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in the Senate

"Building on Strength"

Address to the Australian Telecommunications Users Group Policy Breakfast

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Thank you for the opportunity to speak to you this morning about the Coalition's plans for the future of the communications industry and the steps we have put in place to make this vision a reality.

2008 will be a critical year for the communications industry in Australia, perhaps one of the most important since the Howard Government liberalized the industry back in 1997.

Decisions that are made and implemented in 2008 will potentially have implications for the next ten years and beyond.

Australian telecommunications consumers will need to decide whether they will stick with the experienced and tested team from the Coalition, or whether they will risk creating a prolonged period of uncertainty by switching to the inexperienced and unknown Opposition and their opaque plans for the future – plans that in eleven and a half years have amounted to little more than opposition to the sale of Telstra and a single FTTN proposal for broadband.

We believe there is so much more to the communications landscape. Infrastructure is a vital part, but it is not what it is, but what it delivers that is the critical difference.

Communication technology is now the life-blood of the modern Australian economy.

It has a profound influence on Australian society, underpinning Australia's productivity gains and playing a pivotal role in growing our economic prosperity and social well being.

Technology's contribution to Australia's strong productivity growth accounted for some 40 to 70 per cent of total productivity growth in manufacturing and service industries between 1984-85 and 2001-02[1].

Broadband also supports Australia's new workplace paradigm, as broadband allows organisations both small and large to adopt more flexible and productive ways of working.

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[1] *Productivity Growth in Service Industries*. Occasional Economic Paper April 2005. Department of Communications, Information Technology and the Arts, see *www.dcita.gov.au*

The Coalition’s has set out a number of core objectives for the communications sector.

We have a strong ongoing commitment that all people in Australia have access to quality telecommunications services at affordable prices.

This commitment is underpinned by a robust consumer safety net, including the Universal Service Obligation and the Customer Service Guarantee, as well as price controls to maintain price parity and a sound network reliability framework.

We have a strong ongoing commitment to robust competition and the long-term interest of end users, as well as encouraging efficient investment in next generation communications infrastructure.

We have a demonstrated record of effectively using targeted funding to encourage the market to investing in underserved areas.

As a result of the Coalition’s sound economic management we have been able to set up the $2 billion Communications Fund to invest for the future of regional Australia in perpetuity.

And, we have promoted the development of advanced networks for research, education and remote medial diagnoses, thus unlocking the true value of broadband technology to meet head-on the challenges of service delivery to those in rural and regional Australia.

These commitments from the Coalition are unwavering and are backed by a proven track record.

AUSTRALIA CONNECTED

We are giving effect to these core obligations with an ambitious program to provide seamless broadband nationwide.

The Australia Connected initiative I announced with the Prime Minister in June will use almost $2 billion of public and private funds to deliver a new state-of-the-art broadband network[2].

The package includes a new, open-access wholesale network in regional Australia that will extend high speed broadband coverage to 99 per cent of premises right around the country within two years and provide services at city-comparable prices.

It includes a safety net to ensure Australians living in the most remote or difficult to reach areas—the remaining 1 per cent—are entitled to a subsidised broadband service of up to $2,750 per household under the *Australian Broadband Guarantee.*

Funding for this safety-net is guaranteed until June 2008, and thereafter can be supplemented by the proceeds from the $2 billion Communications Fund.

And our plan includes legislation to protect the $2 billion capital in the Communications Fund thereby ensuring up to $400 million is available every three years for future generations of regional and rural Australians and to ensure the bush has an ongoing, targeted funding source for future upgrades.

And it includes, a process already underway to invite and assess proposals for a new commercial high speed broadband network upgrade in all capital cities and major regional centers to be built by the private sector.

The Coalition is firmly committed to providing a world-class broadband services to all Australians, regardless of where they live.

Since 2004 we have allocated more than $440 million in per customer subsidies to regional Australia.

As a result more than one and a half million Australians have been provided with access to affordable broadband for the first time.

However, in late 2005 it became clear that if you were really serious about getting broadband to all Australian you needed a different approach that would mop-up all of

[2] See: http://www.minister.dcita.gov.au/media/media_releases/australia_connected_fast_affordable_broadband_for_all_australians

the remaining black-spots, especially those in outer metropolitan and regional and rural Australia.

We set-up a competitive process in September 2006 to find the best solution for extended broadband coverage right across regional Australia.

This was a long time before Labor woke up to the importance of broadband or had something to say on it.

We called for industry submissions and received twenty eight.

An independent panel, backed by technical experts, assessed the bids and selected OPEL as the project which would extend affordable broadband coverage to the most underserved premises.

OPEL, a joint venture between Optus and rural group Elders, will deliver a mix of ADSL2+, WiMAX wireless and fibre technologies that will extend high speed broadband to 99 per cent of the population within two years at a retail cost of between $35 and $60 per month.

As with most new things in telecommunications, there have been a few arm-chair critics of the OPEL Network.

I thought I'd take the opportunity today to correct the record on a few key points.

First of all we had Labor claiming there was a flawed process and that the Government shouldn't have allocated extra funding to OPEL.

Much to the Opposition's disappointment, the Auditor-General gave the selection process a clean bill of health in July[3].

Then the Federal Court also threw out the challenge to the process and found that there was no case to answer in September[4].

Next we had Labor criticising the WiMAX technology claiming that it was a second class service, and saying that it would interfere with microwave ovens, and cause garage doors to jam.

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[3] See: http://www.dcita.gov.au/communications_for_consumers/funding_programs__and__support/broadband_connect

[4] See: http://www.austlii.edu.au/au/cases/cth/federal_ct/2007/1567.html

Labor claims simultaneously that the technology is obsolete and at the same time claims it is unproven.

Senator Conroy only stopped one short of claiming WiMAX would contribute to global warming and fade the curtains.

Then two weeks ago the real experts at the United Nations International Telecommunications Union (ITU) endorsed 'WiMAX' wireless broadband as a world class high speed broadband service[5].

In response, Ron Resnick, president of the WiMAX Forum, said:

"WiMAX technology currently has the potential to reach 2.7 billion people world wide. And today's announcement expands the reach to a significantly larger global population."[6]

The truth is that WiMAX is a proven technology that is already operating in 35 countries around the world, including recent deployment in Australia by Unwired and Internode.

The OECD has identified WiMAX as a technology ideally suited to providing high speed broadband in regional and remote areas[7]. Its open source nature and efficient design means it is an already low cost technology that will become even more economical as take-up grows.

WiMAX is strongly supported by over four hundred members in the WiMAX forum, including Intel that has invested over $1 billion in the technology.

WiMAX offers benefits not available from other technologies, such as fiber. It provides 20 km coverage, compared to 1.5 from FTTN. It has a proven upgrade path that can incorporate mobility and WiMAX chip-sets are set to be incorporated into a large number of consumer devices, including mobile phones, PDAs and laptops.

Next we had Senator Conroy's Swiss cheese claim that there was a 50% reduction in coverage than demonstrated by OPEL's indicative maps.

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[5] http://www.theage.com.au/news/Technology/WiMax-set-for-rollout-as-UN-telecoms-agency-approves-its-inclusion-in-3G-standard/2007/10/19/1192301034416.html

[6] See: http://www.wimaxforum.org/news/pr/view?item_key=993a9f3e2bf2b5b6822364fd90738185f17f2de0

[7] See http://www.oecd.org/LongAbstract/0,3425,en_2649_34223_36218740_1_1_1_1,00.html

If you produce doctored maps that exclude fiber and proposed ADSL2+ coverage you might be able to create the impression of reduced coverage, but once again this is a furphy.

The facts are that OPEL's coverage extending broadband reach to 99 per cent of Australian premises, has been verified by the Department of Communications, Information Technology and the Arts based on a geospatial analysis of the OPEL network that has factored in terrain and other limitations.

The Department also commissioned independent testing by Enex Testlab which confirmed that OPEL's proposed network is capable of delivering the performance requirements to which OPEL has committed for coverage, speed and service quality.

These service commitments have been locked into the funding agreement announced on 9 September 2007 and the Department will undertake ongoing monitoring to ensure that this coverage is delivered[8].

Optus and Elders are now in the process of completing the detailed network planning.

It is clear beyond argument that, in a country that has the sixth largest landmass in the OECD and the third lowest population density, anyone leaving out wireless technology as part of the solution simply doesn't know what they're talking about.

Senator Conroy has now been forced to admit that wireless and satellite broadband are essential to cover 100% of the population[9].

However he can't have it both ways. He can't be critical of wireless technology one week, and claim it will be an essential part of Labor's policy the next.

The inconvenient truth for Labor is that they are intent on draining the $2 billion Communications Fund and have no plans on how they will fund broadband to the twenty-five percent of Australia that will miss out under their broadband plan.

[8] See: http://www.minister.dcita.gov.au/media/media_releases/new_opel_project_underway
[9] See: http://www.alp.org.au/media/1007/mscoit250.php

Without the $2 billion Communications fund there is no future funding pool to maintain the Australian Broadband Guarantee, and therefore no guarantee of 100% coverage.

The OPEL network will simply transform broadband services in regional Australia.

It is probably the biggest boost to competition and the level of service since deregulation of the communications sector in 1997.

However, we know that communications technologies are constantly improving and naturally those in rural, regional and remote Australia don't wish to be on the wrong side of the digital divide.

We know that the private sector will only invest where it is commercially viable to do so and therefore ongoing Government targeted funding assistance is necessary to ensure that underserved areas don't miss out on next generation services.

That's why the $400 million from the Communications Fund every three years is so important to upgrade telecommunications infrastructure in regional areas as new technologies and services become available.

This source of ongoing funding is critical for the future of rural telecommunications services and it is why Australians should object to Labor's plans to abolish the fund for the sole purpose of financing a metropolitan network.

Naturally rural and regional Australia is wary of Labor's policy because it will leave future upgrades to future Budget uncertainties and the vagaries of support or otherwise for communications in rural and regional Australia.

NFF President David Crombie says:

'…the Communications Fund guarantees rural Australians won't be left behind *But federal Labor plans to scrap the Fund. At this election consider the devastating effect this will have on you, your business and your community*'.[10]

A timely warning indeed.

[10] See: National Farmers Federation television advertisement November 2007, also see http://www.nff.org.au/read/2442593201.html

As to fiber, the Coalition has always recognised the importance of a high speed upgrade where it makes sense to build and where it can provide a sustainable solution.

That is why we have established an Expert Taskforce to develop and manage the assessment process for a new commercial high speed open access broadband network infrastructure in capital cities and major regional centers.

The Expert Taskforce has called for and will shortly assess commercial proposals for fiber broadband and any other high speed broadband platforms for capital cities and major regional centers industry wishes to put forward for consideration.

Industry proposals will outline price and non-price terms and conditions of access and identify the regulatory conditions required to facilitate a commercial build of the broadband network.

The Coalition has confidence in the credibility of the Expert Panel it has established to make recommendations that are in the interests of all communications users.

Following an open and transparent examination, a re-elected Coalition Government would legislate to provide the regulatory settings that are necessary to enable the network build.

And this will be done without the need for taxpayer funding unlike the Labor Party who are committed to a taxpayer slug to the tune of $4.7 billion on a complete fiasco that will see government buy back into telecommunications infrastructure on a supposed joint venture basis with the expectation of making a profit.

Clearly, if the network is profitable, then the private sector will invest.

Both Telstra and the G9 have each issued full page ads saying they do not require any taxpayer funds for their proposed fiber-to-the-node networks in capital cities and major regional centers.

The Expert Taskforce guidelines are consistent with the Coalition's approach of 'technology neutrality'.

Unlike the Labor Party, we are not in the business of picking a 'one size fits all' technology and discarding the rest.

The Coalition is committed to a sustainable and competitive telecommunications market that ensures that industry gets a fair return on investments in next generation infrastructure so they will continue to invest in Australia's future.

In my view, this can be done consistently with maintaining a fair access regime that will ultimately benefit consumers and not force competitors off the field.

But there is not a complete picture unless you also have a plan for the effective use of broadband. As I have said on many occasions before, it is not what broadband 'is' that's important for Australia, but what it can deliver.

Back in 2001 before broadband was a household concept, we were already thinking about broadband not only as we now know it, but as we will know it many years from now as a great enabler.

Take for example the $60m Advanced Networks Program (ANP) we established in 2001 which secured Australia's active participation in global development of advanced networking technologies, applications, services and content.

The Coalition has also allocated $380m to National ICT Australia (NICTA) project, which is working on networking technologies, training and research.

Through the $113 million *Clever Networks* we demonstrated that we can use targeted funding to extend the benefits of high speed broadband into rural and regional Australia in a very significant way for health and education

We are already seeing the benefits of these advanced programs in our universities and in our hospitals.

The leading edge communications technologies and products which have resulted will flow through to even more advanced broadband-enabled services for all Australians, and we need to ensure as a nation our efforts support innovation and we work together with the States and Territories, local municipal authorities and the private sector in a coordinated way to deliver these outcomes. The revamped Ministerial Council is a good vehicle for this coordination.

MOBILE PHONE COVERAGE

The Coalition also has not forgotten the critical importance of comprehensive mobile coverage, especially to people in rural and regional Australia.

The Coalition has moved to place a license condition on Telstra so that there will be no CDMA switch off until the Coalition is satisfied that Telstra has met its own commitment of the Next G network providing as good or better coverage and services.

Labor doesn't support the licence condition and earlier this month Labor's Stephen Conroy declared that a licence condition will "impose costs on Telstra which provided no meaningful consumer benefit".

From this we can only conclude that there is a substantial risk that consumers will be left stranded under Labor if by 28 January next year the network is not up to scratch.

I have outlined in detail the Coalition's communications objectives and the program we have in place to achieve those objectives.

The Coalition has a seamless plan for a nationwide broadband network already planned, costed and rolling out right now. No excuses, caveats or provisos – it's happening.

I have answered the rather desperate criticisms posed by Labor of our plan. Now I'd like to return the compliment and point out what I think are some startling deficiencies in Labor one-size-fits all communications policy.

EMBARRASSINGLY LIGHT ON DETAIL

In contrast it is 225 days – nearly eight months - since Labor released their only communications plan – FTTN – and Labor has still not answered the most important questions industry has rightfully asked.

Labor has provided no detail, no maps and no guarantees on what consumers can expect to pay for their broadband plan.

It is a proposal which is embarrassingly light on detail on how the fibre proposal would be constructed.

Will it be an open process, or conducted behind closed doors?

Who will make the decisions, the ACCC, an independent group, or Senator Conroy and his colleagues?

If it is the ACCC, won't Labor be back to square one in a stoush between Telstra and the regulator.

How much time will bidders have to prepare proposals?

How long will the Government maintain a part ownership of the network given Mr Rudd's comments that he doesn't expect to be in the ownership game for the long term?

What will the structure be? It has variously been described as a 50% public equity, a joint venture, and a partnership with the private sector. No-one seems to know[11].

Senator Conroy criticised the timing of the Expert Taskforce for being too brief and then a few weeks ago stated in an interview he expected to have the network build underway in under six months[12].

None of these details are available, yet as we know they are all critical to industry that would be paralysed by the uncertainty.

WINDING BACK COMPETITION

I was very concerned to read reports in the *The Australian* newspaper of Stephen Conroy confirming Labor's plans for "dumping the telecommunications-specific sections – Parts 11B and 11C – of the Trade Practice Act as part of its tender negotiations"[13].

[11] Communications Day, 19/10/07
[12] Door stop interview 5/10/07, Senator Stephen Conroy.
[13] The Australian, 16/10/07

Australia would be one of only a handful of developed countries in the world without any telco specific competition and consumer laws in place if Labor's plan is implemented.

Such a move would wind-back ten years of competition in the telecommunications sector and Labor needs to be taken to task on this statement.

How much would Labor be prepared to wind-back to achieve a fiber build, and who would be the losers in the process.

This is a core question for industry and Labor should not be allowed to simply dismiss it as premature.

HOW MUCH WILL IT COST

Perhaps most concerning at this point is the lack of certainty as to how much Labor's network would cost.

In answer to questions raised at the Sydney Institute, reported on 4 July, Senator Conroy confirmed Labor doesn't know how much its proposed broadband network would ultimately cost[14].

Senator Conroy has been reported as saying only that the true cost would be discovered through a competitive bid.

And as a result Labor has now been forced to acknowledge it would cap the public contribution at $4.7 billion[15].

What effect might that have on how far the network will reach, given that Telstra's original estimate contained a mix of technologies and was not exclusively based on Fiber-to-the-Node[16].

This is fiscal recklessness of the highest order to contemplate a $5 billion spend of public money without knowing whether a promised technology can be delivered and at what cost.

[14] Communications Day, 4 July 2007.
[15] The Australian, 16/10/07.
[16] See: http://www.telstra.com.au/abouttelstra/investor/docs/tls339_briefingpaper.pdf

Senator Conroy conceded in *The Australian* that "neither of them [Telstra nor the G9] have given us costing" and that Labor's plan could cost in excess of the $8 billion proposed earlier this year[17].

It is extraordinary that Australia's largest telecommunications companies have not had any input into this $5 billion taxpayer spend.

POOR COVERAGE

This comes on top of statements from Optus' head of technology and planning Peter Ferris that Labor's single technology broadband plan was "unimaginable", and it "was pretty hard to think" that Labor could ever reach 98 per cent with its plan[18]. He was only saying what industry thinks.

Mr Ferris also said that it was unimaginable that areas which are yet to be put on the power grid could feasibly have access to fibre. He said some areas in Labor's footprint "don't even have AC grid supply".

Then there are the technology limitations of fiber. There is no doubt that fibre broadband is fast but only if you live within 1.5kms from your local telephone exchange or node. WiMAX broadband has a coverage radius of 20kms which is clearly superior for regional Australians.

Kevin Rudd's decision to pick a single broadband technology, poorly suited to regional Australia, will mean that one in four Australians will miss out completely on a high speed broadband service under Labor.

Kevin Rudd must come clean and identify which 3 million homes and small businesses will miss out under Labor's broadband con job.

COST OVER $100

Labor has also been forced to admit that the only basis for its plan is Telstra's 'Hotwiring the Nation' proposal that was put to the Government in 2005[19].

[17] The Australian, 16/10/07.
[18] Communications Day, 24/10/07.
[19] Lindsay Tanner, Interview transcript, 21 March.

A proposal that the Government, the bureaucracy and the ACCC rejected because it was not deliverable in the interest of end users.

Unfortunately for Labor it has also been widely reported just this year that Telstra was proposing average wholesale prices on its FTTN network of $85 per month.

When you add retail charges on top that means that under Rudd Labor consumers can expect to pay in excess of $100 per month for broadband.

Labor's education rebate would be wiped out immediately for parents trying to pay over $1200 a year for Labor's broadband.

It is a clear example of inexperience where policy conflicts simple negate any benefit.

ROLL-OUT TIMEFRAME

It is also unacceptable that according to Labor's own admissions Australians will be forced to wait a minimum of five years for a flawed broadband plan[20].

Even Telstra's Chief Executive Officer, Sol Trujillo has reminded us that it will take many years to construct Labor's fibre proposal[21].

Labor's Communications spokesman, Senator Stephen Conroy, has been frantically promising each community he visits they'll be the first to receive Labor's broadband pipedream whether they are in the mountainous areas of Tasmania or the vast expanse of South Australia[22].

He has contradicted himself by saying this would be a "multi layer build across the country at the same time", and then, out of the other side of his mouth saying, "Now obviously you can't do every part in one go... so that's why it's a plan to roll-out over five years"[23].

By the time Labor scraps the Expert Taskforce and starts again it will be years before Australia sees a fibre upgrade.

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[20] New Directions for Communications, Labor Policy Statement, March 2007.
[21] Telstra investors briefing, I November 2007.
[22] Dailey Examiner, 24/10/07.
[23] Press Conference, 213/07.

The reality is the no Australian community can be confident that such a flawed plan will likely deliver a fibre nirvana this side of 2015.

THE CHALLENGE FOR LABOR

And so, my challenge to you is to seek some answers from Labor:

> Where is the FTTN upgrade going to go?
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> What will it cost consumers?
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> Where are the coverage maps that justify the claims that an FTTN upgrade can reach 98% of the population?
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> Will Labor give a guarantee that 98% of the population will all be reached with fibre?
>
> What plan does Stephen Conroy have and where are his coverage maps to meet the needs of the people left out?
>
> How much does he think it will cost to reach 100% of the population?
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> When will Labor deliver to those now being covered by the Australian Broadband Guarantee?
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> Where is Labor's plan for the multi gigabit is networks that our research institutions need?
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> Where is Labor's plan e.g. for providing hospitals in rural New South Wales with access to advanced clinical applications or bush schools in Western Australia and the Northern Territory with online curriculum?
>
> Where's Labor's plan for extending high speed broadband to all of those farm businesses and homes that are not conveniently located within 1.5km of a node or an exchange?

The reality is that there's only one party that is tackling the hard issues and has a comprehensive communications program that is fully costed, well developed and is already delivering services to thousands of Australians now and with a plan to do so into the future.

CONCLUSION

At the end of this analysis, it is clear Labor has made and is making a hollow promise. They clearly have no idea:

> Who will build this network;
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> How long it will take;
>
> How much it will cost;

Where it will go;

How it will be paid for;

How much it will cost consumers to access a broadband service.

Labor's FTTN fiasco shows clear fiscal irresponsibility and inexperience, and technological naiveté in the planning and delivery of a key piece of economic infrastructure for the nation.

Compare this to a fully costed program already happening that will be rolled out to all Australians at an affordable cost and you can see that the Coalition is offering the only comprehensive solution for fast a fast broadband platform now and for Australia's future communications needs.

Thank you.