

## Opening statement

Thank you Senator [Bushby, Chair].

With me today are Chief Financial Officer, Stephen Rue; Chief Engineering Officer, Peter Ryan; and Chief Customer Officer, John Simon.

A lot has happened at nbn since the last Estimates hearing. To name just a few: We have completed 3rd party contracts with all that is needed to fully equip and construct the network; We have launched our HFC product; We have released our FY16 Annual Report, We have published our annually updated Corporate Plan, and we have put another satellite into space.

Along with these key milestones, we have substantially lifted the momentum in declaring homes ready for service; and we are activating new users at record levels.

At the end of the last financial year, we had achieved our ninth straight quarter of meeting or exceeding our targets. Preliminary results are showing the 1st quarter of this financial year will continue this trend with now 10 successful quarters in a row.

In FY16, we more than doubled the number of premises that can order an nbn™ service and now have more than 3.2 million made ready across the country. This represents nearly 30% of Australian's existing premises and we are now completing construction on over 40,000 homes a week. We are targeting nearly half the nation to be ready just 9 months from now and 3/4 complete by the year after.

We are pleased with the momentum but even more so with the end-user take up rate. On average, nearly 74% of premises have an active nbn service once we reach the official disconnection date--and this is more than what the business model called for. As it stands today, we currently have over 1.4 million end-users and are adding on average 22,000 every week.

There is a long way to go to reach eight million connections by 2020, but the pipeline of work gives us confidence, as does the weekly ramp up in activity. Nearly two-thirds of the country is now in design, under construction or can already order a service. By July of next year, this will be more than three-quarters.

It wasn't just construction and activation targets that we beat. In FY16 our revenue came in at \$421 million, an increase of over 250% on the previous financial year. Our revenue forecast for this financial year is \$900 million and we expect this to be approximately \$5 billion dollars by 2020.

The success in revenue is because both the number of end users and average usage is ahead of plan. At the end of 2014, people on the nbn were downloading about 67 GB each month. Now, just two years later, it has doubled to more than 130 GB.

## Corporate Plan

This observed growth gives confidence to the forecasts in our recently released corporate plan. In the plan we confirmed the peak funding to cash flow positive remains \$49 billion, but the experience, contracts in place, and market observations allow us to reduce the top end

of the peak funding range by \$2B to \$54 billion. We also saw the expected range for the internal rate of return increase to between 3.2 and 3.7 %. In short, there is more certainty and a greater rate of return than the year prior.

### CVC Pricing

A key part of the business model is naturally dependant on our pricing structure. We continue to consult with the industry on all of our product decisions. CVC is no different. Our CVC pricing has come down more than 20% over the past 20 months from \$20 in Feb 2015 to \$15.75 now.

Part of this reduction comes with an industry-average volume based discount model and we are now consulting on a discount model that moves this to an RSP-average --allowing retailers to further differentiate their product offering and pass along lower price as end users demand more data. If all goes well, we hope to implement this change early in 2017. As data usage continues to increase over the network, we expect CVC pricing to drop further – in fact with our forecasted usage, we see the CVC price approaching \$10 a unit.

### Satellite progress and issues

Another topic I know will be of interest to you is our progress with our Skymuster satellite service. One year on from the launch of our first satellite, we have just launched Sky Muster 2 from French Guiana. Sky Muster's satellite service covers more than 400,000 homes mainly in regional, rural, and remote Australia. This service will be a vital link for those who have had the least access to the benefits of fast broadband.

Sky Muster 2 is still in the testing phase. It has now extended its arrays and is well positioned in its orbital slot. Beam testing will continue over the coming months before it joins Sky Muster 1 in serving active users across Australia.

nbn's satellite product was released in April 2016, and since then more than 34,000 users have connected. While we have heard many stories of people having a great experience, there have also been some problems. These issues include having to wait for extended periods of time between an order and install; and 30% are not completed on time. Furthermore, over the last few months we have seen multiple network service disruptions that further frustrate the end-users.

nbn is taking these issues very seriously and is doing everything we can to make the satellite service as stable. We know what the root causes are, have initiatives underway that are fixing them and are working with our partners to be sure we communicate well with the end users. We have already seen a substantial improvement but still have more work to do.

This technology with this platform is breaking new ground. The demand is greater than what was planned and as we load up the network, we can see a few cracks in the system come through. We are confident these are temporary and not systemic.

We acknowledge that we need to get this right as soon as possible and are working hard to do just this.

### Optus/FTTC decision

I also want to touch on a recent announcement we made about the Optus-only HFC footprint. We have announced our plans to now deploy FTTdp or more accurately described as FTTC. We made this decision for a number of reasons, but essentially the advancements in FTTC technology and our fibre deployment improvements made it commercially and operationally more attractive than the previously planned technologies slated for these areas.

We are very excited about this decision as it reflects our technology agnostic, dynamic approach to building the best possible network in the fastest, least cost manner. This is a great opportunity for us to refine this technology as another important part of the technology mix.

I want to reinforce, however, that HFC remains an important part of the nbn technology mix and we expect it to deliver a great nbn service to millions of Australians.

Road ahead

We are now well into the new financial year, and it is clear there is much work to do. Our network deployment, end user connections, and revenue targets for this year are again double that of the year before.

This may seem daunting , but we and our partners are well positioned and on track to meet the challenge. Our systems and processes are improving every day, and one of our priorities is to create a positive end user experience.

My colleagues here with me all have remarkable teams of people dispersed all over the country to bring universal broadband access to all.

We would like to thank the Committee for the opportunity to make this opening statement, and are happy to answer any questions you may have.