

Maximising the Value of the NBN; comparing our NBN to Australia's Top 10 trading partners and the OECD

Melbourne, Jan 2020
@valuemgmt

Min Fletcher, S.Min Rowland - on NBN

- ✦ “get the maximum social and economic impact from the \$51B taxpayer’s money”
- ✦ “how best to leverage this extraordinary national investment” Fletcher
- ✦ “maximise the benefit of that investment now and in the future” Rowland

dragon master in the universe coolbro in
pokemon Tournament in
wwwwwwwwwwwwwwwwwwwiiiiiiiiiiiiiiiiiiiiiii
iiiiiiiiiiiiiiiiiiuu



- ✦ 1. Where have we come from?
- ✦ 2. Where are we now?
- ✦ 3. Where are we going?

1. The past - we need speed... NBN is speed

Post NBN: > 25mbps
OECD 2018; some > 25
ABS 2009: 1/3 < 1mbps
2006: 45% dialup

2006: 100Mb/mth
2009: 4Gb/mth
2019: 250Gb/mth

Substantial progress...

Value is getting more... more speed... more data...

“NBN is speed.... but Value is more than speed.”

Moving toward the future - setting the NBN goal (2016)

“ensuring that all Australians have access to very fast broadband as soon as possible, at affordable prices, and at least cost to taxpayers....

of at least 25 megabits per second to all premises

and at least 50 megabits per second to 90 per cent of fixed line premises”

– NBN Statement of Expectations 24 Aug 2016

Value is individual... value is social....

2. NBN: Where are we at now?

- ✦ Value is comparative
- ✦ Compare NBN speed to OECD (2018)
- ✦ Add image;
- ✦ Observations; AU (2018) is second last vs OECD; Almost all except AU have some gold (>100mbps), post NBN speed is mid-level (not too bad)

2.1 Compare NBN to Top 10 Trading Partners

- AU lowly ranked OECD (2018)
- Post NBN mid-ranked



but Value is more than speed...

- ✦ Value is reliability; dropouts, speed level, congestion, service in disasters
- ✦ Value is service; answering queries, providing responses, information
- ✦ Value is pricing (value for Money); affordable
- ✦ Value is being on time; repairs, service calls, installation
- ✦ Value is financial, future cashflows, repay \$20B debt/interest, earn profit
- ✦ Value is customer satisfaction; current faults - 1% * 6M customers; 60,000

...still far to go...

Estimating NBN customer satisfaction

- AU: 6M connected out of 10M ; Fixed Line 63%; FW 40%, Satellite 30%
- NZ: 75% passed (87% by 2023); 45% connected
- China; 91 % passed; 77% connecting at over 100mbps
- Sth Korea; 99% passed; X% using
- Japan; 99% passed Y% using
- compare Apple Watch - satisfaction 99%...

Value is future plans...

- ✦ what to invest profit in... upgrading (slowest) services... reliability...
- ✦ future products eg gigabit (May 2020), business services
- ✦ Upgrading services to faster speeds over time; urban, rural
- ✦ More fibre? A new SoE - Statement of Expectations?

Value changes over time... with new information...

NBN is in good shape...

- Generating billions of dollars in revenue; in 2020 - \$4B, covering \$2.4B running costs; running a surplus...?? (not yet; EBITDA... EBIT)
- 6M customers already connected (with target 75% connected soon)
- Completing access to all Australians (except 1%) by June 2020, on time and on budget

...but NBN has challenges...

- ✦ Value is more than speed.
- ✦ Customer satisfaction; not reported, but lots of negative press, feedback
- ✦ Business customers (vs keeping telcos happy)
- ✦ what to spend surplus on?

3. The Future - gigabit and beyond...

- ✦ First gigabit services offered soon - May 2020
- ✦ Half the network can access gigabit; FTTP, HFC, FTTC
- ✦ Significant potential impact on national average speed <table>
- ✦ But... Tyranny of Averages...
- ✦ NBN is speed...

3.1 Impact of gigabit on avg speed...

- ✦ insert table; 5%, 10%, 20%
- ✦ ...but #tyranny of averages...

“NBN is speed.... but Value is more than speed.”

– *valuemgmt*

eg UNESCO/ITU 2025 Goals

4. Where next with the NBN?

- ✦ Post-build SoE; how to enhance the network...
- ✦ NBN Development Plan; what are the options?
- ✦ Funding; NBN internal, more debt, co-investment
- ✦ Post speed Value; reliability, service, pricing, the last 25%, the last 10% (equity)

UNESCO / ITU 2025 Goals; Broadband for Sustainable Developm't

- ✦ Speed - NBN plan / Price (2% of average income; GNI)
- ✦ Usage should reach 75%
- ✦ Skills - to use broadband, to access employment/new business
- ✦ Digital financial services - ie using the network
- ✦ SMEs using the network
- ✦ Gender equality

NBN1 is speed...

We stand at the dawn of a new
generation....

Value is emotional

NBN2 Value is more than speed....

Imagining the future...

- ✦ 2006; 100 Mb per month (dialup; < 1mbps)
- ✦ 2009; 4 Gb per month (40 X) (< 10mbps; fastest > 24mbps)
- ✦ 2019; 250 Gb per month (60 X) (50mbps; fastest 100mbps)
- ✦ 2025-30; 40-60X -> maybe 10TB per month (avg) per household (maybe 5-10 X; 250-500 mbps average; fastest 1-10gbps??)

“NBN1 is speed.... but NBN2 Value is more than speed....

– *valuemgmt*

Imagining the future...

- ✦ ... NBN is fast, but more than speed ->
- ✦ affordable, used by nearly all (equity, skills)
- ✦ good service, high reliability, fair pricing, customer satisfaction...
- ✦ ... would maximise NBN value.... for all...

“NBN1 is speed.... but NBN2 Value is more than speed....

– *valuemgmt*