

**SENATE SELECT COMMITTEE – NATIONAL BROADBAND NETWORK
BILL MORROW OPENING STATEMENT – TUESDAY 15 MARCH**

Thank you Senator. Present in the room with me today are my colleagues Stephen Rue and Peter Ryan, and over video we will be joined by John Simon and Dennis Steiger. A bit later in the day, we will have another team member, Brian Mayberry, join the video link as well. As agreed with the Committee Chair, the video participants will not be with us for the full duration of the hearing.

As usual, I would like to open with an update on the progress and performance of nbn. Even though we provided an update roughly 4 weeks ago, this update is important because our progress has further accelerated. I would also like to address the recent reporting and commentary made about nbn which are either taken out of context or simply incorrect.

It is important to recognise that the policy direction of the nbn network and the model it pursues is a matter for the Government and not ours to debate. As directed in the Statement of Expectations, we take a technology-agnostic approach to roll out the network as fast as possible and at the least cost. Plans that comply with these expectations were created and approved by both the Board of Directors and the Government. These plans have expected outcomes and they are the responsibility of the executives before you.

I want to share with you why you can take comfort that we are delivering on these agreed outcomes.

First and foremost, the nbn build is accelerating; it is on track, on budget, and performing as expected. Our end-users, RSPs, Delivery Partners, and employees are reporting higher engagement and satisfaction levels than ever before. Yes, there are challenges and we are promptly working through them as you would expect.

So, let me detail some of the facts that back up my claim.

I'll start with the acceleration. When I was last here I reported that as of 4 February, we had 1.77 million premises "Ready for Service". Now, our figures as of last week, the 3rd of March has our total footprint to be over 1.91million. So a further 145 thousand homes have been added over a 4 week period, an average of more than 35 thousand per week. This is triple the speed of the rollout a year ago, 7 times faster of the rollout 2 years ago, and 35 times faster the rate of 2013. As you can see, this year has proven to be the fastest growth rates yet in nbn's history. Looking at the past couple of weeks alone, we continue to accelerate as we have exceeded 40 thousand homes each week.

The main reason we are able to accelerate this so quickly is due to FTTN and the fact that the lengthy construction work over the last kilometre is typically not needed since it is already in place. Of the 145 thousand premises added this last month, 80 thousand of these are part of the FTTN footprint which is key to us being able to scale up even further.

Now, moving to the fact of nbn being on track. We said we would have 2.6 million premises ready to go by 30 June 2016. Our satellite program is well on track for commercial launch in April/May of this year and that will cover more than 400 thousand homes. Add this to our 1.9 million already complete. We are left with less than 300 thousand to get our target over the next 13 weeks. With no further acceleration, that would require only 23 thousand per week. However, as I said, this last month has averaged over 35 thousand a week. So we can certainly make the claim we are on track.

I know you will ask us about this alleged nbn document that talks about FTTN designs being behind so let me clarify the facts on this too. It is a fact that the volume flowing through our FTTN design process was partly held up due to sub-optimal processes in our work with the many different power companies - each with their own different and unique process. We have since resolved the major bottleneck but it was never an issue of the nbn roll out being off track and let me explain why.

First, the document in question only refers to one program that does not represent the entire FTTN build.

Second, depending on the technology, there are up to 14 steps in a process before an area is declared 'Ready for Service'. Each step is closely monitored and has its own targets. The metrics under each have thresholds higher than what is needed to meet the corporate plan. We do this to allow for any unexpected challenges, as is prudent in a newly established process. This contingency management is something that any large project management organisation will do and is exactly what was happening here. I'd further point out that the team advanced subsequent steps in the process that wasn't related to power to shorten the cycle time of these steps, thereby again giving us the assurance of meeting or exceeding our corporate plan target. We now have nearly 250,000 premises Ready for Service across our FTTN footprint with over 30 thousand active end users. So again, we have the facts that demonstrate we are on track for this year's 2.6 million premises and the work necessary to meet the subsequent roll out targets that complete in the year 2020.

As we are accelerating and keeping on track with our roll out plan, we are also staying on budget. Revenues have been reported as being ahead of plan and we see recent results that continue with this pattern. Our total Opex has been in line with budget and continues to be so. Our Capex and cash flow are equally in-line with budget.

There has been an allegation that our FTTN program is costing more than expected. This is not true. There will always be a balancing across the entire plan, where some parts are higher and some parts are lower than what was forecast but in the case of FTTN, our actuals to date and forecasted Cost Per Premises (CPP) remains at \$2,300.

And while I'm talking about CPP, please allow me to explain the progress on our continued efforts to reduce the cost across all technologies. We have been working on something we call skinny fibre which reduces the amount of civil works needed to push fibre down a street. We've taken concepts from paper analysis to field trials and have recently completed 4,500 homes in a fibre application using skinny fibre. This area actually went live a few weeks ago and we've been studying the data since then. The findings are encouraging. Relative to costs, we were able to reduce the CPP by roughly \$450 per premises. Relative to time, we also believe we could shave 4 weeks off the time of the build.

As a result, we believe there is merit in exploring this technology further. When we combine skinny fibre with Fibre to the distribution point (FTTdp), we see opportunities in unique areas that would otherwise be slated for fixed wireless or FTTN. Further, skinny fibre on its own may be well suited for new developments. It is important to note there are trade-offs with skinny fibre, and it is still in development to some degree. This is a good example of our technology agnostic approach in finding the fastest way to deploy at the least possible cost.

Now finally, I would like to provide facts on how the network is performing as planned. As you know, each of our access technology architectures will have unique characteristics that will differ from each other. This includes the maximum speed, the average faults that will occur, the level of disruption in installation, and even the upgrade paths to expand capacity down the road. As you know, we started with 3 access technologies that differ in each of these characteristics and we have added two more. I

would also add that with each of the two we added, there will be variants such as FTTB or FTTdp that will carry different characteristics than even the base technology of FTTN. I can report that all the network technologies deployed so far are performing according to the expected levels across each of these characteristics.

I raise this with you to clarify the issue of customer complaints that was raised by Senator Conroy and Senator O'Neill at the recent senate Estimates. Since then, our team has contacted the offices of Senator O'Neill, and the members for Shortland, Charlton, and Newcastle.

We went through every complaint with the staff in these offices to check progress and what the root cause was. We take all of these issues very seriously, and will continue to work with offices to resolve constituent complaints, but the numbers are actually very small given the scale of the rollout.

We found that of the issues reported to their offices, as well as those reported through the RSPs and us directly – none were directly related to the FTTN technology itself or the copper circuit. The majority related to installation issues, the type of modem end users were sent, the timing of existing services being switched over, and the understandable frustration of missed appointments.

There were also a number of speed complaints, particularly speeds dropping during peak times. This is not related to the technology, it is exactly the same on FTTP, and is mostly a function of the manner in which a few of the RSPs have dimensioned their capacity.

A statistic that is tracked separately from the number of complaints is our line fault rates. We know and expect FTTN to have a higher fault rate than the other technologies being deployed but the percent of faults being fixed, thus far, are in line with what was expected. 1.4% of the circuits in use have required repairs. This is roughly in line with what other copper network operators are reporting.

Providing further fact based evidence on the expected performance of FTTN is how our most recent survey for FTTN customers are positive. Overall satisfaction and Net Promoter Scores are trending well for FTTN. Our NPS is +18 for FTTN just 6 months after launch and by comparison our FTTP NPS at that same point in time was +19. As FTTP improved to its current +29, we expect FTTN to follow suit.

We know, and our surveys confirm there are enhancements we need to make to our processes around connections. And for that reason we continue working on the end-to-end processes that start with the RSPs and move through the Delivery Partners, nbn, and ultimately to the steps the end-user performs to be sure the experience is positive and the network speed is performing at the level purchased.

And speaking of speeds, I would like to clarify the facts further by pointing out the average available download speed across all 30,000 active FTTN services is testing at 83 megabits per second, and the average upload is testing at 36 megabits per second. The speed our end users will actually experience depends on the product they buy from their retailer. Our reports show 88% of FTTN end-users are opting for 25Mbps or less with 67% taking 25 and 21% taking 12.

And to close, I would like to reiterate again how the company is accelerating the roll out; it is on track, on budget, and performing as expected. Our end-users, RSPs, Delivery Partners, and employees are reporting higher engagement and satisfaction levels than ever before.

The facts are what they are and the thousands of employees and partners have delivered within the parameters defined by the Government and consistent with the objectives defined in the corporate plan. Regardless of one's preference of technology, the current mix is the fastest and least cost approach to bringing broadband to all Australians.

We are happy to answer the questions you may have.