shoddy work being done.

FIFIELD:

NBN has a number of prime contractors and they have a number of sub-contractors. There's six thousand NBN employees working on this project. There are 24,000 external individuals working on the NBN project. The overwhelming majority of them are well trained and doing a good job.