

Bill Morrow

Opening Statement Senate Estimates 20 October 2015

Thank you Chair for the opportunity to make this opening statement and the **nbn** team would like to congratulate you on your appointment and also those members who are new to the Committee.

For today's Hearing, I am accompanied by my colleague and Chief Financial Officer, Stephen Rue.

We know the Committee wants to be sure the near 30 billion dollar tax payer investment achieves the stated expectations and delivers a fair internal rate of return. As a reminder the expectations are to deliver universal broadband access as soon as possible, at the least possible cost, and with download speeds capable of at least 50Mbps for over 80% of the country and 25 for the rest.

Thanks to our employees, partners, and providers we have made excellent progress toward our goals and I would like to share a few of these highlights with you.

As we spoke of in the Senate Select Committee, we ended this recent financial year on a very positive note. It was a year in which we achieved all of our commitments across the network build, end-user activations, and achieved a record \$164m in revenue.

Highlights of the year

Highlights of the year included the successful renegotiation of the Optus and Telstra agreements, the implementation of new MTM construction contracts with our delivery partners, and many trials and early launches to support the new access technologies that

are key to us meeting expectations. All of this builds a strong foundation for exponential growth of the rollout in the coming years.

In August we released our 2016 Corporate Plan. This was the first fully integrated plan built with a history of actual figures and on the ground knowledge. It was based on a better understanding of the key business drivers and financial systems and with greater data integrity than ever before.

The first quarter of this year is a continuation of this success. The trends give evidence that we are on track to have yet another successful year of meeting our targets. A full public briefing on the first quarter results will be made later this month.

As of last week there are approximately 1.4 million premises who can receive the service and approximately 620,000 who have already activated a service. That is already a 44% take up rate overall and we are at 70% for those areas which have passed the Telstra disconnect date. All of this reinforces the predicted long term business model and the recently released corporate plan.

Three Year Rollout

As we gain experience, refine our processes, and improve the collaboration with our partners, we gain confidence in our forecasts. Because of these improvements, this last Friday we were able to publish our Three Year Rollout Plan which provides further information on the timing of the start of construction for approximately 7.5 million premises. By September 2018, about 9 out of 10 homes and businesses will have either completed or started construction.

The Plan includes for the first time the suburbs and towns where **nbn** intends to begin construction on the rollout and an indication of the technology proposed to be deployed, including those that will receive HFC.

The updated Plan adds to the approximately 2 million either complete or under construction right now.

As the primary purpose of this forecast is to aid the retail service providers in their planning, we are pleased to report that this was well received.

We know the general public is also interested and I would like to recognise that some people may be disappointed that their suburb or town isn't included in this 3 year window, but I can tell you **nbn** is committed to ensuring that no one misses out and we intend to update the Plan quarterly to include more areas and reflect timing and technology calibrations that will no doubt be forthcoming.

On the technology front, we are moving at pace to integrate additional access technologies into the rollout and we have recently reached a number of milestones towards the full incorporation of these platforms into the network.

FTTN/HFC/FTTB

For example, we have launched the commercial FTTN product last month which follows the earlier launch of our Fibre to the Building (FTTB) product. Both of these platforms are connecting end users as we speak. We have already welcomed our first end-users on FTTN and we continue to refine our processes as part of the development plan.

FTTN not only meets the service and performance levels we have set for **nbn**, but just as importantly, it enables us to roll out the network at a lower cost with the scale that is required to meet our targets.

HFC

Our HFC planning, design and construction trials are also progressing very well and we expect to be connecting customers on this network from mid-2016. We have announced our plans to boost the existing HFC networks with the latest technology, DOCSIS 3.1. This leading edge approach can provide up to a Gbps wholesale speeds to our customers.

Fixed Wireless

We are delighted with the performance of our Fixed Wireless service, which enjoys great popularity and take-up. Earlier this year, we launched a pilot for increased wholesale download speeds between 25-50 megabits and upload speeds between 5-20 megabits. This is world-leading performance, attracting significant interest from the global industry, and promises to deliver to regional Australians - and indeed those on our metropolitan outskirts - the sort of speeds that one might only expect in our capital cities.

Satellite Launch

And for those in regional and remote Australia the good news continues.

Many of us were glued to our TV screens in the early morning of October the 1st, witnessing the successful launch of *Sky Muster*, the first of our two broadband satellites.

Sky Muster is now “on station” some 36,000 kms above Australia in geostationary orbit. It has successfully deployed its on-board antenna dishes to generate the 101 spot beams that will serve regional Australia with broadband.

The process of In Orbit Testing has now begun and will continue for two months to ensure systems are performing as expected and then the satellite will be integrated with the 10 ground stations around the country. This will be followed by the end to end testing including the systems and processes we use with our RSPs.

Once nbn has run a short customer trial and is confident that the product and our systems are ready to go, the service will become commercially available and this is expected in the 2nd quarter of CY2016.

The satellite system will have an aggregate capacity of over 130Gbps. By way of comparison, the current Interim Satellite Service is capable of providing 4 Gbps bandwidth – this represents a significant upgrade in terms of capacity and speed that end users will experience. Once fully operational in mid-2016, *Sky Muster* will deliver an excellent service, designed to provide wholesale speed options with our 12/1 and 25/5 product offerings.

This will be a game changer for hundreds of thousands of people currently underserved with broadband capability and will help ensure the benefits of broadband are available to all Australians, no matter where they live.

The community response to this milestone was something I haven't seen before and underscores just how important Australians view the provision of quality telecommunications services, not just to the metropolitan and regional centres, but to the rural and remote parts of this enormous country.

I was extremely proud of my team and while we paused momentarily to reflect on this historic achievement, we know there is still a lot of work ahead.

I would also like to update the Committee on the customer experience. We have shifted the company to a customer centric model and have made many improvements in the experience we offer to both our service providers and the end users. The results are confirming we are doing the right things with our Net Promoter Score greater than 30 and a significant rise in customer satisfaction in both installation and product performance.

Further evidence is while our end-user base grew over this last financial year by 93%, the complaints to the TIO grew far less at only 69%. This is a 27% improvement over the prior year when you consider complaints per customer.

Copper replacement

In some circles there remains scepticism about the capability of Fibre to the Node, notwithstanding the fact that this has already been deployed in many other countries and it is delivering an impressive performance.

Often the argument boils down to anecdotal evidence about the state of the existing copper lines in the street.

I understand this – and I would be the first to agree it would be absurd if we are replacing copper with copper.

The fact is, Senators, we are not.

Now I would like to stress, we are not commenting on policy or alternative policy on the **nbn**. That is for others. We welcome debate, and I believe our role is to ensure it is a balanced examination of the relative merits of all of the technologies in our MTM design. We are, as we have said, technology agnostic.

Much of the anecdotal evidence I have seen about our copper remediation in FTTN is misleading or just plain wrong, perhaps based on a misunderstanding of what we are doing in the streets.

Global experience from telcos around the world tells us that very little remediation work is required on lines from Cabinet to Premises – that's why it's such an attractive technology.

On our experience, while limited thus far, Australia appears to be no different. We will need new copper to run from our node to the pillar and in some cases we will need to replace joints or add cable for additional pairs--but these should be the exception not the rule.

We have to remind ourselves that FTTN is a FIBRE-based technology, so we are in fact replacing most of the copper from exchange to end-users with fibre, and only a short copper tail is being left in place.

In any case, if we find the copper approach to be more expensive than fibre or wireless, then we will alter our plans.

Conclusion: A Challenging but achievable Plan

I would like to conclude by recognising that, while it is important to reflect on and celebrate the developments I have just talked about, we have to keep our focus on increasing the end game.

The **nbn** Board and management acknowledge that there are many challenges ahead of us in a project of this magnitude. It is not without its risks.

We do not underestimate the magnitude of the task and I remind our people every day that to achieve our objectives means meeting our targets annually, quarterly, monthly, weekly and daily.

But we have the people, the plan, the partners and the processes in place with a clear understanding of the risks and unknowns a project of this scale will throw our way.

An important part of this is giving the Australian community, via their Parliament, an open and transparent view of this critical national infrastructure investment.

We are now happy to take any questions you may have.