# Transcript of Q&A session following Malcolm Turnbull's address to the 2013 Kickstart Forum

## 19 Feb 2013

## **JOURNALIST:**

What's the future of publicly funded research organisations like NICTA and the CSIRO look like under a Coalition Government?

## **MALCOLM TURNBULL:**

Good. We are very supportive of all those institutions. They were all around and supported by the Coalition when we were last in Government.

## **JOURNALIST:**

So you will continue to fund them?

## **MALCOLM TURNBULL:**

Well we will certainly continue to fund them. I can't give you a commitment to a particular dollar amount because that's something that we will announce in the lead up to the election. But the Coalition's track record in supporting and establishing a number of these organisations over the years speaks for itself.

## **JOURNALIST:**

So just in terms of your innovation policy and given we know the election date beforehand roughly when would you be releasing that?

## **MALCOLM TURNBULL:**

Well you would really – that's really a matter for Sophie Mirabella who's got the ministerial responsibility for this area. And that will be done between now and the election.

## **NICK ROSS, ABC:**

What's broadband for? What's its main benefits in your view?

## **MALCOLM TURNBULL:**

Well it's for everything, isn't it? It's for everything – you know –

# NICK ROSS, ABC:

Can you give us some specifics?

## **MALCOLM TURNBULL:**

Well I'm not quite sure what the purpose of your question is. Broadband is used for every form of communication, entertainment, commerce – it's a technology that is limited only by our imagination.

## **NICK ROSS, ABC:**

Well the thing is with something like telehealth which is one of the main benefits you need reliability and low latency and fibre is pretty much the only way of delivering that. Copper's too unreliable in many cases. It doesn't have the symmetry and bandwidth [inaudible]

## **MALCOLM TURNBULL:**

Well you know, you've got a bunch of assertions there. The latency – you have said that you need reliability and low latency and only fibre can deliver that. Let me tell you the areas where telehealth is probably most important is in regional and remote Australia and nobody is proposing that there is going to be fibre rolling out across the desert to every farm and settlement. So you have to use a – we use a mix of technologies. Telehealth – it depends on what you're talking about there. Many telehealth applications actually do not require much bandwidth at all. But it varies –

## **NICK ROSS, ABC:**

There are plenty though. You need fibre to the home. And you need the reliability to be able to talk to your doctor. And then you had on your blog the other day that high definition video was only 2 mbps –

## **MALCOLM TURNBULL:**

No I didn't say that.

## **NICK ROSS, ABC:**

It was in the Alcatel-Lucent graph from a Cisco report. The thing is Cisco came out recently and they're saying medical grade broadband requirements are five up and five down and seven overhead.

## **MALCOLM TURNBULL:**

Look what is the point you're trying to make? That we can't have any telehealth unless everybody's got fibre to the premise? Is that what you're saying?

## **NICK ROSS, ABC:**

No the point I am making is really that one of the biggest benefits of the NBN is telehealth is going to save billions every single year. It's already saving tens of millions in trial rollouts around Australia –

## **MALCOLM TURNBULL:**

Well that is just absolute nonsense. I don't know where you get this stuff from. It is just –

## **NICK ROSS, ABC:**

Well what about this one. Because this is Alcatel Lucent. They've done a CBA in New Zealand.

## **MALCOLM TURNBULL:**

Right you're saying it's saving tens of millions of dollars in Australia?

## **NICK ROSS, ABC:**

\$6 billion over 20 years just in health care in New Zealand.

## **MALCOLM TURNBULL:**

So you've got a report that says that broadband can save \$6 million over 20 years in New Zealand?

## **NICK ROSS, ABC:**

\$6 billion.

## **MALCOLM TURNBULL:**

\$6 billion.

## **NICK ROSS, ABC:**

They spell it out. So \$1000 a night by not staying in a hospital when you're going home. It's freeing up hospital space – that's a huge amount.

## **MALCOLM TURNBULL:**

## **NICK ROSS, ABC:**

It's saving \$7500 just for people to do their monthly doctor appointment –

#### **MALCOLM TURNBULL:**

Well let me just -

## **NICK ROSS, ABC:**

[Inaudible]

## **MALCOLM TURNBULL:**

Well let me just say this to you. These are the sort of issues that could have been examined if the Government had done a proper cost benefit analysis of the NBN. You see if the Government had not been overtaken by nothing more than a political spin. And if people were completely indifferent to how much the taxpayer paid.

See the problem to the attitude to the NBN -

## **NICK ROSS, ABC:**

[Inaudible]

## **MALCOLM TURNBULL:**

Just let me finish. Just let me finish. And you ought to pay some respect to all the other people in the room by the way. You know there are a lot of other people. We are going to go to the next question.

Let me just say this to you. Your arguments – you're free to make them. But they have never been tested. The fact of the matter is that the Government should have, had they even been remotely responsible, had they acted in the way that just about any other Government in the world had acted, what they would have done was said, okay what are we trying to achieve? What is the objective? And then done a cost-benefit analysis on the various ways of achieving it.

Now your assertion that you can't have telehealth without fibre-to-the-premise, you should raise that with the rest of the developed world and the rest of the OECD because it is a view that is clearly not shared elsewhere.

## **NICK ROSS, ABC:**

You're completely wrong there. Let me just say one more thing on this.

## **MALCOLM TURNBULL:**

No -

## **NICK ROSS, ABC:**

Even if I'm right you'd be taking away the biggest healthcare revolution in this country and you said you'd do a cost-benefit analysis. Just do one.

## **MALCOLM TURNBULL:**

We will, we will do one. That's actually our policy and what I'd like you to do is instead of this sort of evangelism which you're getting so heat up about, what I'd like you to do is next time you write your blog is actually, say, praise the Coalition for wanting to go about this matter in a businesslike way and a clear rational, analytical way.

## NICK ROSS, ABC:

[Inaudible]

## **MALCOLM TURNBULL:**

Yeah that's a bridge too far. [LAUGHS]

It's like asking journalists like yourself to have any regard to what is going on in the rest of the world. You know I've said this many times it is one of the things that genuinely baffles me, I used to be a journalist you know. You know why I became a journalist? Because I was a young guy —

## STILGHERRIAN, CRIKEY:

It wasn't for the money! [LAUGHS]

## **MALCOLM TURNBULL:**

You're right, it wasn't for the money! It wasn't for the money! And it wasn't just to meet girls either. But I became a journalist because I was curious, I was genuinely curious and I loved the fact that you could go out and write about different things and meet all sorts of people and you could ring all sorts of important and knowledgeable people whether they were politicians or business moguls or professors could talk to you.

So just about every door is open to you. So that's why I did it and what I find genuinely staggering is that we are having a debate in Australia about the National Broadband Network and what is the most cost-effective way of achieving the goal that we all aspire to which is to have all Australians have access to very fast broadband.

And to say that we are not the only country in the world doing this is an understatement, just about every other country in the world is doing it. And nobody is doing it the way Australia is doing it and more importantly countries that are very comparable are doing it in a very different way and as you know I've written about them because I've gone and interviewed the people in Britain and Canada and the United States and Europe and Korea and Singapore, there's a long list.

And yet it is extraordinary you get blog after blog after blog filled with bile, uninformed bilious abuse but nobody goes out, why hasn't somebody got on the phone and interviewed Mike Galvin who's doing the BT broadband rollout? Have a chat to him.

This gentleman here sounds like he comes from the UK he could talk to him, actually find out, put all those questions to him. They're not complete idiots, one assumes.

And there's a lot of experience there and you could say the same thing about the United States and Germany and so forth so I guess what I'm saying is you've got to have, we really need to have a more informed debate here and I hope that those of you in the media in this room would really just all I'm asking you to do is just do what journalists should do and be open minded and curious for a change. Please.

## **CAITLIN FITZSIMMONS, AFR:**

It's Caitlin Fitzsimmons from BRW and I have two questions. The first one is because you've been talking about innovation if you could care to respond specifically to the innovation policy just announced by the Government in the last week?

# **MALCOLM TURNBULL:**

Well I did actually respond to them in my remarks but they're basically a rehash of some innovation hubs previously announced. So I don't, the objective of engaging business with research is a very laudable one and that's of course what the cooperative research centres have done.

I don't think we're good enough at it in Australia and I think a lot of it, a lot of these problems are cultural and you really need universities in particular to change the way they approach it.

If you look at the commerciality of American universities and that's probably partly because many of them are private or basically they've got to raise their own funds from sponsorships and philanthropy and so forth so they are a bit more, if you like, self-sufficient. But there are a lot of cultural changes that are needed because there doesn't seem to be as commercial a culture. I'm generalising wildly, obviously because there are plenty of exceptions.

The CSIRO's work is a very good example of innovation followed by effective commercialisation. But as for what the Government has announced, I don't think it's going to change the world.

## **CAITLIN FITZSIMMONS, AFR:**

My second question is your view on quotas on boards for encouraging diversity.

#### **MALCOLM TURNBULL:**

Well, we are not in favour of quotas generally as a Party. We think people should be appointed on the basis of merit, but I don't think many companies nowadays would be unaware of the importance of having a more diverse board. If we're talking about women now, although that's not the only aspect of diversity, but I'll just express a view. Women on boards is an issue that gets a lot of focus and its an important issue but I am more concerned about women in senior management.

I think one of the things that Australian business is not nearly good enough at is making workplaces sufficiently flexible to enable women to stay engaged in the workforce and engaged with their employers on a more flexible basis while their children are young.

Now, of course this also applies to men too but rightly or wrongly the fact of life is that women tend to take more time off to look after children than the fathers do. And I just feel there is an enormous underutilised resource there of very, very qualified women with children who want to work more flexibly.

By the way in my own businesses I've always practiced what I've preached here. And I think that businesses really should engage more with technology and recognise that people don't have to be sitting there at the office eight or ten hours a day to do their work. They should accord more flexibility so that you have more women staying in senior management rather than as is often the case, dropping out in their early and mid-30s.

## SIMON SHARWOOD, REGISTER:

Hi, Simon Sharwood from *The Register*. We are a London-based publication (inaudible) and also in New York and San Francisco and so I took up your challenge and I asked my San Francisco bureau to find me an example of an FTTN going, or going well in the US and they couldn't find me one.

## **MALCOLM TURNBULL:**

Not AT&T? Did they miss that one?

## SIMON SHARWOOD, REGISTER:

They may have done. We are not the most rigorous organisation!

# MALCOLM TURNBULL:

You are pulling my leg here. I mean, AT&T has got a gigantic FTTN set-up which they call U-Verse; which they're expanding . . .

## SIMON SHARWOOD, REGISTER:

I did get them after a public holiday.

## **MALCOLM TURNBULL:**

Don't you understand? You're basically mocking yourself here.

## SIMON SHARWOOD, REGISTER:

Yeah, I do understand.

# **MALCOLM TURNBULL:**

Alright, okay. Terrific.

## SIMON SHARWOOD, REGISTER:

Moving on to the UK, there are very specific concerns there with BT that we've explored in-depth. One of those is that by putting FTTX into the hands of BT you are replicating the kind of monopoly that has made it very difficult for ADSL to be rolled out here because you make it hard to get a faster than copper last-mile connection.

The second concern is that businesses are being asked in many instances to pay for fibre from the node to their premises and business is saying that this is a crippling cost. Now last night you spoke to businesses in Maroochydore and said that you felt it was unfair that they have not been prioritised with their NBN connections. So I'm just wondering, do you think that Australian businesses should be charged for fibre to the premises under a fibre to the node scheme?

#### **MALCOLM TURNBULL:**

Well let me explain what BT is doing in the absence of any feedback from your extensive London journalists, what BT does is they are covering 18million premises in the United Kingdom, which is two thirds of the country on their own nickel, that's to say without any government subsidy with.....

## SIMON SHARWOOD, REGISTER:

But is that market failure...

## **MALCOLM TURNBULL:**

No just let me finish. You professed that notwithstanding your extensive journalistic resources in the United Kingdom you don't know anything about it so I'm just going to give you the facts. Their – well I assume people are interested in this? Good ok, righto. So there's 27 million households in the UK.

Two thirds of them is 18, they are the ones BT is doing on their own nickel and of course they're not alone it's not a monopoly. There's Virgin Media who's got a cable network and there are all sorts of other players building networks but BT is the ubiquitous carrier.

Now BT has not done a full structural separation as Telecom New Zealand has with Chorus but they have done a functional separation into an entity Open Reach I think is the name of it, and while it's owned by BT it is run and very strictly policed by Ofcom as a separate entity. Now there's a whole debate about whether you should go the full monty like the New Zealanders did which I prefer or whether you go the British model.

Anyway they're doing 18 million on their own nickel, they've passed 4 million in the first year, 7 in the second and they'll pass 7 in the third so they'll do it all in three years. They do have a product called fibre on demand and – sorry, before I go on I should say they're not doing all fibre-to-the-node they're doing about 10% fibre-to-the-premise and they'll obviously do fibre-to-the-premise where there is demand, if there's a big block of apartments they'll run fibre into the basement into a DSLAM in the basement, if there's a business park so for something like the Coolum industrial estate obviously you've got a bunch of customers there and you'd run the fibre into a box somewhere in the estate and they'd hook everybody up and they'd get a very very good service.

They've found situations where in residential areas you might have a customer might be an architectural practice in the suburbs who wants a lot of bandwidth, they will run fibre to that premise for a fee and the fee just so you know last time I spoke to them they were focused on a number between £750 and £1000.

So compare what Telstra would charge you to run a fibre link to your premise today it's very good value. So the trade-off they've done in the UK is obviously they've factored in and this is the calculation you've got to do, you've got to factor in service that you're technologically capable of delivering under the infrastructure you're proposing to build, you've then got to consider what people will pay for what they actually want, and most people will not pay for and do not want the very high speeds, now they may want it in the future but right now telcos are not having a great deal of success in selling it in most markets and then you've got to factor in of course the cost of the deployment and the time to deploy.

BT's experience is that the FTTN approach costs about a quarter of the cost of fibre-to-the-premises and around a quarter to a third of the time.

# JOURNALIST:

To answer the question would you support should you become the Government NBN Co. moving to FTTN and offering paid FTTP.

## **MALCOLM TURNBULL:**

Yes absolutely. I don't see why you wouldn't do that and I think you've just got to be, why would you not offer if you can offer fibre on demand and the reason for that is you've got in these modern MSANS you've got ports that are capable supporting both GPON and VDSL and so if you've got you know a customer that wants fibre for whatever reason then there's no reason technically why you shouldn't make it available.

I mean these are, again I'm not making a pledge on this here but I struggle to see why you would object to that given that it is done in a lot of other markets.

Britain's not the only place by the way where that is done. The critical thing I think frankly the mistake the Labor Government made with the NBN was in saying we are going to do fibre-to-the-premises to 93 per cent of the country. That was the mistake. What they should have said is we are going to ensure that everyone in Australia has very fast broadband.

Then identify where the broadband inadequacies existed, and then what were the most cost-effective means of addressing that. And that's where the cost-benefit analysis would have been so useful because you see this is where there's a dreadful inconsistency and contradiction right at the heart of the Labor Party's approach to this because they will tell you that broadband is absolutely essential and indeed fibre-to-the-premises is absolutely essential to productivity and our future, and everything, e-health, e-education, movie downloads, take your pick, gaming, everything that's important in life depends on it. And yet because of the approach they're taking people will have to wait a very long time, well over a decade in some cases.

Here you've got this Coolum industrial park and you've got businesses there that have moved out because of inadequate broadband, Telstra's not investing as they say hey we're going to get overbuilt shortly so we can't get a return on our investment. It is not even within the next three year building program and yet you've got areas which have got fibre-to-the-premises for heaven's sake, let alone HFC that are being overbuilt, supposedly, within the next three years.

So it's a very curious approach. Given that broadband availability is patchy, some people have got good broadband some people have got none and there's a lot of ranges in-between, surely you would prioritise the areas that were poorly served and that's what we'll do. That's what we undertake to do. Please.

## **STAN BEER, IT WIRE:**

Stan Beer from IT Wire.

## **MALCOLM TURNBULL:**

Yes Stan.

## **STAN BEER, IT WIRE:**

We're Australian.

## **MALCOLM TURNBULL:**

Good on you, congratulations.

## **STAN BEER, IT WIRE:**

What's going to happen to the HFC network and assuming we're going to keep it as it is how do you deal with the existing agreements with Telstra?

## **MALCOLM TURNBULL:**

Well what I've said, I know there's been this whole sort of denunciation by very knowledgeable people about HFC being utterly unable to support wholesale access and on HFC being utterly unable to support high-speed

broadband and without going into the details of it can I just refer you all to Graeme Lynch's comments in CommsDay today? I mean Graeme actually does know what he's talking about and...

## STAN BEER, IT WIRE:

We can't afford a subscription to them.

#### **MALCOLM TURNBULL:**

Well you can't afford a phone call to the UK either apparently so I think this is why the affordability of broadband is so important to low-income demographics. But look HFC is a very very big player in broadband everywhere in the world, in fact it's the biggest fixed-line player in many markets and look at what Vodafone's proposing to pay for Kabel Deutschland that gives you an idea of how valuable those assets are.

So I won't rehearse all of the points Graeme made in CommsDay but I'll just refer you to it and just say as far as our policy in concerned what I've said about HFC is that we are going to prioritise the areas that are poorly served so areas that do have very good broadband or very good broadband relative to the rest of Australia and that would include most of the HFC areas would not be the highest priority.

I have not said that we would not overbuild it, in fact our intention would be to, is to continue as planned to overbuild it and you're right any change to that would require extensive renegotiation with Telstra.

I mean I personally find it one of the most shocking decisions by this Government, one of the most disgraceful decisions by this Government – unique in the world, unique in the world, even the Chinese were appalled by it they said when they heard about what the Government had done to establish the NBN as a telecom-government monopoly they shook their heads and said to me oh we couldn't do that in China we're very committed to competition, facilities-based competition – but paying Telstra billions of dollars not to use the HFC for broadband or voice in extraordinary.

So it's one thing to overbuild it in the sense of doing fibre-to-the-premise or doing VDSL and of course in the HFC areas ADSL is a very active competitor on price generally....

## **ADAM TURNER, SMH:**

Not on performance though.

## **MALCOLM TURNBULL:**

But you see this is the point you've got to remember a lot of people are prepared to accept lower performance at a lower price. It's a reality, I don't know if there's anyone here from any of the telecom companies but one of the challenges that telecom companies have is that they invest a lot of capital to upgrade services to have the capacity of 1GB or 100MGB or whatever and then they struggle to get people to pay for it, to pay any sort of material or meaningful premium for it because for many people they can do everything they want to do at a lower tier.

That might be 50 or it might be 25 and that's the, well you don't have to take my word for it you can check it out around the world.

Where there is big take up of 100MGB you'll generally find that's because the premium is either very very low or there's no premium at all and that's essentially the product that is offered. So the HFC is a very important resource, it is extraordinary that it's being taken out of commission. In an ideal world what I would like to see is that anti-competitive agreement with Telstra being rescinded and Telstra agreeing to give the money back as it were but I'm not so sure...

## JOURNALIST:

Good luck!

## **MALCOLM TURNBULL:-**

Who knows, but it is remarkable everywhere else in the world telecoms policy is about promoting facilities-based competition not actually stamping it out. It's remarkable what they've done here. Please.

## **GRAEME PHILIPSON, COMMSWIRE:**

Graeme Philipson, CommsWire. What's the future of NBN Co. under a Coalition government, will it be privatised?

#### **MALCOLM TURNBULL:**

Well not any time soon. I've said that I think the NBN Co. could be ready for privatisation during Wyatt Roy's second term as Prime Minister although having regard to the great talents of the Member for Longman it mightn't be that far away! It mightn't be as far away as you think.

But the reality is the Government shouldn't be owning this business, we don't like that, the idea that the Government is building another telecom monopoly a sort of successor to the PMG in 2013 is incredible but we are where we are. I don't see that the NBN could be privatised for the foreseeable future, it just isn't in a shape that you could sell in any sort of satisfactory way.

That's my view from the outside as you know I used to be a banker and I used to restructure businesses and I've sold telecom companies and I've been involved in that area so that's my rather rusty professional view that I think privatisation is not something to be focussed on in the near term.

Our focus has got to be to complete the NBN to get it up and running in a viable form, sustainable form and then you know privatisation hopefully would occur at some point in the future but it will be quite a way off. I mean the current Government's plan allegedly is to privatise it as you know so.

## **JOURNALIST:**

You said I think only last week that you would like to see more transparency in the NBN Co.'s operations, how would you ensure that?

#### **MALCOLM TURNBULL:**

Well just by answering straight forward questions asked. Providing regular updates. You know there's no reason why you can't have at least monthly details of premises passed, premises activated. There's no reason why you couldn't have details about the cost of passing and connecting premises.

I mean, really, the NBN Co should be an open book. It doesn't have any competition. It belongs to the taxpayers. You can find more about what Telstra's doing as a publicly listed company than you can about the NBN Co.

And I can tell you – and this is a very important point for those of you who have very different views than I do or indeed most of the telecoms sector does about the economics of new generation networks. What we will do as soon as we get in – we will get a cost-benefit analysis done by the Productivity Commission as we have promised .

But we will, very, very quickly, ensure that there is produced by the NBN Co – because they are in the best position to do it – a fully transparent, you know with all the assumptions, analysis of what it is really going to cost in terms of dollars and time to complete the build on the current plan.

And then we will publish a similar analysis which shows what the savings – in both time and money would be – by variations. Especially along the lines of what I'm doing about doing FTTN for much of the brownfield areas. Or indeed, for not taking fibre into every apartment.

You know, no one seems to write much about this. But let me let you in on a secret. It's not really a secret. More than a third of Australians live in multi-dwelling units.

In my electorate, it's probably around two-thirds. More than two-thirds. The NBN Co's instruction from Government – and they have made it very clear it is an instruction from Government – is that the fibre has to go into every flat. Every apartment. And at the recent NBN Committee hearings, I said to Quigley and Steffens – the two NBN executives – and I said, what if you get to an apartment block and the body corporate said look we don't actually want you, you know, taking cable up through the risers and drilling holes through the ceilings and walls.

What we would really like you to do is to terminate your fibre at a DSLAM in the basement and hook into the copper LAN in the building. Which is what happens just about everywhere in the world, just about – including Korea, incidentally.

And their response was, well if that's what the body corporate said, we wouldn't be able to offer a service to that building at all. Now how mad is that? So you've got a circumstance where the body corporate is saying, we're going to help you out, we're going to save you a lot of money.

And yet they wouldn't do it. This is where the build of the NBN is dictated by the politics and the desire for simple headlines, rather than economics.

## STILGHERRIAN, CRIKEY:

Mr Turnbull, Stilgherrian over here.

## **MALCOLM TURNBULL:**

Oh good day. Good morning.

## STILGHERRIAN, CRIKEY:

Good morning. Notwithstanding that the NBN Co is a secret intelligence organisation –

## **MALCOLM TURNBULL:**

Well I didn't say that -

## STILGHERRIAN, CRIKEY:

No I might have been mocking you a bit. But what is to stop you doing this analysis using some spreadsheets now using whatever analysis can be guestimated, provided by friends of the party, crowd-sourced from the Internet, whatever. Surely if the difference in cost and the benefits of spending less now and all the net present value stuff – which is a very powerful argument – surely if it's that powerful to say a quarter of the cost, which is the figure you've been citing recently – that would show up even with very dodgy numbers, we'd start to see that –

## **MALCOLM TURNBULL:**

Well that, that's the point. I mean, what I don't want to do is you know you talk about guestimates and so forth. Look I –

## STILGHERRIAN, CRIKEY:

That's how you start doing a business plan isn't it?

## **MALCOLM TURNBULL:**

Look you've obviously done a lot more business plans and analyses of telcos than I have. But I can tell you - I'm being quite serious about this -

## STILGHERRIAN, CRIKEY:

I'm being serious.

## **MALCOLM TURNBULL:**

If I put out financials, I want them to be right. I do not know, we do not know enough, about the NBN's commitments. I mean if the NBN were to open their books to us — if the NBN were to say, look we're going to sit down with you and work with you on this, you know, scenario B if you like or Plan B. We could come up with some much more robust numbers.

Look a number of brokers analysts have made estimates of what the cost would be. We know that an FTTN based NBN from ground zero would be in the order of \$15 billion. That was the figure that was put on the Telstra NBN plan. Obviously, some years have passed since then. Labour costs are higher but the cost of all of the kit is lower.

## STILGHERRIAN, CRIKEY:

That's the point of my question – these numbers can be generated to within x percentage points of accuracy. And we will know which numbers are –

## MALCOLM TURNBULL:

Well thankyou for the encouragement. But I will say this though. In terms of – it would be good though that if, in the indignation that you often write with – you didn't sort of insult the intelligence of your readers by insinuating that, you know, denying the reality that fibre to the node is much cheaper to deploy than fibre to the premises. You know there is an air of complete barking unreality about some of the commentary.

You know the argument – I will be quite objective with you. The argument against fibre to the node is that it doesn't deliver the same performance as fibre to the premises. That's the argument –

## STILGHERRIAN, CRIKEY:

That's only part of it -

## **MALCOLM TURNBULL:**

No, that's the argument -

## STILGHERRIAN, CRIKEY:

There's the whole, if you're doing this now versus x later, maybe the benefits to society as a whole will be worth spending that, you know rather than just spending the bare minimum –

## **MALCOLM TURNBULL:**

Yeah but this is-

## STILGHERRIAN, CRIKEY:

You know what I'm talking about, the external -

## **MALCOLM TURNBULL:**

Yes but this is the problem. That you -

## STILGHERRIAN, CRIKEY:

[Inaudible] Just see the numbers -

## **MALCOLM TURNBULL:**

Yes but you – well you can do some analysis yourself. Again I would just leave you with this point. Here we are in Australia, it's a wonderful country, the best country in the world. But it is not the only country that is dealing with this challenge.

# STILGHERRIAN, CRIKEY:

We're filthy rich -

## **MALCOLM TURNBULL:**

We're filthy rich so we should just blow money away regardless of the effectiveness –

## STILGHERRIAN, CRIKEY:

Well I don't know. That's the question. No Malcolm I'm not saying that, I'm -

## **MALCOLM TURNBULL:**

I would just say -

## STILGHERRIAN, CRIKEY:

[Inaudible]

#### **MALCOLM TURNBULL:**

The – I mean, how many journalists are there in Australia writing about the NBN who have paid attention to the international context? None of them – and it's not just the tech journalist, you know with blog sites and twitter accounts and so forth. But you know, the ABC hasn't done it. News Limited hasn't – you know, News Limited's got thousands of journalists working in the northern hemisphere. And there is this lack of awareness or lack of interest in what's happening in other markets. And lack of interest in the way in which technology is developing on the NBN.

So I would really encourage you to just sort of – you know, if you want to be taken seriously, if you want to be influential, you cant just keep on confirming the prejudices of a dwindling audience. What you've got to do is be prepared to actually prepare examples and provide evidence – I mean, a gentleman over there mentioned Spain and fibre to the premises. I actually know why Spain's national fibre to the premises rollout is very cost effective. Has any one here ever taken the trouble to find out? No, none of the journalists here have bothered. Haven't picked up the phone. I have. I will tell you why – it's quite interesting actually.

In Spain's telephone rollout, deployment, there are virtually no street cabinets. No distribution points. Apparently – so I am told – they were so worried about the anarchists blowing them up that the copper goes from the exchange straight to the premise. And so the ducts are enormous. So in other words, there's no D-side, there's only E-side.

So the telephone company in Spain has been able to pull fibre through to several million premises at much lower cost than you could in any other market. Because you've got these jolly big ducts – and you know, a lot of people living in apartments and there is density and all of those things. But you've got all these ducts there that makes it so much more cost effective.

And so that's what I've done as shadow minister. I've actually taken the time to, as best I can, to learn about new technologies and find out what other countries are doing. And everyone is different.

Okay? Okay, I really ought to – just one more quick q&A and then I've got to go back to Brisbane.

## **JOURNALIST:**

Let's go back to the PMG issue and your plans for Australia Post. It's not a very profitable business any more. And now it wants to go back into the financial services sector. What's the Coalition's view on the future of Australia Post and how it's going to be sustainable or otherwise? And should there be a Government entry or reentry into the financial services market.

And the second question, what's the Coalition's policy on transfer pricing?

## **MALCOLM TURNBULL:**

Well transfer pricing we're against. As you know, the law is against it. Look Australia Post – we're in favour of Australia Post.

Let me deal with — let me deal quickly because I've really got to run. But I want to raise a very big issue with you. Because you mentioned transfer pricing. There is a — transfer pricing laws and treaties were designed to deal with an analogue world. Where someone made a pair of jeans in Hong Kong for \$1 and sold them to their Australian subsidiary for \$25 and the Australian subsidiary sold them for, say, \$30. And the \$5 profit was just enough to cover their expenses in Australia.

And of course all the rest of the profits were racked up overseas.

So under the various treaties, the ATO in our case can say come on, the arm's length price of those jeans are not \$25, it's really \$15 and therefore we're going to say you've made more profit in Australia. The challenge Governments are facing from the digital world is that when Google sells ads to Australian businesses – and

generates revenue in Australia – it's not actually transfer pricing. People are actually dealing directly with a company in Singapore or Ireland.

And not only is there being no profit generated in Australia – this is how Google can be the single biggest advertising platform in Australia and have, you know, a huge margin but pay \$70,000 in tax. But there's no GST paid either. So you're not only seeing federal revenues being impacted but the GST which goes to the States is being impacted. You see a similar issue with Amazon where there's no GST paid on goods under \$1000. So there are some really big issues.

And the existing laws are not actually designed – there weren't designed in contemplation of this digital marketplace. And it raises very big issues for countries as they see their tax bases being eroded. So it's a good question to raise – possibly a topic for a longer conversation on a future occasion.

So thank you very much for the robust encounter. It's good to meet some of the ferocious bloggers in the flesh. You know they're younger and handsomer and less grumpy than I had thought they might appear. I'm just buttering Stilgherrian up over there.

## **JOURNALIST:**

Mr Turnbull.

## **MALCOLM TURNBULL:**

But I wish you all the best. And as we may differ on some of the technological points, in terms of technology, innovation, better commercialisation of our IP, I can assure you that is an issue that is very close to my heart. And finding better solutions to that challenge – of how do we better commercialise that IP – is something that I think is one of the greatest challenges that faces any Government, including the one I hope to be a member of after next September.

Thank you very much.

**ENDS**