



MALCOLM TURNBULL

A FEISTY INTERVIEW WITH THE SHADOW MINISTER

Liz Fell

The Hon Malcolm Turnbull was first elected to the Federal House of Representatives in 2004 as the Liberal Party member for the Sydney electorate of Wentworth and became the Shadow Minister for Communications and Broadband in September 2010.

During the Howard government, Turnbull was first appointed as Parliamentary Secretary to the Prime Minister (Jan 06 - Jan 07) and Cabinet Minister for Environment and Water Resources (Jan 07 - Dec 07). When Labor took government after the 2007 election, Turnbull became Shadow Treasurer (Dec 07 - Sept 08), Leader of the Opposition and Parliamentary Leader of the Liberal Party (Sept 08 - Dec 09) and, after the 2010 election, Shadow Minister for Communications and Broadband.

Before entering Federal parliament, Turnbull practised as a journalist (1975 - 80), barrister and general counsel for Consolidated Press Holdings Ltd (1980s), and an investment banker with Whitlam Turnbull and Co Ltd. (1987 - 1990), Turnbull & Partners Ltd (1990 - 97), Goldman Sachs Australia (1997 - 2001) and Goldman Sachs and Co. (1998 - 2001).

After graduating from the University of Sydney with a BA (1977) LLB (1978), Turnbull won a Rhodes scholarship enabling him to complete a BCL (Hons) degree at the University of Oxford.

Freelance journalist, Liz Fell conducted this interview with Turnbull for the TJA in mid-January at his Edgecliff office in the electorate of Wentworth. Turnbull's media adviser, Jon Dart, was also present during the interview, which has been edited to cut back on its length.



Malcolm Turnbull

TJA: Before addressing your main concern, the National Broadband Network, can we touch on your long-term interest in communications technology and start-up companies, including your early adoption of web-based media? One colleague from your days as a legal student remembers your relationship with a pager that went off during law lectures when you were also working as a journalist. Is that correct?

Turnbull: Yes, that's right. I was working for Channel Nine, 2SM and the Nation Review – all three of them – and I can't remember who gave me the pager. I think it might have belonged to 2SM.

Turnbull: (to Jon Dart) You don't know what a pager is?

Dart: No.

Turnbull: A pager is a little device about that long and square (he demonstrates) and they could ring a number and that caused it to go beep, beep, beep. All it did was to tell you to go and ring home or ring the office. You just got a beep, there was no message.

TJA: You clearly enjoyed being a journalist! I admired one of the apocryphal stories: that you secured an interview with Rupert Murdoch by dialling each extension of the New York Post switchboard until he answered the phone!

Turnbull: That's right. I just worked through what I thought were the extensions until finally he picked up the phone. That was the first time I met him.

TJA: Then in 1997, when you were Chairman of the Internet service provider, OzEmail Ltd, I found you excited at the quality of a three-hour conference call with the US you had just had over the net.

Turnbull: Well, if OzEmail wasn't the first, it was one of the very first commercial Internet telephony businesses.

TJA: In the world?

Turnbull: Yes, in the world. OzEmail Interline was a technology almost entirely developed by Rick Spielrein from Melbourne – Rick and Sean (Howard). There were some other people involved, but Rick was the key guy. The way it worked, you used your telephone to dial into a node, say, in Sydney, which then routed the call over the Internet to a node, say, in New York, which then made a call to the number you wanted.

TJA: So there you were again, interested in technology. Is it fair to say you developed a certain amount of expertise in this area over the years?

Turnbull: I think it would be wrong to say I've got expertise. I'm not an engineer. I've got experience.

TJA: And as an experienced banker you invested in and/or advised a number of software and telco companies after OzEmail, including Unwired, for instance?

Turnbull: Yes.

TJA: Watching you on the stage last year at an election forum you chaired to argue against the Government's mandatory filtering policy, you were almost 'glued' to your iPad.

Turnbull: The iPad basically in large measure has replaced paper in my life. The great functionality for me is the fact that it's so good for reading documents. You spend so much time reading reports, and papers, you know.

TJA: Didn't you have a Kindle at one stage?

Turnbull: Yes, it's been said that now I've got the iPad, my Kindle is like the little....(To Dart: What's the little...?)

Dart: Woody, the cowboy.

Turnbull: Yes, Woody the cowboy in Toy Stories, the abandoned toy. (laughter)

TJA: Looking at your website with its iPhone App and all the social media you use to communicate including Twitter, Flickr, Facebook, MySpace, and YouTube, you must lead the political pack in the management of your 'brand' or 'reputation'. You certainly stimulate a lot of discussion about your policies which is not so evident with the Government.

Turnbull: Yes, well I think the big failing, particularly in the context of the NBN, is that the Government has been focused on the hardware side and really what they ought to be doing is more to promote the use of technology. You know, there's very little, for example, in terms of e-government and making government more efficient and accountable.

TJA: In the last issue of the TJA, Senator Kate Lundy talked about her activities to promote e-government ... but what do you suggest?

Turnbull: Well, I've been arguing this for a very long time, for five or six years at least. I think a very simple thing that governments can do, and this is a very basic thing, is that the government should provide every Australia with a free electronic pigeonhole.

TJA: Would this serve as an ID of some sort?

Turnbull: No, what it would be is a unique address, essentially like an electronic folder, an electronic mailbox. I call it a pigeonhole because I think you would want to limit its functionality so that it could only receive material from Government, and maybe from financial institutions.

TJA: Not friends?

Turnbull: No, this is something worth discussing, but my simple point is this. If you try and manage electronic databases as I do, one of the problems you have is that people change their email addresses, and they change them as often, if not more often, than their physical addresses. The cost of electronic communication is, you know, just a tiny percentage of snail mail etcetera, and one of the problems governments have is that they don't have a lot of people's email addresses.

TJA: Maybe some people don't want governments to have their address?

Turnbull: What I'm saying is that if you offer everybody the opportunity to be, say, malcolm.turnbull.dateofbirth@australia.gov.au or whatever. The government is then in a position to say, 'We'll give you that unlimited storage basically and we will then ensure that all government communication comes to you electronically.' Now the good thing about that is...

TJA: What...

Turnbull: Let me go on...

TJA: Yes, sure, briefly...

Turnbull: Briefly. Who is interviewing whom? Am I interviewing you?

TJA: No, go on please...

Turnbull: The virtue is that you not only have a huge saving in communications costs but it means that people know there will always be, in effect, an electronic filing cabinet with all of their correspondence from the taxation department, and all of their correspondence, say, with respect to their superannuation.

TJA: Would the private sector play a role?

Turnbull: Well, this is the thing. I mean you would certainly say that the electronic pigeonhole would be designed to receive communications from governments, you know, federal, state, local. One of the big problems is people losing track of their superannuation entitlements because they have changed jobs, so it would be commonsense to make it available to financial institutions. Now how far do you take it? Maybe you don't limit it, but that electronic pigeonhole would provide a permanent electronic record of communications and it would mean that you wouldn't have the risk of things going astray.

TJA: Will governments gather a lot of information about citizens?

Turnbull: No, they would only know what they had sent you. That's the argument. You see you could design a. . . (Turnbull walks to a white board at the other end of the room.)

TJA: We are not including visuals, and my recorder has to pick up your voice way down there so, please, could you come back?

Dart: (Laughing) This is why we need the GPS...

Turnbull: Alright, alright .The point is that there is literally no technical barrier to doing that at all, but it obviously would take a long time for people to get used to it.

TJA: Moving to the NBN, Prime Minister Gillard claims that your leader, Tony Abbott, told you to 'do anything you can to destroy it'. Is that correct?

Turnbull: No, no. What Abbott was referring to there was about attacking the argument. I've got no interest in destroying the NBN, or anything for that matter. My aim is simply to ensure, as far as I can, that we have the most cost-effective approach to solving the problem.

TJA: Do you agree with the concept of the NBN?

Turnbull: No, well, what is the concept?

TJA: I assume at this stage the concept is to build fibre to the home...

Turnbull: I don't agree with that.

TJA: What do you agree with?

Turnbull: What I'm saying is that all Australians should have access to fast broadband at an affordable price.

TJA: Fast?

Turnbull: Yes, absolutely. There are two questions then, at least. One is how do you define fast? The other is what is the best technology, or mix of technologies, to achieve that? Now I would think, in terms of the government providing subsidies and so forth, you clearly wouldn't say that every Australian should have at least a gigabit per second to the home. That would be absurd. And I think 100 megs is way above what the vast majority of people would ever be reasonably able to use...

TJA: Yet no-one knows what may happen in the future...

Turnbull: No, but this is the point, Liz. The bottom line, I would say, is that we should say that every Australian should be able to access broadband at not less than 12 megs.

TJA: Is that Coalition policy?

Turnbull: Well, it's the Government's policy too by the way...

TJA: At least 12 megs?

Turnbull: It's the Government's policy because what they're saying is that for the seven percent that can't get fibre to the home, 12 megs is good enough. Right? So 12 megabits per second will deliver any service that is currently available. There is nothing, you know, other than some... you get some crazy examples. We have these debates on Twitter. Someone will say, 'You know, well, what if I've got a family of five and we're all playing interactive karaoke separately in five separate rooms?' Well, OK, 12 megs might not be enough for you, but you're not typical, or not even remotely typical.

TJA: Isn't it difficult when technologies such as broadband satellite or terrestrial wireless determine the speed limit for the policy?

Turnbull: No, I don't think so. You've got to work out what you're trying to achieve.

TJA: Well, what is that?

Turnbull: Silence.

TJA: Please go ahead.

Turnbull: My proposition is this: that nobody seriously suggests that nowhere in Australia is there adequate broadband. The argument has always been that while there are some areas that have access to good broadband there are too many areas both in the cities and in regional areas that do not. Now what is adequate broadband? Obviously, there are millions of Australians who can get access to ADSL2 and ADSL2+ and even faster speeds over the HFC networks. So when you look at the sort of applications that are available, and likely to be available, and look at what the Government has done, they conclude that 12 megs is what people in regional Australia should be comfortable with.

TJA: Based on the limits of the existing technology though...

Turnbull: There is theoretically no limit to the speed you can make available between A and B. You can still have a gigantic pipe. In terms of the expense of this network, the big bucks are in the last mile, the fibre to the home or the fibre to the premises. What I'm saying is that I don't think that has been justified – I'm sure it hasn't been – and a better approach I think would be to ensure that all Australians have access to speeds that were comparable to, say, the best speeds available in the cities and then...

TJA: OK, so...

Turnbull: ...that's not saying that's the last word on the subject, but then you'll see what the market demands. And the big question – Liz, could you just stop talking over the top of me all the time...

TJA: I'm sorry, but I'm here to ask you questions.

Turnbull: You never let me finish a sentence. Go on, you talk, just talk. I have nothing further to say to you. On this topic, I have answered the question, you ask the next question.

TJA: Do you agree with the eventual privatisation of a publicly-funded NBN?

Turnbull: Well, I think the Government has asserted that the NBN will be commercially viable. I don't know anyone in the industry who believes that's feasible or credible. Again, this is one of the things we need to know. If you were to say everyone could have 100 megs per second, and it was not going to cost us anything – it was free and we could snap our

fingers – then I suppose we would do that and have perfect public transport, and wonderful hospitals, and great schools and all those other things. But we live in a world of scarce resources, so we've got to have a clear understanding of what the NBN is going to cost, what it's going to cost in net terms after taking account of the revenues, and then weigh that up. Because you see, you get a law of declining returns, Liz. I mean if you've got speed on that axis, right...

TJA: On the horizontal axis...

Turnbull: ... and you've got utility, productivity, on the vertical axis. Well you go from dial-up to one meg and you'll get a pretty solid increase in utility. Then you go from one meg to 12 megs, well that's still going up perhaps, but then 12 to 50, I don't know how much more useful that's going to be, and 50 to 100, probably not more useful at all. Now, of course, the difficulty is that as you go up in terms of speed, when you move out of using your existing last mile to fibre, the cost becomes considerably greater. So one of the things you've got to weigh up is the incremental cost of these greater speeds – given the need to have a new communications medium versus the utility. That's the point of the cost-benefit analysis. That's the thing, for example, that Robert Kenny looked at in that paper he wrote with his brother, Charles. Every major infrastructure should be the subject of a rigorous cost benefit analysis.

TJA: You just said, 'given the need to have a new communications medium'...

Turnbull: ... I'm not saying there isn't a need...

TJA: Is your party's position that there is a need to build some sort of new communications network for this century?

Turnbull: Well, I think the communications network is constantly being renewed and rebuilt and transformed.

TJA: But surely less so in regional and rural areas, at least by the private sector?

Turnbull: (Silence)

TJA: Would you agree with that?

Turnbull: No, I wouldn't. You are putting words in my mouth. Because of distances, you know, products like ADSL2 are not going to be available in areas where people are living very long distances from exchanges, as they're very likely to be doing in the country. So you need a variety of technologies. The general view has been that the best solution in regional and remote areas is a combination of fixed wireless and satellite. That's actually what the NBN is proposing, and that's what we proposed to do with OPEL. So there's common ground about the technological solutions in the bush as such.

TJA: Do you still see OPEL as worth building on or are you ready to let the NBN go ahead?

Turnbull: Well, OPEL is a thing of the past. The Government has abandoned that. You can't snap your fingers and bring that back to life. I think that the solution in the bush, in regional and remote Australia, is a combination of fixed wireless and satellite. It will require a government subsidy, and we're certainly committed to providing that. What is the most cost-effective way of delivering that? Well, that's something we would have to look at more closely as the election, you know, as time goes on.

TJA: What do you think of the current review of the Universal Service Obligation (USO). Do you have a position on that?

Turnbull: Well, basically, nobody is suggesting there should not be universal access to affordable broadband as well as voice, so the question then is: how do you define broadband and what is affordable? One of the concerns I have about the NBN is that because of what I believe is a massive overcapitalisation, and coupled with making it a government monopoly, that is inevitably going to put upward pressure on prices. It's no different from any other business: if you spend too much on your capital, you're going to have to try and recover that. Now if you're a monopolist it's easy to do that if you don't have competitors.

TJA: Can I move on to the questions you raised on your blog about the US Securities and Exchange Commission (SEC) findings that Alcatel subsidiaries were guilty of bribery in several developing nations? Are you suggesting NBNCo's CEO, Mike Quigley, and CFO, Jean-Pascal Beaufret, may have been involved because they are former Alcatel employees?

Turnbull: Well, the only issue I've raised is really that both Quigley and Beaufret need to explain what their knowledge was, what their role was, and how it came to happen. I mean, you've got to remember that Alcatel was being run by an executive committee of which Quigley was a very important member, and its chief financial officer, whose job is to know where all the money is going – both coming in and going out – was Mr Beaufret. So these were two very senior guys in a company that clearly had a systematic practice of paying bribes to people in developing countries in order to get contracts, and I think we are entitled to a full explanation.

TJA: Well, Quigley is quoted as saying...

Turnbull: Just keep talking, Liz, don't let me finish an answer.

TJA: Go on, please.

Turnbull: Alright. Quigley has said he didn't know anything about it, but it rather does beg the question of what were the systems, what was the accountability of people, what is the competence of people who could be running such a big company and then have what was clearly a systemic practice of corruption – I mean there's no question about that, it was operating in a whole range of countries – and so if they weren't aware that it was going on, why not?

TJA: A former Alcatel employee told me there was no doubt that Alcatel's culture was far from perfect and it wasn't till the merger with Lucent that this culture changed in line with the US legislation. It's quite complex isn't it, but when you were a partner of Goldman Sachs & Co., could you be held responsible for company actions in, say, Greece?

Turnbull: I wasn't involved in that. I had nothing to do with that.

TJA: Isn't that what Quigley is saying too?

Turnbull: No, no. It's very different. If I had been a member of the management committee or executive committee of Goldman Sachs and there were dreadful things going on within the company, people would be entitled to say: Why didn't you know about it? or, Didn't you fail in your duties by not being on top of this issue?

TJA: But apparently the culture of Alcatel didn't necessarily require answers to those questions...

Turnbull: That's not the point. The point is that you keep on talking over the top of me, you don't listen to what I'm saying, Liz. We'll have to wrap this up. I love you dearly, and you're a very old friend and everything...

TJA: Am I allowed to ask a few more questions?

Turnbull: No, you don't ask questions. Just let me finish. The point I was about to make, which I think is a very significant one, is that in some respects the person who really needs to make a clearer explanation of his role in all of this is Beaufret, because Quigley was a member of the executive committee, there's no question about that, and the executive committee, as the SEC has said, ran the company. That's how it operated. Quigley's argument seems to be: 'Well, I wasn't directly involved. I didn't have any oversight of these particular areas.' But Beaufret was the chief financial officer. Now if there were very substantial payments being made to consultants in these countries, shouldn't alarm bells have been ringing for him? We haven't heard anything from him.

TJA: I understand the SEC didn't talk to him.

Turnbull: That's what we've been told, and without hearing from the SEC, it's hard to know why that was the case. You've got to bear in mind, Liz, that these gentlemen have been at the very top of a company that was engaged in a systemic practice of corruption around the world. That company has now admitted its guilt and paid a huge fine of, I think, \$137 million. They are now running, between them, a company which will end up spending about A\$50 billion of taxpayers' money. What I would like to hear from Mr Beaufret is, for example, how it was at Alcatel that he, as chief financial officer, was not aware that millions of dollars were being paid out in bribes in these developing countries. And I would like to hear from Mr Quigley how it was that the executive committee of Alcatel, and he as a member of it, never became aware of these things. I'm not suggesting that either of them was party to making bribes, but it does raise question marks about, I think the SEC used the phrase, 'lax management practices'.

Dart : We'll have to wrap this up.

Dart (to TJA): He does have to go.

TJA: He was 30 minutes late and I did ask for an hour.

Turnbull: No, keep going, Liz,

TJA: Can we move on to Wikileaks? As a former journalist and the author of *Spycatcher*, does this new development excite you?

Turnbull: I have written quite a long piece about it in *The Age*. I don't know that it excites me.

TJA: Would it worry you if you were quoted in a cable, though I guess it could always be inaccurate, which would be worrying!

Turnbull: That's exactly right. I'm sure some people have been genuinely embarrassed by it, but so what? As I think I said in *The Age*, you can divide the material up into at least three categories. The area which is of great concern, and I do have very real concerns about Assange's ethics here, is material which either reveals, or is likely to reveal, the identity of people who are informants to the State Department, particularly in areas of terrorism and counter-terrorism. I won't repeat what I said in *The Age*, but can I just say that I think in one respect the single biggest issue here is how on earth could a very junior person download a quarter of a million documents! In any big corporation or government department nowadays it should be the case that you cannot put a thumb drive into a computer without an alert being sounded. If you're working for a bank, and you put a thumb drive into the system, you should get a call from Security within minutes saying: 'What are you doing?' So either this guy, Private Manning, was a genius hacker or the system is just laughingly lax. I know plenty of people who work for banks and government departments who are just aghast that this could happen. Let's face it, Liz, it wasn't just one document that was downloaded. It was a gigantic amount of material.

TJA: Given your experience with mainstream media, and as a banker you advised all three commercial TV channels, have you any thoughts on the Government's upcoming convergence review of media and communications regulation?

Turnbull: Well, there are some very big issues around this. The free-to-air networks, for example, would be saying, 'Twenty years ago we were paying licence fees for the only way of getting something directly into someone's home', in effect, a monopoly. Now people can access video material from hundreds of different providers courtesy of the Internet and other technologies. So there has been a dramatic change.

TJA: What about Telstra's involvement in this area? You must have known Telstra's business quite well when you were at Goldman Sachs advising the Government on the T2 share offer.

Turnbull: Well, I'm not unfamiliar with it. Telstra's in the content business now.

TJA: Do you agree with the structural separation of Telstra?

Turnbull: Yes. I talked to Telstra about this a very long time ago. The problem is that once the Government had decided to sell Telstra as an integrated telco it was very hard for the Government to direct any change. I think that Telstra would actually have enhanced its shareholders' value if it had separated its network from the retail businesses, but that's not a unique view. There are plenty of other advisers and, indeed, executives at Telstra, who have held that view over the years. Obviously, you would have to get a satisfactory regulatory regime, and certainty about pricing and so forth, but you've got to ask yourself, Liz, would Telstra be stronger and more financially strong if its senior executives hadn't spent the last ten years fighting tooth and claw with the Government and the regulator and, instead, concentrated on expanding the business and focusing on new products? There's been a lot of missed products, I think, because they have been, in effect, under siege over this issue of vertical integration.

TJA: Wasn't some of this uncertainty related to building some type of next generation fibre network as well as Telstra extending its dominant position by remaining vertically integrated?

Turnbull: Well, if the NBN goes ahead, Telstra will be structurally separated because the customer access network will be NBN. It won't be Telstra's copper. This is a critically important point. If vertical integration is the problem and structural separation is the answer – which I believe it is – you don't need an NBN to achieve that.

TJA: How would you have gone about Telstra's structural separation?

Turnbull: I would ensure there was a separate company, a CANCo or Customer Access Network Company, and it becomes a regulated utility and every year they would rock up to the ACCC or an IPART-type entity and say, 'OK, we've spent \$2 billion and for that reason, in order to get a reasonable return on our capital, we need these prices' just like Sydney Water or the electricity companies do.

TJA: How do you view the enormous task facing the NBN as it begins to build as well as prepares to operate a wholesale access network?

Turnbull: Look, there will be enormous engineering and technical and operational challenges for the NBN. I'm not suggesting for a minute, that the enterprise, from a technical or engineering point of view, is not feasible. I'm sure it can be built.

TJA: But it needs a cost-benefit analysis!

Turnbull: There are two big questions. Number 1 is the cost effectiveness of it: are we spending vastly more money than we need to achieve the objective of universal affordable broadband? Number 2, there's also the industry structure issue which, in some respects, is just as important in that we are now creating another government-owned monopoly. If we believe that competition is important, why is NBN contracting with Telstra to prevent Telstra from offering broadband and voice services over its HFC network that passes three million homes or thereabouts and would provide real facilities-based competition. Now that's going to be made unlawful by this scheme.

TJA: You've said the NBN is 'a bit of a dream' and 'appeals to dreamers'. Do you still hold to these statements?

Turnbull: Well, I think whenever politicians talk about nation-building infrastructure, you want to start reaching for your wallet. I'm not suggesting that there isn't a role for infrastructure that helps build a nation – all infrastructure does that – but all too often they use that term to justify projects that haven't been well thought through. Again, Liz, I'm not against it. I'm madly in favour of broadband, indeed passionately in favour of it. My concern is simply cost-effectiveness. If we could deliver, for example, ADSL2+ speeds or better across Australia for a fraction of the NBN cost, why wouldn't we do that and then see where technology went? I mean Conroy talks about this on the basis of what demand may be in 30 years' time. We have no idea. Cast your mind back – 30 years was 1981 for goodness sake!

Cite this article as: Fell, Liz. 2011. 'Malcolm Turnbull: A feisty interview with the Shadow Minister'. *Telecommunications Journal of Australia*. 61 (1): pp. 2.1 to 2.10. <http://tja.org.au>.