

Australian Chamber of Commerce and Industry Webinar

Lifting the Digital Capability of Australia – why it's important for nbn, why it's important for business.

Stephen Rue Speech, Tuesday 21 October 2021

Opening and acknowledgments

Thank you very much, Ray. That's a very kind introduction. And thank you to the Australian Chamber of Commerce and Industry for organising today, and for inviting me to speak to you. It is a real privilege to be here today.

I do have some openings remarks to make to make but I encourage you to ask lots of questions afterwards. I have Brendan Donohoe with me here too today.

I appreciate and respect that delegates will be joining from around Australia. I would personally like to acknowledge the Garigal people of the Eora nation, the traditional owners on the land on which I currently stand, and their elders past, present and emerging.

I should say upfront that the Chamber has been a tremendous supporter of **nbn** since the company since it was formed in 2009. We do our best to reciprocate that respect and support, which is why I am so happy to be here today. **nbn** exists for the people of

Australia, and for the provision of fast, reliable and secure broadband that supports their families, their livelihoods and their businesses.

I have no doubt that the decade we are living through will be seen by historians as a real decade of enormous change.

One characterised by the seismic changes that have – and I have no doubt will continue - to take place in our economy and our society and the way we run businesses. The question that faces us today is how can we embrace this change? And how can we use it to our advantage?

I have three themes I would like to talk to today:

- Firstly, why I joined **nbn** in the first place and why I lead the company today – a little history about myself;
- Secondly, I would like to tell you how **nbn** pivoted during COVID to keep the network running and ensure customers could maintain connectivity
- And thirdly, I would like to talk to you about how we are supporting business in this country, and the role I see **nbn** playing in rebuilding and strengthening the economy as we all work to recover from the economic impact of COVID
- That's an optimistic agenda, but here we go.

The early years

As you can tell, I was born in Ireland. I moved to Australia over 30 years ago. I was newly married at the time to my childhood sweetheart, and we came to seek an adventure. And of course, never went back to Ireland. And what an adventure it has been for both of us. I worked for Arthur Andersen and then joined NewsCorp, where I became the CFO. I saw at that time enormous change to the business model of newspapers. I was a director of Foxtel, which was driving enormous change in television, and also a director of REA Group (which owns realestate.com.au). I was also the Chairman of Melbourne Storm. I left News after 17 years, and joined **nbn** as Chief Financial Officer in July 2014, becoming CEO in 2018. But why did I join **nbn**?

Firstly, I did see an enormous opportunity to evolve and build a culture where people could be the best that they could be, grow their careers and life opportunities.

And secondly, I saw **nbn** as the Great Disruptor. It was the company tasked with building out critical next-generation infrastructure across the whole nation.

An infrastructure that I saw as being absolutely essential for the economic and social prosperity of businesses, communities, and indeed our nation.

I came to **nbn** following a strategic review that had recommended that the **nbn**[™] rollout be moved from a principally all-fibre build to one that would use a mixture of technology. Utilising some existing assets of Telstra and Optus, as well as the very latest technologies that would come to market over the course of the rollout.

This became government policy and was captured in the government's Statement of Expectations to **nbn** and articulated as: 'ensuring all Australians have access to fast broadband, at affordable prices, and at least cost to taxpayers.'

So one of my first jobs was to build a financial and operating plan to execute this.

Following that we promised the government and Australians that we would complete the rollout by 2020. Little did we know at the time, back in 2014 and 2015, the significance of that date 2020. We were, in fact, completing a ubiquitous broadband network in time for a pandemic. And we achieved it.

At **nbn**, we do talk a lot about our purpose. Our purpose at **nbn** is to lift the digital capability of Australia. Now you would have noticed it is not a technology purpose, it a purpose about people. It is about how can **nbn** help people in their lives? In their

economic life and in their social life. So lifting the digital capability is what drives us daily.

We live and breathe it every day. Our employees are driven towards this purpose.

COVID-ready

Since this pandemic struck more than 18 months ago, our social and economic reality has been turned upside down.

But thanks to connectivity, people have been able to stay connected, be productive, despite physical isolation and economic dislocation that has been pronounced for so many people.

In the home, we've converted spare bedrooms and we have used kitchen tables as new offices and classrooms to accommodate our work and learn-from-home lifestyles.

Businesses have increasingly pivoted to the online world, to both connect with their customers but also gain access to new ones.

We have all come to realise the absolute necessity of broadband every time we dial into a Zoom or Microsoft Teams video call to connect with our customers, colleagues, friends and loved ones.

These profound shifts in business and consumer behaviour, I think have fuelled an intense period of acceleration and reliance on technology as the COVID-19 pandemic has shown how critical it is to be connected.

And although it is fair to say that we did not foresee a pandemic as the catalyst for this widespread reliance on technology, we are glad that we, as Australians, had the **nbn™** network complete and ready, when the nation really needed it most.

We have been working towards this time for more than a decade. Over the last 12 years we have rolled out our network to 12 million premises and we have connected more than 8.3 million premises onto the **nbn™ network** . That is premises, that equates to about 17 million Australians, on a daily basis, that rely on the **nbn™** for their connectivity.

When the pandemic hit, we quickly realised the importance and reliance people would have on the network. In fact, at the time when all the lockdowns occurred in March 2020, we saw data grow on the network overnight by almost 40 per cent. So we had to take immediate and decisive steps to ensure the network was up to the task.

We worked with the telco industry to ensure our networks were quickly engineered to cope with the sudden, indeed overnight, surge in usage. We also established a \$150 million financial and relief fund designed to help internet providers to support their customers. Those customers include small and medium business customers to ensure they could stay connected to the network. We also provided that fund to help essential services, and telehealth providers.

We also gave internet retailers discounted access to specific wholesale business grade products to help support and re-establish businesses.

This was uncharted waters for **nbn**, but we knew we had a critical part to play not just in the telecommunications space – but also to support Australians and businesses across the nation. .

When it became obvious in the middle of last year that the COVID pandemic wasn't going away and was inevitably going to accelerate technology changes, we made a really important decision in our Corporate Plan last year. The decision we made was to bring forward significant amount of network investment. Anyone that knows anything about large scale infrastructure projects – be it telecommunications networks, road, rail, ports or airports – knows that it takes years to roll out new infrastructure. The key is to start early – and be ready before it is needed.

So, we made an early decision to build now for a future we could see on the horizon. We knew that the network would play an increasingly central role as people continued to work from home and pivot to online business models.

Our current network investment plan sees us working closely with industry, regulators, state governments and local communities to help unlock the benefits of broadband. It is not just for metro locations but, importantly, in rural and regional Australia as well.

So what was this investment:

- We announced a **\$4.5 billion** network investment that, in part, will deliver access to our highest current speed tiers with downloads of close to **1Gbps¹ to around 7 in 10 Australian homes and businesses by 2023**
- A lot of that investment is dedicated to regional Australia, not just metro cities.
- The investment also sees us committing to delivering business grade fibre, primarily to small and medium businesses. We have created 295 Business Fibre Zones across the country, 112 of these in regional areas. In all Business Fibre Zones, **nbn™** wholesale prices equal those anywhere in metro CBD areas. That is quite ground-breaking for telecommunications, and I'll touch on this a bit later.
- Finally, **\$300 million** has been allocated to co-investment with states, territories and local councils, to further enhance broadband services for regional and remote households, businesses and communities. I am pleased to say that we have already entered a partnership with the Victorian State Government to co-invest primarily in regional parts of Victoria.

Why this is good for business

So, what does this all mean for the small, medium and large businesses throughout Australia? Why is this so important?

One of the big changes I want to talk about is the ongoing importance of the digital economy.

The rapidly expanding digital economy will not only require new skills sets and new educational needs, it will also create opportunities for new investments, and lead to greater productivity. There is no doubt in my mind that the digital economy will drive productivity benefits across many businesses.

I also think that in coming years we will see a more equal society, with more access to healthcare and education, and better delivery of government services.

Now this digitisation is not only happening, it is going to accelerate.

Over the last eight years, data usage per customer on our network has grown from an average of 40 gigabytes of monthly downloads in 2013 to more than 400 gigabytes today.

We have also seen big changes in uploads. In 2013, the average monthly upload per customer was around eight gigabytes. Today it is around 35 gigabytes per month and growing, driven by video conferencing and cloud computing.

But that's just the start in my view. Think data analytics, virtual reality, home security, new entertainment and streaming applications. Think machine learning, online healthcare, medical and food production breakthroughs. In fact, it is endless.

According to research from McKinsey, COVID has triggered changes to technology adoption over the last 12 months that normally would have taken three to four years to play out. But it is only the start.

My question to you here today is this: Is your business prepared for this technology future?

Businesses with fewer than 20 employees employ 46 per cent of the Australian workforce and contribute a third, in fact 35 per cent, of Australia's Gross Domestic Product.

Despite this significant contribution to the Australian economy, an Accenture report we commissioned in late 2019 found that while increased connectivity, affordability and the cloud had made business technology for large companies more accessible, the majority of small businesses were yet to fully embrace the opportunities afforded to digitise their systems, processes and customer engagements.

For me, two key findings in the report were the clear gap in technology adoption and the correlation between growth in technology spending and business performance.

In simple terms, businesses that increased their technology spend – and their internet expenditure in particular – tended to grow their revenues and employment more quickly than those with a lower level of technology investment.

It found that businesses with the highest technology spending growth year on year between 2015 and 2017 grew their revenues 3.5 percent and employment growth by 5.2 percent more than those in the bottom quartile of technology spending growth.

In fact, firms in the top quartile of internet spending grew revenue 5.7 percent more and grew employment 5.4 percent more than those in the bottom quartile.

Now there's no doubt that COVID has perhaps closed some of that gap, but it has also changed business models and ravaged revenues,

Unfortunately, despite this, I still hear stories of businesses which are on the wrong plans, that they're not using the services that they actually need to run their business. I'll talk about that again in a few minutes.

A significant number of businesses, for example, are using a residential grade service, when they actually need a business grade service. I would encourage you all to think

about that and speak to your service provider about what plan are you on and should you have a different business grade plan to run your business?

The other piece of research I wanted to quickly talk to was research done by Telsyte. The research looked at how businesses were operating with **nbn™**.

Some of the key insights were that:

- Just over 1 in 3 small and medium businesses, said their business might not have survived without the **nbn™**.
- And it follows that just over 4 in 5, believe that high-speed connectivity has never been more important.
- But there is, and will always be, room for improvement. Less than half of small and medium businesses, 44 per cent, have a digital strategy, despite the acknowledgment that there was more and more need for broadband
- But of those that have a digital strategy, 4 in 5 have fast-tracked their digital transformation since the start of COVID.

We have implemented a raft of new initiatives that we hope will help everyone on their digital journey.

The first of those initiatives was the creation of Business Fibre Zones across Australia, giving businesses access to our premium grade business service, called Enterprise Ethernet.

As I mentioned earlier, to date we have created 295 **nbn™** Business Fibre Zones that are expected to cover more than 860,000 business premises across Australia. 112 of these are in regional centres.

Our Business Fibre Initiative seeks to level the playing field for businesses of all sizes and in more locations across the country by making sure the cost differential between CBDs and outer CBDs or regional areas is closed. In fact, it's the same.

Eligible businesses within any Business Fibre Zones that order our Enterprise Ethernet service, will receive their chosen speed tier at the equivalent CBD prices.

What is Enterprise Ethernet? Enterprise Ethernet provides what is called symmetrical speeds. What that jargon means is that upload speeds and download speeds are the same. For business, upload speed – used in video conferencing or transferring large files, I'll give you an example of a business in a few minutes – are increasingly as important as your download speed.

Another benefit is that eligible businesses will not incur any charge for the design and construction of fibre when they order an **nbn**[™] Enterprise Ethernet service². And if the business customer signs up to a three-year plan from their internet provider, **nbn** will not charge the retailer an up-front connection cost, which then will not be passed on to the business³.

Finally, enterprise ethernet offers dedicated access to our 24/7 Business Operations Centre in case you have any issues with your service.

There are a couple of statistics that I would like to talk to you about, as we have sold this Enterprise Ethernet service across Australia:

- Around half of all new Enterprise Ethernet orders are coming from companies with less than 20 employees
- And around 27 per cent are coming from regional areas
- In the last 5 months alone, more than five and a half thousand businesses have taken up business grade services, from a range of industries including healthcare, construction, financial services and retail.

A great example I would like to share with you is a company called Cumulus Visual Effects, who are based in Byron Bay. They had a significant problem with transferring large files to their clients

Having obtained Enterprise Ethernet through their retailer, they can now send even large project files across the globe faster than ever before. They can work with customers around the world and expand their regionally situated base of operations into a globally competitive studio.

They have also been able to attract more talent into their business because of the access to this Enterprise Ethernet product.

But it is not just about Enterprise Ethernet. We have also developed a suite of business grade products And, we have made our premium grade services more affordable, offering wholesale discounts of up to 58 per cent for these services, depending on the type and speed of the service provided.

Lastly, related to business we have also got a Business Satellite Service which covers 100 per cent of the Australian mainland and surrounding large islands as well. This means retail service providers can now deliver business-grade services to businesses that are hard to reach, with remote locations, no matter where they are.

So as you can see, we have done a significant amount of work with the business sector. In fact, we have connected more than one million business customers whether it be micro, small, medium or large businesses across Australia. One million businesses operating on the **nbn™**, spanning the full spectrum of all types of business.

But if there is one call to action I would like to make today – and where we need your help to ensure that Australia fully capitalises on the opportunities that lie ahead to re-engineer and re-invest the way we do business, it is two things:

Firstly, to appreciate that business customers generally have very different needs to residential customers.

And secondly, because of their usage profile, if we are to lift the digital capabilities of Australia, I can safely say that enormous benefits are available for businesses that are willing to invest in business grade broadband solutions.

Three years ago we could never have predicted how Australia would be using the **nbn™** today, but if there is one thing that has taught us – it is never to under-estimate what and how we will be using the power of ubiquitous high-speed broadband in three or five years' time.

And it's taught us about having a true purpose, to embrace change and use it to our advantage. As I said, I think we are living through a decade of incredible change.

I do want to encourage you all to embrace this opportunity. Sometimes it can be scary, but if you embrace the change we can have a great future in front of all of us.

Closing remarks

In closing, I would like to say that while COVID has been incredibly disruptive on our social and economic lives, I strongly believe it will also create opportunities for us to fundamentally rethink how we work, how we plan our cities, how we commute, how we entertain, inform and connect with each other.

I really do think that historians will write about the decade we are living through as the decade of enormous change. I have talked a lot in recent presentations around large trends and changes that I see happening in this current decade. Two of the changes I would like to re-emphasise are the growth of the digital economy, and the movement of people out of cities to peri-urban and regional centres.

I do think that if we as business people embrace the change and embrace the opportunity, we will have a great period in front of us, but we do need to embrace and recognise that change, and the opportunities it will present.

Certainly we at **nbn** are enormously excited with the opportunities that we can play our part in assisting - the economy, business and also in people's personal lives - to excel through this period.

We look forward to working closely with the tech and telecommunications industry, and directly with business leaders such as yourselves to re-base and broaden the Australian economy.

Personally, I am excited about this decade. I'm certainly driven to do what I can to assist. I think all of us together as thought leaders can work together to embrace the opportunities that this decade is going to present.

Thank you.

ENDS

Notes

1. Regardless of the retail service you purchase, the actual wholesale speeds delivered by the business **nbn**[™] Enterprise Ethernet product will be less than 1Gbps and no more than 952Mbps due to equipment and network limitations. An end customer's experience, including the speeds actually achieved over the **nbn**[™] network, depends on some factors outside our control (like their equipment quality, software, and how their retail service provider designs its network). If your service provider has not selected the Class of Service – High, the speeds you experience may be affected by contention on the **nbn**[™] network, particularly in busy periods.
2. **nbn** is a wholesaler and does not control costs charged by service providers. Customers should contact their preferred service provider to ask about availability and any fees and charges from their provider that may be applicable. These pricing offers are not available for most premises in the **nbn**[™] Fixed Wireless or Satellite footprints or for most premises which have complex connections – further costs are likely to apply to these premises.
3. **nbn** is a wholesaler and does not control costs charged by service providers. Customers should contact their preferred service provider to ask about availability and any fees and charges from their provider that may be applicable. These pricing offers are not available for most premises in the **nbn**[™] Fixed Wireless or Satellite footprints or for most premises which have complex connections – further costs are likely to apply to these premises.