Transcript

NBN Co Half Year Results

21 February 2014

PARTICIPANTS

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PRESENTATION

Ziggy Switkowski^ Good morning, everybody. Thanks for joining us for this presentation of the half year results for NBN Co. We have people here in the Sydney auditorium, but also this is being webcast. So we have a bunch of people who are watching this with interest.

This is the first such presentation for NBN and perhaps even the first such presentation for any Australian government business enterprise. It fulfills a promise that the minister in opposition made for increased transparency, more regular reporting, timeliness of the data in order for you to be able to track our progress and have an informed and up to date perspective as to how NBN Co is performing.

We're expecting to follow this up with probably quarterly presentations of this kind. Today's a first, so I'm sure that we'll end up modifying the format a little bit in the light of your feedback. But I except that we'll be doing this every quarter from now on.

The period that we're going to review -- July 2013 to the end of that calendar year -- is a little bit of an unusual period, because in the middle of that, there was a change of government which was accompanied with changes in personnel and in strategy. So it's not an obvious baseline. I'm sure the CFO will make the same point. But it's what we have and that'll get better as we get a few more quarters under our belt.

The way the agenda is going to go this morning is I will make some high level comments. I'll hand over to the chief financial officer, Robin Payne, to take you through the numbers. We have our chief operating officer, Greg Adcock, who will talk to you about what's happening out in the field and in the larger area of operation.

But in addition to that, we have all members of the Executive Committee of NBN Co here. They're present in the front row. I'll introduce them in a moment, but they're there in order to help us answer all your questions which I expect might range far and wide. We're going to try to answer everything you raise in as much detail as we have.

So we have Gary McLaren who's our chief technology officer. Next one is John Simon who heads up product and sales as well as now is acting chief marketing officer. I see you've got Kevin Brown, head of corporate and commercial, Caroline Lovell, head of regulatory affairs and industry analysis, and JB Rousselot, head of strategy and transformation. I've introduced -- you've observed Robin Payne, CFO, at the far end, and Greg Adcock.

Okay, let me make my comments and then hand over for a more detailed commentary from my senior colleagues.

Really I have two themes for the next few minutes. One is to give you a sense of what the first half looked like in terms of key steps that were taken, and then to move across to what I think are the key milestones for us in the near term.

In the first half, following the change of government, the Board was reconstituted. The significant element of that is we added three Board members with deep industry expertise. Those people in the form of Justin Milne, Simon Hackett and Patrick Flannigan meant that the nature of the debate around the Boardroom, the nature of the interaction with the Executive, the challenge of the Executive came from people who had real world, current, deep domain experience of the telecom organisations as well as, in particular, broadband.

That was very important, very positive. That was accompanied by two key appointments of chief operating officer, Greg Adcock, and the head of strategy and transformation, JB Rousselot. Both of those names would become fairly familiar to you in the industry in recent months.

We've improved transparency. Today's an example of our attempt to do that. We'll do more, but we've initiated these quarterly reports. We've produced a relevant rollout metrics and maps. They continue as recently as yesterday in terms of the My Broadband release that came out of the Department of Communications.

We've been appropriately tested, scrutinised, attacked at various senate hearings, both Senate Estimates and the Senate sub-committee. I think we've had four so far. The fifth which is Senate Estimates is next week. That's a pretty thorough going over of the Executive and testing of our thinking and our progress.

The strategic review was given a very tight timetable which we met, a review that appointed a different way forward for NBN Co and is currently being used to inform our budget for the next year and our longer term corporate plan. We have increased our benchmarking and our interactions with international counterparts, so other telcos -- BT, Verizon, AT&T vendors -- with the intention of better understanding what is best practice globally but best practice in the context of a multi-technology mix which is the more popular form of a rollout of broadband infrastructure elsewhere in the world.

We have a whole range of legacy issues, particularly with our construction partners, which we initially documented. Greg Adcock is in the process of resolving disputes, re-establishing better working relationships with key -- in fact, they're all key -- construction partners. In recent times, we've had the industry support and pretty soon, pretty unanimously our special access undertaking and our wholesale broadband agreement.

So that's how we spent the first few months plus trying to keep the business running. In terms of what's going to happen in the next 6 months or so, here are the things you should be either aware or monitor as we go forward.

We have announced and appointed a new chief executive officer, Bill Morrow. Bill Morrow's CV has, I think, been properly canvassed in this sort of audience. He will join us on April 2 and we're very pleased to have made that appointment. It's a very high quality appointment and will make a positive and immediate difference to NBN Co.

We're about to embark on an employee engagement survey to get a sense of the attitudes of our employees. The culture of NBN has been criticised. It was criticised in the strategic review.

There are clearly issues in some areas. We're hoping to get a fix on where we're at and how fast we can improve that in the direction that we want to improve NBN in terms of being transparent, accountable, team based, treating our partners as friends as against in the best case simply commercial contracts and in the worst case -- in the best case as being on our side and in a win-win relationship.

We have the first generation of disconnections beginning on May 23. This is where a mandatory disconnection from the copper network will occur to the first set of customers to whom NBN optical fibre was available 18 months ago.

I expect that was a simple enough commitment and initiative to write down 18 months ago. The details of how to execute that and to make sure that we do not either inadvertently or insensitively mishandle individual instances is occupying us a great deal at the moment, given that we're all working towards this May 23 date.

There's a number of steps that are under the transformation umbrella, obviously and importantly to pick up momentum with the Telstra negotiations and the Optus negotiations. Greg has a substantial review of the COO organisation in which you find 2/3 of the resources of the Company.

We have a number of pilots that are helping us learn about how we're going to transition to this [FTTX] multi-technology rollout model, not so much to verify the relevance of the technology but how do we make the processes robust? How can we make them scalable? How can we productise them so that we can eventually connect 100,000 households and premises per month, which is what the run rate needs to be for us to come anywhere near even the revised expectations that are embedded in the strategic review.

I've talked a bit about engagement with the construction partners and obviously also the retail service providers. We have a review partly finished into the satellite and wireless strategy, both to test and perhaps verify the plan as it currently stands, but also in the light of experience and feedback to see if it needs to be tuned and where there are gaps -- and there are gaps -- in the current plan, what options are available to us to fill them.

The government, through the minister, has initiated a cost benefit analysis under the chairmanship of Michael Vertigan. They're due to report in the middle of June. That's quite important in terms of helping shape or at least offer a view on the proper structure of the industry, the regulatory settings, the nature of competition. Those findings have the potential to influence and shape the strategy of NBN Co into the future and I mentioned earlier we're going to do a new financial plan for 2014/2015 in the light of the changed strategy and perhaps a different philosophy towards budgeting and forecasting.

That will then flow onto, later in the year, a three year corporate plan that on the one hand will have the look and feel of the structure of previous corporate plans, but the numbers and the technologies will be substantially different. So there's lots going on, on top of what you'll hear both Robin and Greg commentate upon next.

So with that, let me introduce our chief financial officer, Robin Payne, who will take you through the numbers.

Robin Payne^ Thank you, Ziggy and good morning everyone. Thank you all for taking time out to be with us this morning.

Today NBN Co has released its half year report for the six months ended 31 December 2013 and as Ziggy mentioned, this is the first time we've publically released a half year report and it is part of our ongoing commitment to give more frequent public updates on the progress of the rollout and on our financial status.

In preparing the half year report, we followed the format and the level of disclosure you'd typically see for a listed company and this includes asking our auditors, the Australian National Audit Office, to conduct a review of the financial statements, which they have done. To pre-empt any questions that may come later, let me start by saying that in today's presentation we will not be providing comparatives against previous corporate plans. The last approved corporate plan was release 18 months ago in August 2012 and obviously much has changed since then.

However in future briefings we will aim to give more details on how we're tracking against our financial and operational targets once we've got a revised corporate plan that we can measure against.

This morning I'd like to cover five areas. I'll start by running through the financial highlights for the half year, then I'll talk about revenue growth and give you some information about what's happening with our end users. Thirdly, I'll run through significant trends and drivers behind our capital expenditure. Fourthly, I'll look at operating expenditure for the half year and then finally I'll give you an overview of NBN Co's live to date cash flow to show you how the Company has accounted for the money that we've received from the Commonwealth Government over the past four-and-a-half years.

So starting with the financial highlights for the half year to December 2013, total revenue increased AUD29 million in the December 2012 half to AUD48 million in the current half. Within this, interest income has increased slightly but most of the growth has come from our core telecommunications revenue which increased fourfold compared with the same period last year.

Operating expenses for the half year totalled AUD500 million compared with AUD333 million for the half year to December 2012. EBITDA for the half year was a loss of AUD476 million compared with a loss of AUD328 million for the half year to December 2012 and EBIT for the half year was a loss of AUD645 million compared with the loss of AUD402 million for the half year to December 2012.

Whilst no company likes to report a loss, it's fair to say that we expect to say we continue to report operating losses for the next few years. This is of course entirely consistent with being at the early stages of what is a very large infrastructure project where significant revenues will only start to flow once we've built a more substantial part of the network.

Turning now to the balance sheet, total assets stood at AUD7.7 billion as at 31 December 2013, up from AUD3.5 billion at December 2012. We'll run through a breakdown of assets shortly. Within total assets, assets acquired under finance lease and right of use arrangements stood at AUD2.7 billion, up from AUD0.7 billion at December 2012. These assets include the pits, pipes, exchanges, exchange space and dark fibre that we've accessed through the Telstra definitive agreements, but they also include a range of other infrastructure.

Finally, NBN Co has received a total of AUD6.48 billion equity from the Commonwealth Government, of which AUD1.25 billion was received during the December half year.

I'll now take a detailed look at some of those numbers, starting with telecommunications revenue which was driven by two things, the number of end users on the network and the average revenue we derive from each of those users. The total number of end users on the NBN increased almost threefold from 34,500 at December 2012, to 131,000 at December 2013. The fibre service has been the biggest contributor to growth, accounting for 72% of the 96,000 overall increase in end users. At the end of the current half, fibre users accounted for 61% of total active end users and we expect to see growth in the fixed line services continue to drive revenue growth in the foreseeable future as the footprint expands.

We're also starting to see an increase in fixed wireless users, albeit from a small base. As at 31st of December, we had 6500 fixed wireless users, compared with just 1000 a year earlier. On the interim satellite service, we've continued to see strong demand with the number of end users increasing from 23,000 at December 2012, to 44,000 by the end of the current half year. Our current arrangements with IPStar and Optus provides sufficient capacity to service an estimated maximum of 48,000 premises and we're now at saturation of most of our beams and as a result of this, since December we've ceased adding more premises to the interim satellite service.

Other revenue on the chart here refers to revenue that we earn from products that are shared across all three access networks. These are the network to network interface or the NNI and connectivity virtual circuit, or CVC.

Again, revenues from NNI and CVC products are continuing to grow as retail service providers connect at more points of interconnect and dimension their networks to serve higher numbers of end users.

So I'll turn now to ARPU and weighted ARPU across all products was AUD36.50 per month for the half year. Of this, AUD27.50 was contributed by AVC products, which are driven by the speed tiers purchased by end users from their retail service providers and AUD9 came from NNI and CVC products. Over time, we do expect to see a reduction in ARPU from CVC and NNI as these more lumpy costs are spread over a growing number of end users. Whilst we expect this will be offset to some extent as end users migrate to higher speed tiers, we nevertheless do anticipate overall ARPU will trend downwards slightly in the short term.

Which brings me to two charts that will show what we're seeing from the homes and businesses that are using the NBN and therefore what is driving our ARPU. In the 6 months from June 2012 we saw a high proportion of homes and businesses on the fibre network ordering the higher 25/5 and 100/40 wholesale services from their RSPs and a relatively low percentage ordering the entry level 12/1 service. This was of course the impact of early adopters, but it also reflects the fact that some of the larger RSPs -- and Telstra was included -- initially didn't offer a 12/1 service over the NBN.

Telstra launched a 12 month service in November 2012 and the impact was immediate with a proportion of 12/1 orders increasing from around 10% to 20% a month, up to 60% to 70% a month. That pattern held steady for about 6 months. However what we've seen over the last 9 months since around May last year has been a steady increase in the proportion of 25/5 orders and 100/40 orders, with a corresponding decline in 12/1 orders. The net impact of all this was that at 31 December the overall proportion of active fibre users on the 12/1 service stood at 42%, with 29% on the 25/5 service and 23% on the 100/40 service.

Fixed wireless tells a similar story, with the big change coming after NBN Co launched it's 25/5 wholesale service in March 2013. Since that time the proportion of new orders for the 25/5 service has more or less steadily increased and stood at around 70% in December. On a cumulative basis, as at 31 December, the proportion of active end users on the fixed wireless 12/1 service was 65%, with 35% on the 25/5 service.

Turning now to capital expenditure, during the half year NBN Co incurred AUD1.2 billion in capital expenditure, a 50% increase from AUD792 million for the December 2012 half. I won't go through all the categories of this, but I will just touch on some of the highlights. The largest area of capital spend during the half year was in the fibre access network at AUD274 million, which was a 78% increase on December 2012. This increase reflects the combination of both increased activity levels which Greg will talk to shortly and also includes higher construction rates agreed with some of our delivery partners and an increase in the number of approved and expected claims for variations.

The strategic review that Ziggy mentioned earlier highlighted some of the challenges we're facing on construction rates and we expect to see continued upward pressure in the short term. During the half year we've been in discussions with a number of our delivery partners to make sure that our contracted rates remain appropriate. Greg will also talk in more detail about the work we're doing to stabilise the rollout and provide a steady, more predictable flow of work. An equally important part of this equation is to make sure that we get the balance right between controlling our costs, whilst at the same time providing sufficient incentive to our delivery partners to invest in the people and the equipment that are needed to roll out the NBN. This is something that we're working through with all our partners at the moment.

Another issue that we're carefully working through is the resolution of claims and disputes relating to construction activities. Obviously this is not an area that I can go into in too much detail this morning, given that many of these discussions are ongoing. But where we have been able to make an estimate of the likely costs, we've accrued for these costs in the half year results and we'll continue to work with our partners to resolve all of these issues as efficiently as we can whilst protecting the Company's interests.

Work on the fixed wireless network has also accelerated during the half year with capital expenditure trebling from AUD42 million to AUD125 million in the current half and this has been driven by an increase in activity across all aspects of the program.

The long term satellite service accounted for AUD264 million over the six months and this relates largely to milestone payments made to our supplier Space Systems/Loral and Arianespace for the build and launch of the satellites and to work in constructing 10 satellite ground stations across Australia. The long term satellite service continues to track well with the launch of both satellites expected in 2015.

The transit network accounted for AUD236 million in capital expenditure during the half and by the end of December a substantial proportion of the network had been completed. And finally, expenditure on common CapEx has remained relatively stable at AUD184 million for the half and the main component of this being the IT spend on our OSS and BSS systems.

On a life-to-date basis, total capital expenditure to the end of December 2013 was AUD4.3 billion. However, the full picture on our asset base can only be seen once we add in the assets that we have acquired or accessing under financially and right of use arrangements. And these of course include the duct pits, exchange space and dark fibre that we're accessing through the Telstra agreements.

On a life-to-date basis, assets under finance leases accounted for AUD2.7 billion of the AUD7.3 billion total acquisition value of property, plant, equipment and intangibles. During the half year the cost of assets acquired under finance leases increased by AUD1.4 billion and this has been mirrored by a fall in the level of our off-balance sheet commitments which has declined from AUD4.5 billion at 30 June to AUD3.4 billion as at 31 December 2013 as Telstra and others progressively have handed over infrastructure that had previously been ordered.

Turning now to operating expenses. For the half year for 31 December 2013, operating expenses and this excludes interest and depreciation, were AUD500 million, compared with AUD333 million for the half year to December 2012. AUD85 million or 51% of that increase was driven by expenses that relate directly to the expansion of NBN Co's network and these include costs to acquire managed service back haul, cost associated with accessing infrastructure such as poles and fixed wireless base stations and of course costs associated with migrating customers from existing networks to the NBN.

IT operating costs also saw an increase during the period, largely associated with the increasing application support and maintenance costs for NBN Co's expanding IT infrastructure. And finally staff operating costs increased by 23%, compared with the same period last year, driven by a 32% increase in overall headcount from 2235 at December 2012, to 2949 at December 2013.

And as Ziggy mentioned in his opening remarks, we are in the midst of an organisational review that will help us determine the operating model for the Company going forward. Part of this exercise is to make sure that the Company is the right size for the level of activity we're undertaking. And whilst we await for the outcome of the review, we will not be increasing head count above current levels.

The final thing I'd like to share with you this morning is just a high level overview of how NBN Co has spent the AUD6.48 billion received from the Commonwealth Government up to 31 December 2013. In addition to the government equity, we have also received AUD42 million from our customers and AUD163 million in interest, giving a total source of funds of AUD6.7 billion. Against this we have paid AUD3.9 billion in capital costs, AUD2 billion in operating costs and to date, just under AUD0.1 billion in payments under finance leases. And this has left a balance of cash and deposits or held maturity investments of AUD679 million at the end of the half year.

With that I'll hand over to our chief operating officer, Greg Adcock and again, thank you all for your time this morning.

Greg Adcock^ Thank you Robin. And good morning and thanks everybody for taking the time to come here and listen to what's happening with the NBN. It's good to see such a roll out. It's great to be here for the first time since joining NBN Co. And as you would imagine, joining NBN Co was not an easy decision, having spent 20 very satisfying years with Telstra with at least the last five being predominantly focused on Telstra's involvement in the many guises of the National Broadband Network.

That said, in the end my decision was predicated on the same motive that has been driving me for quite some time. That being, to see this project's intent, delivering high speed broadband capability to all Australians, fulfilled. No matter what part we play in the initiative or where you play it from, the overarching factors that to be successful it is going to take a collaborative effort from across this industry to get there. And as such, I am very pleased to see the representation from our suppliers, our delivery partners and our RSPs here today.

Collectively, we are the NBN and after 3 months in the job, I can absolutely state that we need to work together to return confidence to the program and you have my commitment that we at NBN Co will continue to work with everybody to stabilise the rollout and improve the processes and interactions at every level.

I'll return to that later. But first I'd like to update you with activity in the 6 months to December 2013. As Robin pointed out, in respect to the financial results, it's very difficult during the current period of transition to use previous benchmarks like the 2012 corporate plan as a measure of performance. Our immediate priorities have been to address the several issues that have adversely impacted performance to date, including relationships with our delivery partners. We engaged with the industry as quickly as possible, once we established what was achievable and geared our program through meeting the revised forecasts.

In December we released a new external target for the Brownfields rollout of 357,000 premises passed by 30 June 2014, with around 90,000 activations and at this point we are tracking well towards that mark. While we work to stabilise the rollout, we are also developing a new set of targets as part of the updated corporate plan. Having said that, we are continuing to release packages of work to help ensure a smooth pipeline of construction activity.

With the help of a renewed effort from our delivery partners, we achieved a bit over 273,000 brownfield premises passed at 31 December. We exited the year at a run rate of around 4500 premises per week and we are targeting an FY 2014 exit run rate of around 6000 as we ramp up and stabilise the program. That said, we have to change the way we look at our rollout program and focus on serviceable premises.

I won't bore this audience on what we need to do as the language of bill drops, bulk drops, volume drops and many other drops is quite confusing. Suffice to say, the only thing that matters to our customers, the RSPs is whether or not they can connect an end user quickly and efficiently. That is our collective objective and we are working now to address the backlog of premises that are not serviceable as well as changing the approach moving forward around how we construct the network so we can avoid the rework we are currently experiencing associated with connecting end users.

There's been a little bit of talk around that there was a slowdown post-election. But the actual figures that you'll see in the graph would not sort of bear that out. I can assure you from where I'm sitting there was no slowdown as people kept the roll out going.

In the greenfields area, I'm also happy to report that after a somewhat bumpy start, our new developments or greenfields program is attaining levels of stability that are returning a degree of confidence to the developer community. As you will note I the graph we hit 74,000 lots covered at 31 December and our 12 week rolling average continues to climb in a steady way from around 560 lots per week at the beginning of FY 2014, to 625 in December.

The number of new development premises activated doubled in the last 6 months to finish the half at a total of 27,500. I'm not saying that that is anywhere near perfect and we are continuing to work with the regulators and the industry to further improve the new developments environment. We've seen a bit of a drop off in applications from our original forecast in the second half of FY 2014, which seems counter intuitive in the current housing market.

However, our research indicates that this is due in part to the development community's increase in confidence, resulting in them leaving it to later in the process to lodge their applications. We'll obviously be keeping a close eye on this as we continue our improvement efforts.

A fixed wireless program remains on track with the collective efforts of all involved achieving 65,000 premises covered at 31 December. This has not been without the usual challenges associated with a fixed wireless network build such as site acquisition and backhaul provision. So it's a credit to all involved that they have managed to build and maintain the momentum through the back half of 2013.

With the footprint expanding, so are the active customers. We have seen a 250% increase in activations with an associated lift in the weekly activation run rate through the second half. And as at the end of the December, we had over 6500 active end users.

Satellite remains one of our biggest challenges and I think that's reasonably well documented. While we're on schedule to have our own satellites launched in 2015, the pent up demand for our interim satellite service has seen the entire capacity available to us consumed. We're currently working with all key stakeholders to explore opportunities available to stakeholders to explore opportunities available to us to continue to service this very important and underserved segment. However at this point it's fair to say there is no straightforward answer.

The transit network is critical infrastructure that links towns and cities with NBN's major network components. It is three key areas, namely the fibre transmission links, the fibre access nodes or fans and our aggregation nodes. Significant progress has been made in all key areas that will be needed regardless of the access technologies used in the fixed line network.

At a headline level, the transit network is over 60% complete and is running on schedule and within budget estimates. In the last quarter, in conjunction with Telstra and without negatively impacting the budget, the transit program was able to bring forward several exchange sites to ensure other programs had network available to meet their rollout commitments, 94 out of 121 points of interconnect are complete, representing 80% of the deploy program. And the deployment of our PoIs remains ahead of baseline with all aggregation nodes on track to be integrated by the end of June 2014. That said there's a slight lag in the deployment of the transmission rings against baseline. However acceleration strategies are being explored as we speak.

Work is also continuing on our fixed wireless network serving those outside the reach of the fixed line NBN. During the 6 months to December, NBN acquired 286 sites and integrated 152 base stations, bringing the cumulative total to 768 sites acquired and 273 base stations integrated into the network. This has supported the increase in fixed wireless activations as I mentioned previously.

Great progress is being made towards the launch of our two new satellites for rural and remote Australians. Construction is at various stages for the 10 earth stations dotted around Australia, generally in fairly remote locations. As you can see on this slide, construction of the base station at Bourke in New South Wales is complete and we are currently finishing installation of [IOSAT's] ground systems, including the quite substantial 13.5 metre Ka band antennas you see in the picture, ahead of testing and final commissioning.

Our other base stations dotted throughout regional Australia are in various stages of construction. However all are progressing in line with their respective programs and all are on track for their planned completion in calendar 2014.

The construction of the satellites by SSL is also on track with both satellites, NBN Co 1A and B, progressing well through the manufacturing phase at SSL's facility in Palo Alto California. The first satellite 1A is presently going through the final stages of assembly integration ahead of entering into the rigorous environmental testing phases, which are scheduled over the remainder of the year and which include simulating the stresses and strains that it will go through during launch. With several weeks of contingency still remaining in the program, the first satellite remains on track for delivery to our launch services provider Arianespace's launch site in French Guiana early in 2015.

The second site is also on schedule and is trailing about six months behind the first. We're confident that our next generation Ka-band satellite systems are on track to provide thousands of regional Australians with access to a quality broadband experience from late in 2015.

After consultation with the industry by the ACCC, in 2011 it was decided that to improve the future competitive environment there should be 121 points of interconnect comprising 111 co-located in Telstra facilities and an additional 10 larger facilities to be constructed by NBN Co. These additional 10 combined transit aggregation node and depots, known as TANDs, were to be located in nominated specific locations with two TANDs being deployed in each of Brisbane, Sydney, Melbourne, Adelaide and Perth.

Ten sites were identified, of which eight required conversions of existing building fabric and two vacant land requiring new builds. At each site the fundamental design is for a large external building to accommodate individual, prefabricated modules covering data power and optical network elements.

The TAND design also allows for future lower cost expansion with building management systems being installed to constantly monitor all building system and report faults automatically to both the NBN Co NSOC and NBN's maintenance provider, Transfield Services. Nine TANDs are now practically complete with the remaining TAND in South Australia scheduled for practical completion early in April this year. It's nice to know that the forecast final cost of the overall project remains within the original budget.

Now to the issue that's near and dear to my heart and that's returning to stability. As you would know, we are continuing with the FTTP rollout as we go through the process of bringing the recommendations of the strategic review to fruition. The strategic review has given us plenty of information on what can be improved in the rollout but I would like to focus first on just a couple of areas.

The first of these is stability in the construction program. What makes it worthwhile for all our partners is visibility and certainty over a production pipeline so that they can invest in keeping their supply chain running and their workforces working efficiently in an organised manner on a continuous and preferably contiguous rollout plan.

The top graph there illustrates the key issue which has made it difficult for all stakeholders to rely on projections. While our forecasts have always been based on NBN Co's ambitious targets, meeting those forecasts in a consistent and stable manner has proven challenging as both NBN Co and the industry look to develop new processes and ramp up in a constantly changing environment.

I'm not standing here apportioning blame, just dealing with the facts that over the past couple of years stability and certainty appear to have been the missing elements of most points in the supply chain. One stable, integrated program that all parties can be confident in is certainly a key objective going forward and the only way we, as an industry, will be able to scale to meet the demands of providing access to ubiquitous, reliable, high speed broadband capability to all Australians.

The second graph is the current integrated baseline plan for fibre to the premise that we are moving forward with through FY14 and into 2015. While it does not contemplate the volumes previously associated with an all FTTP

build, it does provide a stable base to absorb the capability currently available in the industry and is in line with the FTTP volume assumptions in the strategic review.

Achieving this baseline stability is fundamental to enabling us to scale as the multi technology model criteria and the built environment get crystallised over the coming weeks. This plan has been base lined internally and we are now actively engaging in providing a more granular view to our delivery partners and suppliers to ensure our collective objectives are met.

We're also looking very closely at ways to improve the efficiency of the design process by allocating design risk to where it is best managed, as this has been one of the major sources of angst between all parties. We've made good progress on this to date, however at this point, given we're in the middle of locking down the commercial implications of these changes, I'll have to remain somewhat scant on detail.

The second area of focus around stability for me is at the back end of the build process. There was considerable publicity late last year when we removed from our online mapping the areas where design briefs had been issued. This was not an indication that we're stopping work. Indeed, as I've just outlined, we're continuing to issue design briefs and build contracts. What we did change was the milestone at which we publish our maps.

One of the reasons for this and one of the key reasons for this was to give communities and commentators, the main users of the maps, a predictable indicator of the status of the rollout. As mentioned previously, the lifecycle of an FSAMs construction varies wildly, mainly during the design phase. We therefore now show when the actual instruction for construction has been issued following acceptance of a design. As we get to a more stable workflow, we will review whether there is a more applicable milestone earlier in the process, such as the commencement of remediation work, as this is when people see activity starting in their streets.

However we know that this is in and of itself still not enough to provide certainty to our customers and their customers. The old adage you get the behaviours you incent has a lot of validity in the context of the NBN. NBN Co has traditionally focused on the premises past or covered measure, however what is apparent is that we need to increase our focus on premises serviceable, as this is what is important to our customers, the RSP and ultimately what triggers our revenue streams. By focusing on making premises serviceable, we plan to achieve a couple of key outcomes.

First we'll reduce the number of premises that have been past and remain unserviceable. These are known as service class zero. For some time this has remained a bit under 30% of the premises passed. It varies from area to area, depending on the makeup of the FSAM, however in the main service class zero is that last bit of work, often the most complicated, to connect the premise to the local network which is not being completed.

Second, we need to reduce the number of premises where services pending connection, that is where people have ordered a service but for a myriad of reasons is not yet activated and has resulted in a held order. Neither of these problems are insurmountable, but they require focus and a sense of priority. NBN Co is undertaking a program of work going back to where premises have been past, but for whatever reason, remain unable to be connected and proactively doing that last connection link. It's actual ready for service connections that makes it worthwhile for our customers, the RSP, to invest in their networks and interconnect with ours.

Like other elements of the network rollout, NBN Co is conducting a series of pilots before it moves to a full scale rollout of new technologies. The pilots are designed to allow us to test different planning processes and construction methods and to work with RSPs on how services will be activated. The next round of pilots involves the use of the existing copper network for the last link to the premise from the node in the street, or from the node in the building.

There are three pilots currently under active management, each with a different focus. The first of these is trialling fibre to large multi-dwelling units or fibre to the building, while the remaining two focus on the node and are focused on fibre to the node.

The fibre to the building pilot is looking at both the rollout of new high speed broadband services such as VDSL, as well as establishing an understanding of an end customer experience with the assistance of our RSPs. The fibre to the building pilot is active in areas where the NBN fibre network has been rolled out. It uses the internal copper wiring in large buildings like apartment blocks and mixed residential and commercial sites to make the final connection to the individual premises.

In addition, we are conducting an FTTN and build end user experience pilot where NBN Co will build at least 10 nodes in two geographies and they're at Epping in Melbourne and Umina on the Central Coast in New South Wales. Then with the assistance of the RSP community, trial a small number of FTTN services to monitor the speed and performance of the network in a range of different conditions. A limited number of services will be provided to access seekers to offer to their existing customers on a trial base, in addition to their existing broadband services. NBN Co does not, at this stage, intend to migrate end users who participate in the trial to a longer term FTTN service.

Finally, as you would know, we're working with Telstra to undertake a pilot designed to help us understand and address the challenges of deploying FTTN at scale in the context of the Australian environment. The pilot will look at how NBN Co will plan and construct FTTN rollouts so they can transition smoothly to the new deployment model and effectively scale and expedite the rollout. Additional work still needs to occur to bring that pilot to reality, including negotiating access to Telstra's copper, however these discussions are progressing with goodwill on all sides.

Over the coming weeks, after consultation with all stakeholders, we will be finalising our FY14 targets and communicating them more broadly, however they will be moving the focus to our customers, our people and readying our organisation for the challenges ahead. In doing that, I can assure you it's been done in the following context.

We are moving the conversation to what is important for our customers, our business and our people and that means reliable and accurate forecasts and premises that can be served in reasonable timeframes and at acceptable service levels. We're shifting our thinking and our actions to measures that actually matter and we recognise that our success will not be gauged by what we say about our progress, moreover our success will be gauged by what our people and our many, many, many stakeholders say about us.

As I look forward, I remain upbeat and positive about what lies ahead. As I said, our primary focus is to return stability to the program and confidence to the industry and our stakeholders and in doing that, a number of key, tangible milestones are in plan for 2014, including the completion and commissioning of our 10 transit aggregation nodes and depots, the completion and integration of all 121 points of interconnect into our transit network, the commissioning of all 10 earth stations and completion of the build of our two satellites in preparation for launch in 2015.

I'm not kidding myself, I know there is a long road ahead, but we have a good roadmap to follow. We're all focused on bringing high speed broadband capability to all Australians as quickly and as efficiently as possible and the thing that has absolutely pleased me since I've been here is that all our people are committed to getting the job done.

I'll now hand you back to our executive chairman, Dr Ziggy Switkowski, for questions and answers and thank you for your time.

Question and Answers

Ziggy Switkowski^ Thank you Greg and Robin, thank you all for your courteous attention through those presentations. So we're now at the question and answer segment. The way this is going to work, I will chair the process, we have roving microphones, we need those in order to properly record the webcast, so please wait for the microphone to arrive.

When you ask the question, please identify who you are and the organisation that you're associated with and those who are watching on the webcast and are emailing in questions which we will also address, could you also sign it with your name and your organisation? I see a question at the back there.

Mark McDonnell^ Thank you Dr Switkowski, Mark McDonnell from BBY. I have two questions if I may. The first is in relation to the contingent liabilities, note 18 in the accounts and the reference to making provision for claims and disputes with construction contractors, are you able to give us some indication as to the magnitude of the provision that's been made?

Ziggy Switkowski^ No, not publically, for reasons which you'll appreciate. We have a sense of the magnitude of the claims. We have our own internal judgment as to the validity of those claims. We have a process for engaging with our partners to resolve the issues. We have made a reasonable allowance in the accounts which have been supported by the auditors and you would appreciate that to give much more information than that is to compromise the settlement process.

Mark McDonnell^ Okay. My other question relates to your opening remarks about the negotiations with Telstra. Recently at the Telstra briefing David Thodey remarked that he would provide updates to the market when milestones were reached. I realise it's far too early for you to indicate what your expected outcomes are from those negotiations but I'd like to ask you this, is the nature of the negotiations such that it can be effectively partitioned into particular agreements that could be reached and announced without the entirety of the negotiation having been completed?

Specifically, for example, if you were to unwind the non-compete contracts that both Telstra and Optus signed in respect of their HFC networks is that something that could be fast tracked and negotiated before the other elements of the renegotiated contracts are completed.

Ziggy Switkowski ^ Mark, that's certainly characterised the thinking of both sides at the start but if we can expedite the process and complete the discussions perhaps more quickly than was done in generation one at this stage it feels that there are a lot of interlinked issues and we are not designing the negotiation just at the moment to do that compartmentalisation but we appreciate the value of doing that.

We're at a very early stage of the discussion, there's goodwill all around but it's really too early to say much more than that. I accept your thinking, it may be the way to go forward. If, however, we can go forward quickly on a number of fronts that's probably quite attractive. We don't yet know how practical that will be.

Another question? Ian? I have to be guided by the people with the microphone.

Sameer Chopra^ Morning, Sameer Chopra with Merrill Lynch. I had one question. Did I get this right, Greg that the level of cadence in the business is picking up, that you were run rating at about 3000 brown fields per week and you expect to exit 2014 doing about 6000?

Greg Adcock^ It wasn't 3000 Sameer, it was 4500 at the exit of calendar 2013 and we're targeting an exit of 6000 at the end of FY14.

Sameer Chopra^ That's great, thanks and the second question, just a quick one, was in your FTTP pilot that you've commenced do you see scope for co-location? There has been interest from people like TPG, potentially Telstra and Optus to co-locate. Are you seeing that there's enough space in those MDUs to enable co-location?

Greg Adcock^ I'm not there yet. It's very early, we've only just started rolling out the pilots so I'll take it on board. Gary, you may have a view?

Ziggy Switkowski^ Gary McLaren, our chief technology officer.

Gary McLaren^ So we've started in a number of buildings, targeting 10. So it is very much of a case of the buildings we're going into that we are the sole provider. We haven't run into any issues in negotiating those agreements with the building owners but it's very small numbers. So, yes we're progressing along that path and are seeing I think a good path to be able to do the trials in those buildings.

Ziggy Switkowski^ Ian?

Ian Martin^ Ian Martin, CIMB. Thanks for doing this today, much appreciated and I think it's an important part of the process in terms of improving the overall efficiency of the operation and the capital spend and just on that Robin, just on some simple maths, 109,000 premises connected I think in the half year, how are you tracking the cost per premise metrics just on some rough maths? It looks pretty high. I guess there's quite a few premises that are passed that haven't been connected.

Robin Payne^ And that's the issue, there's a lot of work in progress obviously in those CapEx numbers so you can't derive a cost per premise number just by dividing one by the other.

Ian Martin^ So how do you manage that -- how do you benchmark that? I mean, we've seen similar things with Chorus at an early stage running fairly high but coming down.

Robin Payne^ Sure.

Ian Martin^ How do you benchmark that?

Robin Payne^ For the cost to pass we look at it on an FSAM or area-by-area basis. So as we go into an FSAM we work out the total costs for that area once we've completed it and look at it on that basis.

Ziggy Switkowski^ Now I heard a couple of -- sorry Robin, go on.

Robin Payne^ I was just going to say does that answer the question?

Ian Martin^ I'm just wondering what your benchmarks are and how you're tracking the (inaudible) --

Robin Payne^ I guess on that it's consistent with what we told the Senate, I think just before Christmas, which is our estimates of completion on the current work underway is still somewhere between the AUD1450 to AUD1500 per premises passed.

But obviously on top of that there may be additional costs from some of the things we've spoken about earlier in terms of claims and so on.

Ziggy Switkowski^ Now I have two emailed questions from people on the webcast which I'd like to take. The first is from Geoff Long from CommsDay and Gary, this is probably for you. Can you clarify what is happening in terms of negotiating orbital slots for long term satellite launch?

Gary McLaren^ So the orbital slots are the actual positions that we use to put our two satellites actually into orbit. Just for everyone's education. What we are coordinating is a process with other administrations around the avoidance of any interference of our signals with other satellites obviously in the regions. That is a process that has started two years ago.

It traditionally does take a number of years to work through all the different jurisdictions, all the regulators. We've worked with the ACMA extensively over the last two years and it is progressing to plan. We meet with them regularly, we are seeing quite a clear path forward to being able to make sure that those slots are what we'll be using and we will be putting those satellites into position.

Ziggy Switkowski^ Okay, thanks Gary. Lexi Metherell from ABC News has got two questions. The first I think is for you, Greg. What download and upload speeds will mark the Woy Woy and Epping trials of copper and indicate success?

Greg Adcock^ Clearly, we would want to better the estimated speeds in the strategic review, so that would be better than 50 meg and --

Ziggy Switkowski^ So better than 50 megabytes per second?

Greg Adcock^ Yes and the second question there, if you want to me take it, do we intend to buy Telstra's copper or rent it on the trial, we are negotiating a rental agreement.

Ziggy Switkowski^ Well I was going to answer that, Greg.

Greg Adcock^ Sorry.

(Laughter)

Ziggy Switkowski^ So I'll go back to the first one. The download speed you're talking threshold is 50 megabytes per second and upload?

Greg Adcock^ Upload we're targeting as I said the strategic review which is better than 20 up.

Ziggy Switkowski^ It's of that order? It will be 50 down, 20 up?

Greg Adcock^ -- 20 up but the FTTB beat trials, Gary, we're getting better than that in the basement?

Gary McLaren^ Yes, it's very early days. We're still working to obviously get services in with our RSPs but the test services that we've installed ourselves we've actually seen very good speeds over 100 meg down and 40 meg up but clearly the copper loop links there are shorter naturally than what you're seeing in the FTTN nodes.

Ziggy Switkowski^ Right. Now the second question was -- sorry -- was actually whether we're going to buy Telstra's copper network or rent it. That's quite an interesting and cosmic question and I'm not going to use this environment to kind of lay out our expectations or assumed answer.

Greg Adcock^ I was assuming that was limited to the trial. My apologies Ziggy.

Ziggy Switkowski^ No, that's quite right. So that's the qualification. Those of you that wrote down rented -- that was just for the trials. The larger issue, which is the larger network, you might expect me to say that the original agreement has basically pointed to the answer and that is in the hands of Telstra at the moment the copper network has no value.

But whatever the outcome is we do not expect there to be a value transfer one way or the other in the agreement that is struck at the end of our current negotiations.

So let's go back here and then I've got another -- I don't know if this is the same question -- no, it's not. Is there another question in the room here?

If there isn't I have a question from Mahesh Sharma of Fairfax Media. Why is the proportion of subscribers to the 100/40 service the smallest among the three available packages? The numbers appear to be dropping.

Is this a concern for NBN? Based on these results will NBN Co introduce new plans and packages to attract more customers to fibre connections? John Simon, head of product and sales and acting chief marketing officer. You need to come in the middle I think for the camera.

John Simon^ Morning. So look it is still early days. You've seen the take-off initially of early adopters take the 100/40 and then there's been a rebalancing and now you see the 12/1 volume has come back down and shifting back to higher speeds. But at the end of the day you've got to remember NBN Co does not set pricing. NBN Co is a wholesaler, we provide that capability to a retail service provider who then determines the price, the value points and the overall proposition to the market.

I think what you've got at the moment is a reflection of the market needs and many customers believing that 25/5 is a good speed, and 50/20. But you're still talking quite a reasonable number of percentage of the end user base sitting on the 100/40 service. We don't believe we need to introduce new plans at this point to our wholesalers but obviously if and when that's required we will be in consultation constantly with our customers and determining what we need to do to optimise that mix in the market.

Ziggy Switkowski^ John, it's true, isn't it that the pricing at the retail level of the 100/40 package, relative to the lower speed packages, is very attractive? It is not a disincentive for subscribers?

John Simon^ Correct. So if you're an end user and you are looking out there in the market and comparing pricing plans to traditional broadband, for example ADSL type plans, you basically are getting NBN base services for at or around a similar price than traditional ADSL and one would argue hopefully better speeds and better performance overall.

Ziggy Switkowski^ We would have expected that early adopters would move very quickly to the high speeds, it will fall away, it will find a level and then as applications become more bandwidth hungry it will lift again. It will be kind of -- I have to wave my hands around as I'm doing -- that's what you'd think?

John Simon^ And you saw that in the graph that Robin showed and you've got to remember also where our network is currently deployed is in different regions as it merges into I guess some of the higher areas where you expect higher usage you'll start to see a different take up. So as the network gets more scale I think you'll get a better indication of what the mix will be long term.

Ziggy Switkowski^ Thanks, John. A question there?

Paul Brunker^ Yes, thank you for the presentation. It's Paul Brunker from JP Morgan. I had a question about the mandatory disconnection. Actually two questions. So 23 May, the first batch, I just wondered if you could tell us how many lines are still out there that haven't transitioned at this point?

And more broadly in the fibre to the node or fibre to the basement or fibre to distribution point, in the context of those technologies, do you still see an 18 month window like that being necessary from either a technology or an RSP point of view?

Ziggy Switkowski^ John?

John Simon^ So in terms of the eligible households that are coming up for the first batch of disconnections in May we're tracking fairly well. Of that subset of premises we've got about 80%, close to 80%. I think the number was about 70% as of the end of January that have either connected or placed an order to connect. We still have through till May to run.

So overall we have confidence that we'll get the right numbers and put in place absolutely the right procedures, as Ziggy indicated, to make sure that we manage all the various use cases to get a good outcome.

In terms of FTTN and FTTB, we've not made any decisions. I think part of the trials that we're running is to inform us exactly as to how all those things will work, all the way from activations through to disconnections and turn ons, so yet to see how we deliver on that.

Ziggy Switkowski^ John, can we not share what the numbers are on May 23, of number of premises that will be in the frame for disconnection?

John Simon^ It's roughly at, I think, just under 19,000 premises that have got active copper services that are subject to disconnection commencing May 23, yes.

Ziggy Switkowski^ Okay. Another question here.

Petroc Wilton^ Hi there, it's Petroc from Communications Day. Dr Switkowski, you mentioned that you'd increased interaction and benchmarking with international telcos, I think, to understand best practice. I think you mentioned BT and Verizon. Can you give a little bit more colour around which of your execs has been where for these purposes and which specific network rollouts you've been looking at?

Ziggy Switkowski^ Well, rather than talk about individuals, we've certainly been in contact with and obviously visited New Zealand of course. We've had people from British Telecom, Mike Galvin, come over and share with us their experience in a fibre to the node rollout. We've been in communication with US based telcos both on the northeast coast and also in areas where Google is rolling out their all-fibre networks.

But more broadly, what has happened is the appeal of the original all-fibre plan meant that the thinking inside the organisation and the technology planning was focused just on fibre. So there was really no need to understand the rollout programs of other nations, because they were so different. But now that we are preparing for this multi-technology mix future, in part because we can learn from overseas experiences and we're confident that their experiences are relevant to what's in front of us, it does mean that it's beneficial to go out and talk to these people.

Unsurprisingly, they're very generous in sharing their information with us. The relationships with these organisations for various reasons, including relationships that have been brought into NBN by executives that have worked in the field, are extensive.

We're learning from that. We're learning about the costs that people are incurring in rolling out an FTTN and an FTTP network. We're observing how they've productised the rollout so as to make it more a cookie-cutter approach in an environment where that's hard to do. We're learning about their thinking about upgrade paths as to what FTTN is capable of today, what it'll be capable of with VDSL, what it'll be capable of with G.Fast into the future.

So that's all helpful thinking. It is enriching our own analysis but also giving us even more confidence in the viability of what we're proposing to do over the next few years.

I want to just come back and address this disconnection issue to fill out some of your understanding. When the rollout of FTTP hits maximum houses past, to the extent that it will ever hit maximum and not be overtaken by

FTTN, it would require about 100,000 homes a month to be connected. The backend of that means that approximately 100,000 homes would be disconnected a month.

So it's a formidable undertaking. The numbers themselves are, in many ways, overwhelming and underappreciated. We're fortunate in that the first generation of disconnections -- which will happen at the end of May -- are both relatively small in number and are being very, very carefully micromanaged so that we get this process right.

So when we're doing these vast numbers over the next two, three or four or five years, we don't end up affecting the experience of our customers not just by the quality of the service that they're being provided but by the intrusiveness and the mismanagement potential of the disconnection process.

Another question? Yes.

Shara Evans^ Thank you. Shara Evans from Market Clarity. My first question is for Robin. I have two questions if you don't mind.

Ziggy Switkowski^ That's fine.

Shara Evans^ It has to do with ARPU and you had said that there was a blended ARPU of AUD36.50. Of that, AUD27.50 was from the ABC and AUD9 was from the combined CVC and NNI. Then you said a comment that somewhat surprised me which was that you expected that number to go down.

However, right now there's actually a CVC discount for the first 150 megabits per second of CVC in a connectivity service area before you have 30,000 premises, et cetera. Hence a lot of the services that are deployed today would come into that CVC zero pricing effect discount. Why would you expect the AUD9 to go down when presumably, as the rollout commences, the CVC fees would really kick in?

Robin Payne^ Look, it's a good point about the rebate, but a lot of our RSPs are now dimensioning well beyond where the rebate stops. That's the real issue.

The CVC and the NNI are bought in fairly large chunks. So if you've only got a relatively small number of end users, then obviously on a per user basis, that's a high cost. As the number of end users increases, the absolute value of CVC absolutely will go up, but on a per user basis, we expect it will come down somewhat.

Shara Evans^ That would also depend on the contention ratio dimensioned by the RSP and obviously the mix of speeds that the end user base takes up.

Robin Payne^ Yes, absolutely.

Shara Evans^ So that would imply to me that you're expecting a larger number of lower speeds for that to go down, because if there were a larger number of higher speed customers, then the amounts of CVC capacity purchased would obviously go up and the numbers ought to go up?

Robin Payne^ There's a lot of interactions going here, but again because the CVC is lumpy, on a per user basis it is being spread over a pretty small number of end users for each RSP at each point of interconnect. What we're seeing now is as the number of users increases and because the CVC is a stepped thing, we're seeing more users come on but not necessarily seeing the CVC price go up or that's what we expect to see. Now we may be wrong.

Ziggy Switkowski^ I didn't understand any of that, but Shara, the other relevant comment is the whole AVC, CVC pricing construct is being regularly reviewed. We're being urged by RSPs to do so.

Shara Evans^ Understandably.

Ziggy Switkowski^ We're listening. You had another question.

Shara Evans^ Yes, I did. The second question is much less esoteric. It has to do with the timing for business services and in particular symmetric business services. Can someone speak to that?

Ziggy Switkowski^ Yes, and that's a really, really timely question. John Simon.

John Simon^ We have our first set of what we refer to as medium business services being released in April of this year. We currently have that in test at the moment. We have RSPs connecting to those test labs and working with that.

Those services will release what we call traffic class two capabilities. What that ultimately means for end users, some of the traditional services by multi-line voice -- we have multiple lines in a branch office or a business or some of the ISDN traditional 10 and 20 on-ramp type services can therefore be replaced with these types of services. Obviously symmetrical services will also be included in that, so 10, 20, 40, 50 megabit type symmetrical services.

The higher end symmetrical services are part of the enterprise roadmap and that's a roadmap that we are working on. They'd be plans that we'll be obviously also reviewing in the context of our NBN mix, yes.

Ziggy Switkowski^ Okay, I've got a couple of emailed questions, so let me turn to those. The first one is how much -- this is from Scott McLaughlin -- how much of the existing three year plan will be honoured?

We don't recognise the relevance of any of the previous three year plans because of the dramatic changes that we're proposing at this stage, as I think Robin made that point in his -- and perhaps Greg as well in their comments. We're not using that as a baseline for comparison, so I'd say the question has diminished relevance. I say that respectfully, but I don't think it's a question we contemplate.

The second question from Mahesh Sharma again from Fairfax is, is it possible to get more information about NBN Co's discussions with Google involving the rollout of the high speed network in the US? Is the relationship ongoing?

Let me be very clear. I don't want to overstate our interactions with Google.

We are watching what they are doing overseas with interest. We are talking to other players and other telecom companies as they interpret what's going on and modify their own strategies. I cannot point to our having any active relationship with Google beyond what you'd expect us to have in terms of being interested and vigilant in the space.

There's another question out there.

Paul Wallbank^ Thank you. Paul Wallbank, freelance writer. Two questions if I may, first to Greg Adcock.

You mentioned that you intend to reduce the design risk for contractors. Does that imply that you're renegotiating those contracts?

Greg Adcock^ Yes.

Paul Wallbank^ Right. Nice brief answer, thanks. Dr Switkowski, the state of the nation's broadband infrastructure was released yesterday and that's going to change the scope of works. With a new CEO coming on, are you confident that you're going to be able to get the revised corporate plan to the minister by the middle of the year?

Ziggy Switkowski^ Our current plan is to get the 2014/2015 budget properly composed and in time for the operating year. That together with the strategic review -- including the fixed and wireless strategy -- will inform the corporate plan. The corporate plan will come, Paul, later in the year. Let me also emphasise -- so if your question was can we get it done by June, no.

The other thing I'd say is -- and I find this to the great credit of the minister -- we're going to do what makes commercial sense. We're going to meet deadlines when we are able to provide a quality output. There's no point demanding unreasonable deadlines for us to then compromise on what we produce. Now that's politically a bit naive, but the discussions that we have with the minister are mature and commercial.

Greg Adcock^ Ziggy, can I just--

Ziggy Switkowski^ Yes, please.

Greg Adcock^ I apologise for the blunt answer, but having been in numerous forums where you're trying to give a blunt answer, that's where you come from. On the design piece, as I said in my talk, a huge amount of angst in the industry between all the players has been around the design process. Whilst we have contracts in play with a number of delivery partners, I think it's fair to say that the contracts aren't satisfactory to any party in the relationship.

Like all contracts, it's an agreement between parties. If it's in both parties' interests to have a look at a better way to apportion and manage the risk, then you have willing parties sitting at the table.

So are we renegotiating? Yes. Is it a sort of a blunt instrument one way or the other? No, it's people sitting around saying, look, how do we get this machine working better and how do we better apportion the risk where it's best managed.

Ziggy Switkowski^ Okay. So I've got two more emailed questions. People are no longer signing off. Can I encourage you to sign off and tell us where you're from. When will further construction -- I think these are both yours, Greg. When will further construction -- yes, you can answer too this time. When will further construction instructions for new, underline, brownfield sites be announced? You can answer that one and then I'll answer the next one, please.

Greg Adcock^ Okay. Well, having sort of not contextualised the last question appropriately and probably went somewhere I shouldn't or didn't mean to but as I said we're limited to the trial. The question when will further contract instructions for new brownfield sites be announced? If that's in the context of the existing rollout we have laid out an integrated program moving forward, where we are issuing instructions under our existing relationships with our delivery partners.

So if the question is, are we going to announce new contracts for rollout going forward, the answer is no. If the question is how are the next packages of work going to be announced, it's just part of business as usual where we're attempting to give our delivery partners a forward view going out 12, 18 months so they can gear up and we can smooth the flow. So the issuing of new contract instructions under the existing packages just becomes business as usual.

Ziggy Switkowski^ This was an issue, Greg, you raised in your comments, which has caused this question. When will remediation work and backhaul work be shown on the rollout map?

Greg Adcock^ So as I said in my earlier commentary we will be reviewing at what milestone we put the locations on the maps. At this stage we were are still at the front end, as I said, of getting stability back into the program and when we have confidence with our delivery partner -- and in particular in remediation it's Telstra who have been very engaging -- and we have a constant workflow and we get confidence that when we put it on the map it will be done, then that will be the point in time at which we do it.

I don't see it being too far out because I know people rely on those maps and if people are in there working in the streets they quite rightly expect to go to the map and see that the NBN is coming to their area. There is a slight lag

between when we give a commencement notice to Telstra to start the remediation and when we issue the contract instruction and it's only a couple of weeks.

So I think the review will be forthcoming and as I said with the stability back in the program I'm confident that we'll have the confidence to move that milestone forward.

Ziggy Switkowski^ One other email question has arrived in the meantime. Geoff Long again from CommsDay, and he says it has been noted that in certain areas of the fixed wireless rollout that NBN Co doesn't have the necessary spectrum to provide the service -- that's true. Are you planning to obtain spectrum from another source?

And the answer to that, Geoff, is we are nearing the end of the strategic review of the fixed, wireless and satellite program. This issue of spectrum joins a number of other issues that will have to be resolved and I think it's best for us to wait for the report to be completed and supported by the Board and others. From that will come recommendations, and this is one of those areas that is in front of us for resolution. I can't really say any more at this stage.

Any questions left? Yes, there's a question here in Sydney, or is there?

Renai LeMay^ Renai LeMay from Delimiter. In the future I understand that a large portion of the network will be dependent upon the HFC infrastructure owned by Telstra and Optus. In terms of that infrastructure do you anticipate the integration of that infrastructure into the OSS/BSS systems to be a substantial body of work and has any consideration been done on how they might go ahead and planning for that sort of thing?

Ziggy Switkowski^ Renai firstly, in this multi technology mix outlook, we're now going -- we're increasing the number of platforms and networks we have to manage. So previously it was all five were satellite fixed wireless. Now, it's all five are satellite fixed wireless fibre to the node HFC.

So the issue that you've identified is in front of us in terms what sort of operating systems are going to be in place, can we make them part of an integrated operation? Can we move customers seamlessly to another? Is there somebody in the front bench who wants to address what our current thinking is on that? I know what the budget implications are but -- JB did you want to take that, please? JB Rousselot?

JB Rousselot^ Yes, thank you Ziggy. So in this strategic review we did take consideration of this and therefore we've put some numbers in there that would cover that assumption. How exactly it is done and the amount of real seamless migration that is offered versus the amount of similar process is something that will come up when we do the design of the system itself.

You know, it's one thing for one consumer to be able to seamlessly go from one technology to the other, it's another thing for RSP to always be able to go and use the same systems to provision customers, depending on what systems they are.

That second one we'll definitely undergo. The second one is something that we'll finalise in the design.

Ziggy Switkowski^ Okay. Now I have another email question. Have all of the contract -- this is from [Kenneth Sang], anonymous. Have all of the contract instructions for the 150,000 premises approved by the minister's office been issued to delivery partners that were previously expected to be issued by February? This is a very detailed question, Greg.

Greg Adcock^ The answer, Ziggy, is that in our supply chain process, which I alluded to earlier, there are steps that we go through before the actual contract instruction is issued. All 150,000 premises are in the pipeline at either the design stage, the remediation stage or they have a contract instruction issued. Those that haven't

specifically had a contract instruction issued yet, visibility has been provided to our delivery partners. So all 150,000 are in play.

Ziggy Switkowski^ I might use this to just add another point, and that is there's sometimes the impression that as we shift the technology strategy that there will be a slowing down in our deployment of the all-fibre part of that. The reality is that the strategic review that JB headed up and the rest of us contributed to, anticipates at completion, at that blessed state some years away, that we will still have perhaps 3 million premises in an all fibre configuration, and today we've got a few hundred thousand.

So we've got years and years of continuing work of delivering an all-fibre connection to greenfields areas, to areas where the copper infrastructure is in poor condition or where the HFC doesn't reach, et cetera. So we're going to be accelerating our all-fibre activities, not decelerating, and we're trying to ramp that up as Greg has described.

The other thing is while everything we do is subject, of course, to ministerial oversight and authorisation the understanding that we have with the government is that we go as hard and as fast as we can until such time as we need to talk about it.

So we are properly observing protocols but none of this is getting in the way of our -- and Greg's instructions are to push as hard as you can to get premises and businesses connected to high speed broadband as fast as possible.

There was another question, I think back there.

Paddy Manning, Crikey^ I was just wondering when's the float?

Ziggy Switkowski^ There is no current planning or thinking about the float. I would say, in the spirit of being helpful, the cost benefit analysis has in its terms I think the opportunity to think through the financing structure for NBN into the future. Out of that may well come some thinking around ownership structure but then again I'm getting ahead of what they're doing. But I think I would look to that review for some insights. But at this stage no planning, no thinking, no details.

Ian Martin, CIMB^ You've got this Birdekin review going on into cost benefit analysis and also competition at the same time as you're in discussions with Telstra about what they might provide. Presumably they'd want to know the outcome of that Birdekin review and what they might be able to do to compete before they make a decision about what kind of assets -- what assets they might sell to NBN Co. Is there any suggestion they might want to hang on to, or not sell the HFC network but rather keep it to compete against the likes for instance of what TPG are doing?

Ziggy Switkowski^ Ian, you've got to stop saying they're going to sell stuff to us. We already bought it in generation one. I think your observation that the cost benefit analysis is going to get into areas that would be of interest to the whole industry and may well shape people's thinking is right. But we're all going to watch that carefully, contribute to the thinking of that committee, perhaps suggest that there are areas of kind of in a timing sense that are more relevant than others, and hope that they might attend to them earlier. But that's as much as is being considered at this stage.

Caroline, is there anything else that you want -- Caroline Lovell is in charge of our regulatory area and others. Do you want to contribute to this discussion?

Caroline Lovell^ No I think that's accurate.

Ziggy Switkowski^ That answers the question? Okay. No more emails. Is there any other questions in here? I mean it's just past noon, probably a good time to stop.

Okay, thank you again very much for your participation, your very good questions, for your interest and we hope to see you again in a quarter's time.

All the best, bye.