

1 MR BURGESS: What I'd like to do is kind of share with you some of
2 the observations on the two-way dialogues we've had as we've
3 gone around the country and also to tell you that you know,
4 we've also done a lot of research on what people in Australia
5 want and need and think about. We've interviewed more than
6 400,000 people in this country
7 - more than any other company has done the advertising people
8 tell us. We've done 90,000 in-depth interviews in this country
9 to try to better understand what kind of connections people
10 want to make and what kind of telecommunications services they
11 think they need so that we can respond better and also to
12 divide a country up in to different market segments so that we
13 aren't asking people to consider things that we know they don't
14 want and we can be asking people about things that we have
15 reason to believe they will want because they're in a certain
16 market segment.

17 You know, you don't talk to somebody, you know, who's 62
18 years old and say, "Do you want ring tones?", you know, I mean
19 everybody in this room looks they're kind of the age that hates
20 ring tones and - but you know, you talk to your grandkids and
21 your kids, I mean they love ring tones and you look at the data
22 on ring tones, I mean the 18 to 24 group it's the highest
23 selling thing there is so we're all different. So if we're all
24 different, we need to have different strokes for different
25 folks and that's why competition is a good thing because you
26 know, we provide one kind of service other - Primus provides
27 another kind of service, Optus
28 - SingTel Optus provides another kind of service - so you know,
29 we're all fighting for the same thing. We're fighting for the
30 loyalty of consumers because we want to satisfy everybody.
31 Well that's a good thing.

1 Now went up to - we decided that we would - Sol said, "I
2 want to make my first public address here in a regional city.
3 I want to send a message, you know, to everyone that we want to
4 focus on the whole country, not just the big cities and then
5 now I want to say something about what our priorities are", he
6 said, he goes, "We have three priorities. Australia, Australia
7 and Australia, so the first place we went to that he gave the
8 first public address at the end of July of 2005 was in Lismore
9 and you know, it's like the regional town of about 43,000
10 people, something like that and everything went the way we
11 wanted it to go and the messages got out loud and clear I think
12 to most people.

13 The next day turned out to be the most important day
14 because the next day we went up to Blackall, about - a little
15 community of I think less than 100 - 950 kilometres north/west
16 of Brisbane and in Blackall we went there to see cattle that
17 were being - you know - that have RFD tags in their - you know
18 for the World Health Organisation on mad cow disease and that
19 kind of stuff and you know, it tells you the name of the cow,
20 like it's Elsie and what it had for breakfast and who its mum
21 and dad was or is or whatever, and it tells you what their
22 weight is and everything and then these cattle run through a
23 shoot and a guy stands there with an electronic wand and
24 wirelessly sends back kind of what any retailer in this room
25 would call inventory control, sends back to the homestead, you
26 know, what the cow, who the - what cow went through and all of
27 their vital statistics.

28 I actually thought, you know during that day - I
29 thought, man we ought to put one of those RFD tags in members
30 of Parliament when they get elected you know, and you know,
31 list all their promises and then wand it through at the end of

1 the year and see how they were naughty and how they were nice
2 but we're still working on that idea but some people thought it
3 might not go over. But anyway after we saw that we went in to
4 the - they invited us in to see an isolated school. Remember
5 we'd been here like three and a half weeks. We didn't know
6 what an isolated school was.

7 We went into the school. You know it's not much bigger
8 than half of the front of this room and out about 15 feet and
9 it was like - but it was like any other school otherwise. I
10 mean, the teacher was so proud of her kids and there was, you
11 know, drawings all over the wall - I mean on paper - and there
12 was - there were three kids - seven, nine and 11 and there was
13 a computer - a computer for every one of them and so this
14 teacher was explaining to us what isolated schools were and
15 these kids were now looking at - how dumb can these guys be,
16 they look like grownups and they don't even know what an
17 isolated school is and so about the time - so then the time
18 came for them to download their school of the air program and
19 they went over and this one said, "Mr Burgess do you know how
20 the computer works", and I said, "Oh I'm not sure, why don't
21 you show me?" and she said, "Well you turn it on here and then
22 you do this", and she showed me and I watched her you know, and
23 then she hit the school of the air button - the school of the
24 air program started downloading and was, huhh, huhh, huhh -
25 like that you know and she got up and went over to wash her
26 hands and the other boy who had his school of the air coming
27 down, he went over and you know, scraped his books around.

28 I mean, they knew it was going to take four or five
29 minutes for that program to download and so Sol and I kind of
30 looked at each other - what the hell's going on here, you know,
31 and so anyway on the way home that night - we did a lot of

1 other things that day, you know, they had some people in the
2 neighbourhood to come by for tea. I asked this one lady how
3 far she lived away and she said 160 kilometres, it's a big
4 neighbourhood.

5 When we were going home that night on the plane and Sol
6 is usually, you know, full of eagerness to talk about all the
7 things that you know, should be done, following up on a meeting
8 and this guy should do this and that guy should do that, this
9 two do this - and he just sat there, he was pretty sombre about
10 everything and I said, "Sol what's on your mind?", he said, "Oh
11 nothing", and so a few minutes later I said, "Sol what's on
12 your mind?" and he said, "You know", he said, "What we saw
13 there today", he said, "We should be ashamed". He said,
14 "Telstra should be ashamed. The Government should be ashamed.
15 The regulator should be ashamed. Every Australian should be
16 ashamed that in the 21st Century, in a wealthy country like
17 this kids are downloading their lessons in remote areas in
18 kilobits and not megabits", and it was that night that one of
19 the legs of our transformation of Telstra was born.

20 He said on the plane going home that night he said, "On
21 Saturday let's get you know, 11 or 12 people together", he
22 named who they were, engineers, electrical engineers and you
23 know, the civil engineers and the people who do the Broadband
24 and so on and over the next several months we put together -
25 over the next like six weeks we put together the first national
26 Broadband plan and without going through all the details, let
27 me just say that it would have brought Broadband to every
28 single person in this country within 60 months and the
29 Government turned it down and during that period that the
30 Government was considering it but turned it down, we rendered
31 other problems with the Government and the regulator.

1 The problem at issue was just a backward looking
2 approach at things and a very intrusive approached. I mean,
3 why would a regulator want to get involved in lots of things
4 they wanted to get involved in? We have - one of the members
5 of the ACCC said, this is the Commissioner, not a staff person,
6 the Commissioner - "I'm not really sure we need, you know,
7 fibre in the ground. You know, we have wireless now and
8 wireless, you know maybe we don't need to go that route". Well
9 you know, you want to say to him - well I did say to him - you
10 know, "Do you understand that most wireless communications goes
11 in the ground? Do you understand that when you pick up your
12 cell phone and call somebody or your mobile phone - it goes to
13 a wireless power and from that power it goes down into the
14 ground in a fibre cable and goes to another tower, maybe 60
15 kilometres away or 600 kilometres away or 16,000 kilometres
16 away. Goes into another tower and then goes into another
17 mobile phone that you're trying to call?" "Do you understand
18 that to say that you don't need - we may not need fibre in the
19 ground because we can do it by wireless is to totally
20 misunderstand how these communication systems work, and you're
21 making policy for this country?"

22 Because that's what we experienced and so what we
23 decided to do when the Government said no on that issue and
24 then we started talking to the regulator about doing a
25 different kind of fibre to the node and other kind of national
26 Broadband plan - what we started doing kind of under the radar
27 was to build a wireless - national wireless network, what we
28 call the Next G and without a lot of fanfare, with no
29 announcements, nothing you know, no press releases, we started
30 building this national wireless network and on October 6 in
31 2006, two months early, we switched it on.

1 When we switched it on Australia went from the bottom of
2 the barrel to the top as far as wireless Broadband is
3 concerned. Australia now have - because of Telstra's
4 investment - not one cent of Government money
5 - not one involvement of the regulator - not one involvement of
6 the Government - we now have in Australia, the world's largest,
7 fastest, most advanced, wireless Broadband network. We started
8 out 3.6 megabits, we turned it up to 10 megabits - top 14.4
9 megabits about you know, two months ago and no later than the
10 first quarter of 2009 we're going to turn it up to 40 megabits
11 and the Chairman of Ericsson came out here and publicly made
12 that commitment to us and to the people of Australia. Also
13 during this time we started looking at lots of other issues
14 that Telstra had to deal with.

15 I mean, Telstra's been viewed as a magic pudding. Just
16 keep taking the money out. Some how it will be replaced. You
17 know we estimate that about \$800m a year is taken from Telstra
18 shareholders and given to subsidise other competitors in this
19 marketplace because of the low cost pricing. Another problem
20 we have with the idea that Telstra's a community property.
21 That everybody should kind of have a say in what Telstra does,
22 forgetting that the Government sold Telstra to 1.6 million mums
23 and dads in this country for \$65 billion. Now you can't flog
24 something with one hand and then on the other hand say you
25 still own it. It doesn't work that way.

26 You can't go out and pay cash for a used car on Friday
27 night and as your driving out the parking lot
28 - out of the car lot, the proprietor comes up and says, "Oh by
29 the way, this car's been in the lot for a long time and my kids
30 have been using it on a Monday night and I know you've just
31 bought it with your own money, but you know, my kids still may

1 want to use it on Monday night, so kind of bring it in so they
2 can decide". It doesn't work that way, so you know, we have
3 lots of issues we have to deal with. I had a situation where I
4 was in a taxi in Katoomba and the taxi driver - you know, I had
5 my lanyard on and it said Telstra on it and he you know, so
6 we're driving and he said, "Where are you from?" I thought I'd
7 say, France can't you tell by my accent - and I said, "I'm from
8 the US" and he said, "Where do you work?", you know and it
9 says, "Telstra" on the lanyard and I said, "I work at Telstra"
10 and he said, "You wouldn't be one of them Three Amigos would
11 you?" and I said, "Yeah", I said, "I am", and he said - and
12 then usually the next question is, "What's Sol really like?" or
13 something like that - the next question was he said, "Well I've
14 got a bone to pick with you", he said, "I'm a shareholder in
15 Telstra" and he said, "I don't like you, you're taking pay
16 phones out of here" and so I said - he said, "Can I show you
17 what the problem is?" he said, "I'm going to shut the meter
18 off", so he shut the meter off, took me around and showed me
19 some pay phones we were taking out.

20 Well one of the pay phones he showed me was one I knew
21 about because we'd gone out and done case studies with five of
22 the worst examples of pay phones and one of them was in
23 Katoomba and one of them had a Subway store right behind it so
24 when he showed me this and I saw the Subway store, I knew that
25 I knew about that particular pay phone. So I said, "Do you
26 know how much that pay phone costs every time somebody uses
27 it?" and he said, "No". I said, "It costs \$36.15 every time
28 somebody makes a call on that pay phone" He said, "That
29 doesn't make any difference, the Government pays for it". I
30 said, "No, the Government doesn't pay for it." I said, "You
31 pay for it with your 1000 shares of stock. Your wife pays for

1 it with her 600 shares of stock."

2 I said, "Let me", I said, "You turn off the key, let me
3 show you something". I sat there and I drew on a little piece
4 of paper how the system worked and he said, "My God", he said,
5 "I never realised that". He said, "You know, we've got a hell
6 of a lot of other pay phones around here you guys may want to
7 shut down". That's a true story and so you know, the thing is,
8 when you get out with the people in this country you realise
9 that, you know the story we had to tell - maybe these
10 sophisticated reporters here in Melbourne and Sydney - they're
11 maybe too sophisticated to understand it, but a guy - the taxi
12 driver in Katoomba understands it and the people in Shepparton
13 yesterday understood it. The people in Launceston understand
14 it.

15 So one of the things we have to do in my view - and
16 that's why we're doing it - that's why I did the 49 cities and
17 towns - is we're going around and telling the story so that
18 people can understand - we're moving from POTS to PANS, we're
19 moving from Plain Old Telephone Service, to Pretty Amazing New
20 Stuff and the fundamental point is this - you cannot regulate a
21 PANS environment with POTS regulations because it will never
22 happen and that's what's going on in this country today. Today
23 we have negative investment growth. If you take Telstra out we
24 have negative seven and a half per cent investment growth for
25 the last three years of Graeme Samuels tenure at the ACCC.

26 We now have a panel in place that's going decide
27 - not the market to decide - but a panel to decide who gets to
28 build FTTN. We now have the most absurd situation of all where
29 the Government - the Government
30 - has just given \$1 billion to Singapore - to the Government of
31 Singapore to build an inferior - an inferior infrastructure in

1 Australia. Now can you imagine the following scenario? Can
2 you imagine a situation where the Government of Australia would
3 say to Qantas, "You cannot deploy new technology - in other
4 words, you can't buy air buses" and then prevent them from
5 buying air buses and then could you imagine that same
6 Government going out and going to Singapore Airlines and giving
7 them \$1 billion to buy new air buses, to come in to Australia
8 and compete with Qantas.

9 Now, we built a network, the first of its kind in the
10 world, with the most advanced technology in the world, for \$1.1
11 billion that was paid for entirely by our shareholders - not
12 one cent of Government money - and now the Government's gone
13 out and given \$1 billion to a foreign Government to come in
14 here and build a network to compete with it. Now the fact is I
15 don't they they'll be able to compete but the tragedy is, not
16 that we can't compete with them - we kind of welcome them. I
17 mean

18 - you know when people say your service isn't good I mean you
19 don't - you know, need something to compare it with
20 - now we'll have something to compare it with but the real
21 tragedy is in Shepparton, in the area where I was yesterday -
22 there are 31 towns that would have gotten ADSL, two would have
23 gotten Broadband in the ground
24 - they aren't going to get it because they've overbuilt rather
25 than built to new areas.

26 There are over 1000 communities in this country that
27 would have received Broadband in the ground if they had
28 selected a different proposal of instead, of taking Broadband
29 to new people who don't have it and communities that done have
30 it, they have given it to a foreign Government to overbuild
31 places that already have it. Now that's what's going on in

1 this country today and people need to wake up and kind of smell
2 the coffee on it, because you know, massive amounts of money
3 are being wasted. We've spent several billion dollars to the
4 public sector for Broadband in this country and it's led no
5 place - why - because they tried to do it piecemeal. You don't
6 build networks piecemeal.

7 You build networks all at once, by a vision, by a plan.
8 That's what Telstra has is a vision and a plan. Now if people
9 don't want to select the Telstra vision or plan, that's OK, but
10 what's the alternative vision or plan? I'll tell you right
11 now, there isn't one and so let me just end with that. I'll
12 say that you know, one of my favourite guys is Warren Butler,
13 because here is just a regular guy, lives in Omaha Nebraska in
14 the same house he was raised in all his life, but he says
15 - Warrant Butler says, "You never know if a man's naked until
16 the tide goes out". Stop and think about that.

17 Now I think, you know, that's the situation we're in
18 right now. Lots of big decisions are being made right now. A
19 billion dollars of your money and my money
20 - because I pay taxes here to - God to I pay taxes - and it's
21 just gone to a foreign Government to come in here and overbuild
22 - not build the places that aren't - we now have a so-called
23 panel of experts - actually most of them are retired
24 bureaucrats - six of the eight are retired bureaucrats - not
25 retired but former regulatory people
26 - and they're going to make a decision about the future of this
27 country's Broadband. We have newspapers - the two major
28 leading newspapers in this country, the Fin Review, has said
29 editorially, "There's no need for Broadband and there's no
30 evidence that it increases economic performance". It's the
31 only newspaper in the world that would say that, except for the

1 other Australian national newspaper called The Australian and
2 they said editorially a couple of weeks ago that Broadband is
3 only good for music, movies and porn.

4 Now every business person in this room knows that's not
5 true. Everybody does and that's what our leading newspaper
6 editorials are saying, so there's a big step to take, to get
7 people in this country to understand what's really going on and
8 I've got to tell you, in Shepparton they understand. In
9 Birdsville they understand. In Cairns they understand. In
10 Launceston they understand. In Fremantle they understand. We
11 don't understand it in Melbourne, we don't understand it in
12 Sydney and they don't understand - even begin to understand -
13 in Canberra so my message today is, it's time to start
14 understanding. Thanks very much.

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