

Senate Estimates 25 February 2014 – Opening Statement

OPENING STATEMENT

[Chair: Dr Switkowski, would you like to make an opening statement?]

Thank you Chair, I do have a brief opening statement. I want to update the committee on the transition process, on some recent and upcoming events, and on the company's progress.

Six-month report

On Friday, I released NBN Co's first six-month report which outlined our financial and operational performance for the period up to December 31. This is part of our response to the Government's call for greater transparency and timeliness of information, and we aim to continue this reporting on a quarterly basis.

The report is now on the public record, so I don't propose to go through those details here today. I think I can summarise by saying there remains much to do, but NBN Co is making progress in some important areas.

As one example, the transit network program is running on schedule and within budget. This is the critical infrastructure that links towns and cities to all the major network components and underpins the fixed wireless network, the satellites and any fixed line technology deployed in the future.

38,000 km of transit fibre has been deployed and 94 out of a planned 121 Points of Interconnect (Pols) are complete, representing 80% of the Pol program.

In addition, preparations for the launch of two satellites in 2015 remain on track for key milestones including earth station construction around the continent.

A separate review of our Fixed Wireless and Satellite strategy is just a few weeks from completion.

Strategic Review next steps

While these are encouraging signs, and elements of the build are going well, we are some distance from getting the entire project on track. As we do this, NBN Co is in a period of transition and this will continue for some time.

The Strategic Review found that the fastest and most affordable way to deliver the NBN is to apply a mix of technologies based on their best fit with the infrastructure already in place. NBN Co is now making preparations to implement the Government's directions.

To manage and drive the transition, a Transformation Management Office, or TMO, has been established within NBN Co under the leadership of J.B. Rousselot.

The TMO is engaging widely with staff, delivery partners, customers, suppliers and the community to ensure the findings of the Strategic Review, once agreed by Government, are understood and that the next steps are successfully implemented.

The TMO is looking at all in-flight projects to assess their alignment with the new strategic direction, and to map the existing set of business relationships and governance structures.

The aim is to build a whole-of-business strategy with which all business units are aligned.

In addition, an Employee Engagement Survey is about to be initiated to give us a cultural baseline to assist incoming CEO, Bill Morrow, in his review of the organization and its strengths and against which the efficacy of future changes can be measured.

FTTP and ongoing work.

Meanwhile, the Fibre-to-the-Premise (FTTP) rollout continues, and our aim is to stabilise the process and give contractors, suppliers and customers more visibility of forward plans, and greater certainty.

NBN Co is working with our delivery partners to address planning and construction issues that led to delays in the past. I will give you an example of how we are doing this.

In the past, NBN Co's reporting and our contracts with delivery partners had a strong focus on the "Premises Passed" metric.

It is axiomatic that you get the outcomes you incentivise—whether these are desired or not.

The focus on "premises passed" led to a situation where running fibre up and down streets was prioritised over connecting it to buildings. The result was a high number of premises that simply could not connect to the network despite being "passed".

We are now working productively with our delivery partners to ensure the incentives go to "serviceable premises" and RSPs are able to connect end-users quickly and efficiently.

NBN Co is also working as quickly as possible on the required commercial negotiations, product development, policy arrangements and technology testing that will underpin the future rollout.

FTTN/B Trials

This technology testing is being carried out through a series of programs that will help the company incorporate a broader mix of technologies and move the rollout to scale.

A **Fibre-to-the-Building pilot** will test delivery of VDSL broadband to end users in ten buildings in Carlton, Brunswick and Parkville in Melbourne. Fibre optic cables are being delivered to a telecommunications connection box in the buildings, which connect to the existing in-building wiring. RSPs will then be able to deliver fast broadband to each premises. A technology trial in December last year produced download speeds of 108 Mbps and upload speeds of 48Mbps.

A Fibre-to-the-Node build pilot is set for two locations: Umina near Woy Woy on the NSW Central Coast and Epping in Melbourne's northern suburbs. We will construct two small scale Copper Serving Area Modules and erect kerbside cabinets. NBN Co will then invite RSPs to participate in a **Fibre-to-the-Node end user trial** to test the delivery of high speed broadband to about 100 premises at each location and to design deployment processes together.

Disconnection

Finally, I want to mention an area of work that is the focus for many NBN Co staff at the moment. On 23 May, we will reach the copper disconnection date for the first 15 fibre serving areas.

This means nearly all existing landline phone and internet services in these FSAMS will be disconnected from the copper network. If residents and business owners want to continue these services, they need to switch to the NBN.

Disconnection is not only an operational issue; it is also a complex communications project, which NBN Co has been working on collaboratively with RSPs, government, application providers, industry and consumer groups for some time.

We are working to ensure that this disconnection process is as smooth as possible and that everyone in these areas knows what to expect and what to do. This includes being very sensitive to the requirements of the more vulnerable people in our communities.

We continue to communicate through a range of measures, including through direct mail, local advertising, information kiosks, door knocking and engagement through community groups and local advocates.

Importantly, RSPs and application providers are also directly engaging their customers to assist them in this process.

Conclusion

Along with our continuing construction work, the trials, pilots and reviews all form a vital part of the forward direction of NBN Co. Our focus for 2014 will be to learn from past experiences, transform the company in line with the advice we receive from Government, and deliver the NBN to more Australians sooner and at lower cost.

My colleagues and I are now happy to take your questions.