

Opening statement

Thank you Senator

I would first like to acknowledge and congratulate the new chair of this committee, Senator McAllister. On behalf of nbn I would like to reiterate our commitment to attending these hearings and providing as much information as we can to the Parliament. Given the large investment of tax payer money, we at nbn take the senate inquiries very serious. Our commitment is in part reflected by our participation over the last financial year. During this time, we attended 7 hearings, representing 130 executive hours of time before the senators.

For today's session, we have Stephen Rue, our Chief Financial Officer, Greg Adcock – our Chief Operating Officer, and JB Rousselot, the Chief Network Operations Officer. As previously advised, Mr Rousselot and Mr Adcock will only be present during the first 4 hours, leaving Mr. Rue and myself for the final two.

Now, as for the progress of the company... I am pleased to inform the committee that the thousands of hard working nbn employees had a record year ending June 2015.

We achieved all of our commitments across the network build, end-user activations, and achieved a record \$164m in revenue. Not only did we meet our full-year targets, we exceeded them. This shows the hard work and the focus within nbn to have 8 million active end-users by 2020.

With this year behind us, we are now getting on with our objectives for FY16, and if I could use one word to describe our first two and a half months it would be 'momentum'.

For example, whether it is the number of premises ready for service, the number of orders taken, or number of end-users activated we are at an all-time high. Furthermore, we've passed a significant milestone with Telstra on FTTN copper acceptance and we received the final approvals to complete the Optus revised agreements. Our HFC planning, design and construction trials have progressed thereby allowing us to take the next steps.

We launch our FTTN product next week and have well over 200, 000 premises in their final acceptance phase. These homes will be made ready for service over the coming weeks and months. Again, this marks another substantial milestone in executing to our new MTM strategy.

Another new technology of the mix is also about to pass a substantial milestone. The first special purpose-built nbn satellite is now in French Guiana waiting to launch 36,000 kilometres into space. With nbn at the lead, hundreds of people across 3 nations have worked toward this day for many years. Early morning on 1st of October, Engineers, systems architects, technicians - and the officials and executives who made this happen - will be gleaming with pride as Sky Muster leaves the launch pad.

Positioning and testing will be done over the following 6 months and service is expected to become available in the 2Q of 2016. This is so important for families in regional Australia. We can't wait to see the impact on the lives of people who can't get a basic internet service, let alone access to 25 mbps wholesale service. I know we'll see health benefits for individuals and for rural communities; we'll see farmers growing their businesses online and we'll see kids who are hundreds of miles from their classmates interacting and excelling in their schoolwork.

As we hit these critical milestones, it's worth looking at where we've come from.

Two years ago, nbn was prompted by a series of reviews to determine the best course forward. In late 2013 we undertook the Strategic Review that was later followed by a Fixed Wireless and Satellite Review. Based partly on these reviews, the government issued a revised Statement of Expectations in April 2014.

With these two reviews, the new SOE, and the board's other insights, the general direction was set. Before we could lay out a more detailed plan, we knew we had to achieve 3 major initiatives. The first was to renegotiate the Telstra and Optus agreements. Second, we needed to conduct trials of the new access technologies to better refine our cost estimates and validate the performance levels seen across the globe. And third, we needed to build organisational capability to determine how fast we can execute. All of this has now culminated in to our recently issued corporate plan.

As we developed this plan, we made sure we complied with government guidelines both in content and process. We further wanted to ensure it was informative, meaningful and easy to understand. There is a vast amount of work that has gone in to setting these goals and the plans behind them.

We have created nbn's first ever bottom-up and top-down plan, based on detailed reviews, financial analysis and fully integrated operational planning.

With the experience, insight, and facts that were not available before, we now feel comfortable in being able to forecast the time to build, revenue that could be earned, and cost to operate. With this, we were able to define the range of peak funding required before we are cash flow positive.

This is a meticulous piece of work that has been more than a year in the making. We have more than 1000 pages of documentation.

On top of all this is a detailed risk and sensitivity model to show the impact across the business if certain risks are not fully mitigated.

Through that process, we arrived at a base case of \$49 billion in peak funding and a network completion date of 2020.

This is the most likely outcome; however, there are factors that could impact these numbers, including changes in revenue, take-up and activation profiles, and also changes in capex and timing for the networks that we are about to launch. We tested these sensitivities and produced a \$46 to \$56 billion range for the forecasted peak funding. This range includes a \$4.6 billion contingency.

As I said, the most likely scenario is \$49 billion, and we have confidence in the range we have provided.

We realise this is a significant range but it reflects the scope of the business and challenges facing the company. We need to deploy and operate five network technologies, enable a healthy retail market, and build capability across the nation that does not exist today. The overall challenge of managing the complexity of dealing with multiple issues simultaneously cannot be overstated.

Lastly, I would like to say a few words about a natural question relating to our corporate plan. That is, how does it compare to the original views and assumptions made back in late 2013.

The Strategic Review is probably the most critical review that set our direction and therefore I'll focus on this. The late 2013 Review was based on the best information available at the time.

Like any forward-looking document, it made assumptions about the timing and cost of what was to come including the timing of the revised Telstra agreements, the timeframes required to commence the FTTN and the HFC build, and how fast we would be able to recover the unhealthy relationships with our delivery partners and the dysfunction within the company itself.

Even if that review had taken five months rather than five weeks, it would have been impossible to foresee every twist and turn in the road ahead. That is why nbn then said very clearly that the purpose of the review was to assist the government in formulating the Statement of Expectations in early 2014.

I want to make this very clear: the work that has gone into our corporate plan absolutely confirms that we are building the network in the fastest and most cost-effective way possible with more than ample network performance to meet end-user demand. While the peak funding numbers have changed for the MTM model, they also changed for every other scenario. Given the purpose of the Strategic Review, we can confirm the preferred scenario selected late 2013 remains the case today.

So as you can see, our plan meets the SOE, addresses the market demand behind internet performance, and speeds up the delivery of nbn's network across the nation. The more accurate view of peak funding is not dependent on any further tax payer money, nor is it dependent on us raising our rates to the RSPs.

So, whether looking back or looking forward, we can say the industry and our employees are more confident than ever in meeting the statement of expectations.

Thank you; my colleagues and I will now answer your questions.
