



**The new NBN 'Statement of Expectations'**

**The multi technology mix officially adopted**

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# Turnbull officially buries Labor's NBN

*In a new 'Statement of Expectations' Malcolm Turnbull and Finance Minister Mathias Cormann have formalised the Government's expectation of NBN Co.*

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The previous Labor Government issued a number of 'Statements of Expectation' to NBN Co which outlined the intended fibre to the premises policy it had developed.

Now the Coalition Government has issued its own Statement (see below), which officially change the company's goals. Labor's vision for a fully fibre NBN is now officially dead.

The new instructions direct NBN Co to scrap Labor's FTTP strategy and use a mix of new and existing broadband technologies, which it intends to roll out more quickly than Labor's plan, giving an 'optimised multi technology mix' with slower average speed than FTTP.

Meanwhile Malcolm Turnbull has defended delays to the NBN rollout, slamming Labor's previous NBN plan yet again. He told delegates at the CommsDay conference in Sydney that "without any policy changes to the project, as planned under Labor, it would not be able to service an estimated 200,000 to 300,000 premises outside of the fixed line footprint", and that there had been a "material underestimation of likely demand."

He then changed his tune, perhaps taking notes from the poorly received keynote from his Parliamentary Secretary Paul Fletcher at the Tech Leaders Forum earlier this year (*CommsWire*, 18 February 2014) saying "I'm confident that a more pragmatic and cost effective high speed network can be deployed.

"I'm cautiously confident that we've begun to reset unrealistic expectations in the community, and in doing so we've begun to correct a considerable amount of misinformation. Sometime in near future we may be able to talk less about the plumbing and focus more about how the communication sector and the broader economy need to adapt to make the most of ubiquitous high speed broadband."

Later in the day his ALP counterpart Jason Clare called on the government to block TPG from stealing customers that would otherwise sign up to the NBN. TPG is trialling a FTTB (fibre-to-the-basement) network that will bypass the NBN altogether.

The company told shareholders in its half yearly report that the FTTB rollout was "progressing", with construction already underway in Sydney, Melbourne and Brisbane. Some, including Clare and NBN Co executive chairman Ziggy Switkowski, think the move poses an unacceptable risk to the NBN's business plan.

"The government needs to close the gap," said Clare. "If you're going to build an NBN network, then there should be one body—the NBN Co—building a universal wholesale market. If they don't do that, then it threatens the financial viability of the NBN."

**David Swan**

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# The NBN Statement of Expectations

*Because it sets out the direction of the Coalition NBN, it is worth quoting the new Statement of Expectations in full:*

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## **Policy objectives**

*The Australian Government is committed to completing the NBN and ensuring all Australians have access to very fast broadband as soon as possible, at affordable prices, and at least cost to taxpayers.*

*To achieve these objectives the NBN should be built in a cost-effective way using the technology best matched to each area of Australia. This Statement of Expectations provides NBN Co with flexibility and discretion in operational, technology and network design decisions, within the constraints of a public equity capital limit of \$29.5 billion specified in its funding agreement with the Commonwealth, and the Government's broadband policy objectives (as summarised below).*

*The Government intends the NBN to be a wholesale-only access network, available on equivalent terms to all access seekers, that operates at the lowest practical levels in the network stack. The Government expects completion of the NBN will result in the structural separation of Telstra and a competitive market for retail broadband and telephony services.*

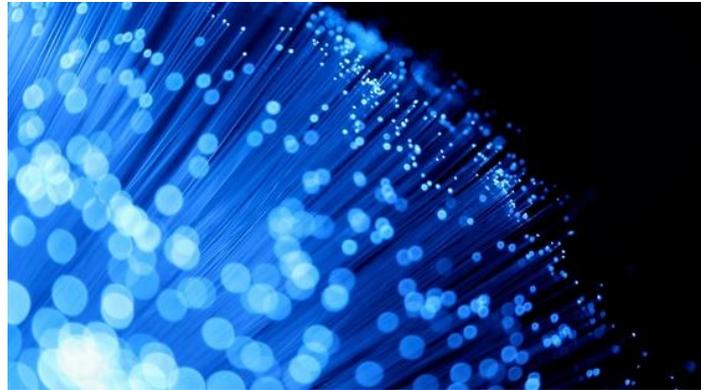
*During the transition proposed in this statement, NBN Co should be guided by the following goals: avoidance of service disruption for consumers; minimisation of uncertainty and disruption for construction partners; and achievement of rollout objectives as cost-effectively and seamlessly as possible.*

## **Delivering the NBN**

*The Government has considered the NBN Co Strategic Review's report of 12 December 2013 and agrees that the NBN rollout should transition from a primarily fibre to the premises (FTTP) model to the 'optimised multi-technology mix' model the Review recommends, having due regard to the following outstanding policy and commercial issues:*

- *NBN Co will determine which technologies are utilised on an area-by-area basis so as to minimise peak funding, optimise economic returns and enhance the Company's viability.*
- *The design of a multi-technology mix NBN will be guided by the Government's policy objectives of providing download data rates (and proportionate upload rates) of at least 25 Mbps to all premises and at least 50 Mbps to 90% of fixed line premises as soon as possible.*
- *NBN Co will ensure upgrade paths are available as required.*

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- *NBN Co will prioritise areas identified as poorly served by the 'Broadband Availability and Quality Report' published by the Department of Communications in February 2014 (including any subsequent refinements arising from additional data) to the extent commercially and operationally feasible.*
  - *NBN Co will ensure the business rules it establishes to determine which technology is utilised in each locality are transparent to the community, and periodically updated to reflect technological and commercial developments.*
  - *As proposed by the Strategic Review, NBN Co will integrate existing HFC networks into the rollout where this is feasible and economically beneficial, and provide for wholesale-only, open access operation of these.*
  - *NBN Co will trial Fibre to the x (FTTx) network architectures to inform the Company's planning and decisions.*
  - *NBN Co will take proportionate responsibility for the quality, consistency and continuity of service experienced by Retail Service Providers and their end users.*
  - *The Government expects NBN Co will contribute leadership and resources to the industry-wide challenge of migrating services to the NBN.*
  - *NBN Co<sup>1</sup>'s Board and management will monitor the capabilities required to implement a multi-technology mix NBN, and ensure alignment between these and the Company's personnel.*



### **Corporate Planning and Transparency**

*The forthcoming NBN Co 2014-2017 Corporate Plan will detail the approach NBN Co intends to take to implement an optimised multi-technology mix NBN. It should also include specific treatment of policy issues that influence the cost, delivery and performance of a multi-technology NBN, including:*

- *Pricing and takeup.*
- *Rollout scheduling and prioritisation of poorly served areas.*
- *Qualification, financing, installation and maintenance of customer premises equipment.*
- *Battery backup.*
- *Delivery of voice services*
- *Customer migration and decommissioning of infrastructure. Migration of services*
- *Future upgrade paths.*

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*We expect NBN Co will work closely with the Government and Shareholder Departments to ensure appropriate and timely policy responses to these issues where required.*

*The Government requires a high degree of transparency from NBN Co in its communication with the public and Parliament. Transparency arrangements which should continue to be observed include weekly online reporting of network deployment and active services; monthly reports to Shareholder Ministers; quarterly financial and operational reports to Parliament; and quarterly management briefing of stakeholders and the media. NBN Co will additionally begin periodically reconciling its performance against its forecasts once the NBN Co 2014-2017 Corporate Plan is approved by Government.*

*The Company should prepare annual corporate plans for consideration by Government and subsequent public release. Any information necessary for Government consideration of these plans (or other NBN issues) should be available to Government, including Shareholder Ministers and Departments.*

*NBN Co will disclose any material variance from Corporate Plan assumptions or forecasts, and other material events, to the Government including Shareholder Ministers and Departments at an early stage.*

#### **Future issues**

*A Panel of Experts appointed by the Government is conducting an independent cost-benefit analysis of broadband (including direct and indirect economic or social costs and benefits) and a review of long-term regulatory arrangements governing NBN Co. The Panel will report to Government in mid-2014. NBN Co should assist the Panel as required.*

*NBN Co's rollout plan outside the fixed line footprint is subject to the findings of the Strategic Review's second phase, which reports in April 2014. Its recommendations will be considered by Government and, if approved, reflected in a further amendment of the Statement of Expectations.*

*The Government will provide additional guidance to NBN Co during the process of preparing and considering the next Corporate Plan, and upon the completion of negotiations with Telstra and Optus.*

*There are many issues that may arise as NBN Co moves to implement a new model for the rollout of the NBN. The Government requests early engagement with Shareholder Ministers and Departments on these matters as they arise.*

*Kind regards*

*Malcolm Turnbull*  
**Minister for Communications**

*Mathias Cormann*  
**Minister for Finance**

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## ... and Ziggy opens up

*NBN CO chair Ziggy Switkowski has given a revealing interview to journalist Ticky Fullarton on ABC TV's The Business program. He's very worried about cherry picking*

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**Fullarton:** You've been in the job six months. What have you managed to do at NBN Co?

**Switkowski:** We started out by having a look at the strategy for NBN, and we've come up with an alternative way forward which doesn't require overbuilding existing infrastructure.

So we can roll out the network quicker, it's more affordable. People will have access to higher speeds earlier. We've found an excellent CEO. The Government has directed that we be more transparent – we're publishing weekly updates and quarterly market updates

**Fullarton:** The Government has changed the goalposts a bit. That must mean some challenges for Bill Morrow.

**Switkowski:** It's definitely a different set of platforms. It's the preferred way forward for broadband for most countries around the world. Because we can re-use the copper and HFC networks means it should be lower cost, and we should be able through the upgrade process provide higher speeds faster.

We've presented Bill Morrow with a strategy that has been reasonably well planned and well costed. He is familiar with the technologies and he's hit the ground running.

**Fullarton:** You now have a new set of negotiations with Telstra. Their \$11.6 billion appears to be sacrosanct. How do you shift this debate? The copper no longer belongs to NBN Co, presumably

**Switkowski:** There's been a general agreement stated by the Minister that Telstra would be kept whole but that the details will change a great deal.

"I think the outcome of these negotiations should lead to a situation where the copper network, the ownership, is transferred into the NBN; the ownership of the HFC network is transferred into NBN, and then we get to invest in it and upgrade it progressively over time.

**Fullarton:** Who is going to be responsible for the cost and repair of the copper network?

**Switkowski:** That's part of the current discussions. I expect that if the ownership of the network transfers to NBN so does the responsibility for maintenance of the copper network.

**Fullarton:** Then Telstra won't get its \$11 billion?

**Switkowski:** We're still to work that through with Telstra. At the end of it all Telstra shouldn't be out of pocket relative to what they had agreed to before, and the Australian taxpayer shouldn't be exposed to higher costs, unless they're getting more services."

**Fullarton:** Telstra's Tony Warren said that migration from copper to the NBN is far too

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complex for the ACCC, and that the industry lobby group [Communications Alliance] should be the final arbiter, with the regulator taking a backstop position. What do you make of that?

**Switkowski:** *It's a competitive industry and there are many alternatives. Maybe the regulator is too onerous – that's the Telstra argument, with which I have some sympathy. In terms of access to the copper, that's a responsibility shared between Telstra and NBN and increasingly to our service providers. It's a complicated end-to-end process, and we have not got on top of it yet.*

**Fullarton:** *You have said NBN's goal is to remain the wholesale monopoly provider of connectivity. You've now got players like TPG saying that they'd like to capture half a million high value customers. You've said that could have an impact of 5-10% of the economic value of the NBN. If more players come in, how serious could this get?*

**Switkowski:** *If there were a number of players who wanted to lay in this way that would completely change the outlook for the NBN. The original intention of the NBN was not that it be the provider of last resort while other companies come in and cherry pick customers.*

*The intent was that the NBN would be a national monopoly that would provide wholesale services to all retail service providers, as part of an accord that also saw the structural separation of Telstra.*

*If anyone comes in and cherry picks that confronts the economics of the NBN, which are already quite marginal.*

*It upsets the anticipated industry structure.*

*Customers that are attractive to companies like TPG are also attractive to NBN, so we will have a commercial response. At the same time we would expect that the political and regulatory reviews will understand that for this to work the NBN has to be a monopoly provider.*

**Fullarton:** *There seems to be pressure for more competition. Some people are suggesting NBN get involved at the retail level*

**Switkowski:** *NBN's mission is entirely wholesale. There are no plans to move into the retail space.*

There's a lot more. See the full interview [here](#)

**Graeme Philipson**



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## Telco customers a bit happier

*The latest Telecommunications Customer Satisfaction Survey has revealed further small improvements in customer satisfaction metrics.*

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The survey asked about complaint handling, billing, awareness of spend management tools, and customers satisfaction with information provided at point of sale or post purchase.

The quarterly national survey is carried out for industry group Communications Alliance by Roy Morgan Research. The latest survey showed a small increase in the percentage of customers 'satisfied' or 'very satisfied' with the service they receive – up from 66% to 67%. The metric rose from 81% to 83% those customers who had a neutral view on overall service were included.

The survey, conducted during March 2014, is the fifth in an ongoing quarterly series designed to measure the overall experience of Australian telco customers – particularly in relation to key customer touch points covered by the revised Telecommunications Consumer Protections (TCP) Code.

The enforceable code was created by Communications Alliance, industry representatives and other stakeholders, and registered by the industry regulator, the Australian Communications and Media Authority (ACMA) in late in 2012.

“Many service providers already deliver outstanding customer service and industry’s concerted improvement efforts, combined with the impact of the TCP Code, has already seen customer complaints to the industry ombudsman fall by more than 20% to a six year low,” said Communications Alliance CEO John Stanton.

The latest survey shows continuing improvement in customers’ satisfaction with the ease of contacting their telecommunications provider, which has risen by 16% since surveying began (80% of respondents satisfied/neutral, up from 69% in the first survey). Satisfaction with complaint handling also continues to improve (70% satisfied/neutral, up from 64% in the previous quarter and compared with 66% in the first survey).

In the latest survey ('Wave 5'), nearly all respondents (96%) had a mobile phone available for their personal use. The same proportion (96%) had an Internet connection for personal use. Access to a landline or VOIP phone was, however, substantially lower with one in five (21%) not having a home phone. The results correspond with previous waves’ figures.

Access to telecommunications differs by age, with younger people, particularly those under the age of 30, less likely to have access to landline/VOIP and slightly more likely to have access to a mobile phone for personal use.

The full survey results are available [here](#).

**Graeme Philipson**

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## Jabiru-1 a step closer

*NewSat's Jaburu-1 satellite has passed the Critical Design review phase.*

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Satellite builder Lockheed Martin and Australian satellite company NewSat have announced the successful completion of a comprehensive technical review of Jabiru-1, Australia's first commercial Ka-band satellite.

Jabiru-1, which will be launched later this year, will deliver "high-powered communications to meet the growing demand from oil, gas, mining, government and carrier-grade telecommunications customers in the world's emerging economies," said Adrian Ballintine, NewSat's founder and CEO.

Lockheed Martin completed the Critical Design Review (CDR) of the satellite and each of its subsystems, demonstrating compliance of the design with technical specifications. With the CDR complete, the Lockheed Martin team will now begin the next phase of the program.

"This is an exciting time for NewSat. Lockheed Martin's performance in space manufacturing is unparalleled, and we are pleased to have achieved another significant milestone on the path to Jabiru-1's launch," said Ballintine.

"After an intensive design review, we are pleased to move forward into the build, integration and test phase of this important satellite program," said Mike Hamel, president of commercial ventures at Lockheed Martin's space systems division.

The Jabiru-1 satellite is based on Lockheed Martin's A2100 spacecraft platform. It will feature 50 Ka-band high-powered transponders configured in a variety of spot beams, regional beams and steerable beams to provide flexible communication solutions for a range of diverse applications. The satellite has been designed for a minimum service life of 15 years and will provide Ka-band capacity to high demand regions over the Middle East, South Asia and Africa.

Jabiru-1 carries a payload of 18 Ku-band transponders (known as MEASAT-3c), which is designed to provide back-up services and support Malaysian company MEASAT's core direct-to-home markets in Malaysia and India.

Later this year NewSat will also plans to launch Jabiru-2, which is a twin of Jabiru-1 and which will deliver highly targeted coverage across Australasia. Later satellites are planned to give NewSat global coverage.



*The Jabiru, or black necked stork*

**Graeme Philipson**

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## Telecom New Zealand selects Zuora

*Telecom New Zealand has selected Zuora's subscription e-commerce platform to support the roll out of its mass consumer Big Pipe broadband service.*

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Big Pipe, one of Telecom New Zealand's first Telecom Digital Ventures incubator businesses, aims to bring uncapped and no-frills broadband to the Kiwi consumer market.

"Zuora will provide the organisation with automated billing and a platform to support growth and flexibility in pricing and packaging, collection and accounting of recurring revenue," said Thomas Salmen, Telecom Digital Ventures' CTO.

Zuora, based in Foster City near San Francisco, was founded in 2007 by three ex Salesforce.com executives. It has attracted substantial venture funding for its SaaS based subscription software.

"We chose Zuora for its technology and its track record in the telecom industry in building automated billing and payments systems, and integration with existing back end accounting systems," said Salmen. "It will enable us to rapidly scale as our customer volumes grow. It is cloud based and will enable us to manage all billing transactions within New Zealand.

"Legacy platforms are simply not agile enough to support fast-growing businesses which require rapid deployment and seamless billing scalability. Zuora took just 45 days to deploy and integrates with our internal CRM solution."

Salmen said the consumer sign-up process was deliberately made as simple as possible. Big Pipe uses Zuora's product catalogue packaging and pricing capability to initially offer three different levels of consumer broadband Internet services to its customers, all of which offer unlimited data usage.

"As soon as a consumer clicks on their preferred plan, Zuora takes over, gathering contact and billing information from the consumer," said Salmen. "On completion, customer subscription information is passed to our staff for back end processing.

"The first invoice is automatically generated by Zuora as soon as the customer's service is online. Big Pipe needed this level of automation to capitalise on high consumer expectations for our broadband service. Zuora also allows us to measure and review metrics, and provides insight into customer growth, revenue, collection, churn and financial reporting."

Telecom NZ's Digital Ventures business unit formed in early 2013 to look at new technologies and the new consumer needs and business opportunities that these will create. Big Pipe is the first Telecom Digital Ventures business to go live on Zuora, but Salmen said the organisation is expecting to roll out several new services over the next few years, many of which will be subscription services.

**Graeme Philipson**

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## Boost for startups from SingTel initiative

*Optus parent SingTel has launched an Innov8Sparks, designed to help startups enter new markets in the region, including in the Australian market.*

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The founding members of the network alliance are SingTel Innov8, AIS The Startup, Kickstart Ventures, Optus-Innov8 Seed, and Telkomsel's 'Teman-Dev'. SingTel Innov8 is a wholly-owned subsidiary of the SingTel Group and a corporate venture capital fund with an initial fund size of S\$200 million.

SingTel Innov8 CEO Edgar Hardless said with the formation of the network, supported startups will benefit from the assistance of Innov8 Sparks' member programs to expand outside their home markets into Australia, Indonesia, Philippines, Singapore and Thailand.



"The formation of Innov8Sparks will help accelerate the growth of the startup industry and technology innovation in the Asia Pacific region," he said "With our added ability to foster cross-border collaboration and cross-pollination of portfolio startups across the group, it will now be easier for startups to launch their new offering quickly and successfully."

Hardless said supported startups of Innov8 Sparks member programs moving into regional markets will be provided working space, introductions to local partners and startup communities, as well as local market information and resources.

"Expanding beyond local shores is never easy for startups in the region, but the head start provided by Innov8 Sparks members will help increase their chances of success."

Optus-Innov8 Seed director Peter Huynh, said Innov8 Sparks "is a great opportunity for our supported startups in Australia.

"The reciprocal nature of the initiative means not only can we support Asia-based startups to enter our market; we can also help our supported startups to expand into new markets across the APAC region – giving them a better chance of success with local knowledge, contacts and co-working space."

For more information on Innov8Sparks go to the [Innov8 website](#)

**Peter Dinham**

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