

Tabled: Mr Stephen Ruse
NBN Co
20 November 2014

OPENING STATEMENT – 20 November 2014

Good morning Senators and thank you Chair for the invitation to make some opening remarks this morning.

As advised Mr Morrow is unable to attend today as he is overseas but he has asked me to represent him today. I apologise in advance for the change in accent but I am sure if I speak slowly into the microphone members and Hansard will be able to understand me. Twenty three years in Australia, but you never lose an accent.

I am joined today by my colleagues Greg Adcock (Chief Operating Officer) and John Simon (Chief Customer Officer) and I hope we can address all your queries on behalf of the company. If we cannot, we will attempt to get you answers as soon as possible within the morning session.

I thought it might be helpful to just touch briefly on a few topical issues on the company covered in the media and also provide a general update of progress since we last gave evidence at the Senate Select Committee Hearing in late September.

Corporate Plan

Earlier this week we released our 2014-17 Corporate Plan following its presentation to our Government shareholders and as expected there was a wide range of media coverage on its content. We have made no excuses about the fact this is a "Transition Plan" and largely a focus on FY2015 forecasts. Of course we would like to have all the answers presented in a Corporate Plan but we are simply not in a position to do that just yet. There are too many unknowns.

To do a reforecast beyond FY2015, we would have had to make assumptions about a number of things that are still uncertain such as the outcome and timing of commercial deals underway with Telstra and Optus, regulatory approvals and potential Government policy changes that might come our way from the Government's consideration of the Vertigan and Scales Reviews.

We have been criticised for the lack of detail in what is supposed to be at least a Three Year Plan, but as we have said openly, we cannot generate reliable projections for the two outyears just yet. That is why we have used the Strategic Review estimates for FY2016 and FY2017 as our base estimates for the outyears. We are currently very focussed on a detailed Operating and Financial Plan that will be completed once the "unknowns are known". The result of this work will form the basis of the 2015-18 Corporate Plan. This Plan will be the crucial guide as we move into the optimised MTM rollout period.

But as CFO, I do see some positive signs emerging.

Results

The recent release of the company's first quarter results for FY2015 has seen steady growth in serviceable premises, active end-users and our revenues. We have made significant progress over the last 12 months with a real focus on dealing with the issues around 'serviceable premises' (not just 'passed' premises); we have continued to address issues with our construction partners and have made good progress with our Trial programmes. So the speed and quality of the ramp up continues but of course we need to accelerate as we move into calendar 2015 to reach the exponential shift that is required.

The company is confident that our FY2015 forecasts are achievable. Results are starting to reflect the positive and steady improvements we are making in construction, product development and the end user experience.

The rollout of our FTTP, Fixed Wireless and Satellite networks continues, and with the support of our customers we are growing the end user active base on the NBN moving from 9,000-10,000 end user activations per month at the beginning of this year to a run rate of approx. 22,000 per month.

- As well as stabilising the rollout, we have also been focussing on connecting premises, rather than passing premises. We are now cabling and making ready for service over 10,000 End User Premises in Multi Dwelling Units per month. This was a major area of frustration for the community and our RSP customers.
- With our Interim Satellite Service, we have added extra capacity for the 40,000 plus end users.
- We are getting ready to launch our Long Term Satellites next year; a service that will transform telecommunications in remote and regional Australia. I am pleased to report that this program is on track and that we have recently reached two key milestones.
 - Our first satellite came through the “thermal vacuum test” successfully and our second satellite is now going through the same process; and

- the last two reflectors at the Ceduna Ground Station have been lifted into position marking the completion of all Long Term Satellite Ground System antenna installations. A total of 27 satellite antenna dishes have been successfully installed by our partners ViaSat and SSL at the ten NBN Co Ground Stations in some of the most remote locations in regional Australia.

- By the end of June 2015, we will have over one million premises Ready for Service on the NBN - as well as having connected almost half a million end users.

- We have also been working towards the launch of FTTBuilding and FTTNode - the first of the new MTM technologies.
 - Through our construction trials we plan to have over 240,000 premises ready for connection via FTTN commencing July 2015 and by the end of first quarter 2015 we will have launched our FTTB service.
 - During the last five months we have also consulted with our customers to ensure that we get the MTM product constructs and service equation right

Design Rules

We are very conscious of the desire from the community for detailed rollout plans indicating which technology we will all be getting and when. And we understand the transition to the MTM is frustrating for many. But I can assure this Committee that we are moving as fast as possible to provide as much certainty as we can.

Just last week we moved a step closer by announcing the high level principles or business rules that we will use in determining which technology is likely to be deployed in each rollout area.

These principles are necessary to meet the mandate given to us by Government that we minimise peak funding, optimise economic returns, prioritise underserved areas and enhance the company's viability.

The aim is to give some clarity to communities and our customers – the retail service providers – about the choices that we have to make. We will imminently be releasing more indicative details on technology and timing by area to our customers and the community once the analysis is complete. We also hope to release guidelines in the near future about a fibre-on-demand product for those wanting to purchase a fibre to the premises product if they are in an alternative technology area. Finally, we are also looking at co-funding investment opportunities for small communities wherever possible.

Conclusion

Thank you for the opportunity to make this statement and we welcome your questions which we will attempt to answer to the best of our ability.