**SENATE ESTIMATES – OCTOBER 2020**

**NBN Co CEO Stephen Rue opening statement**

Thank You Chair.

With me this evening is Gavin Williams who looks after our relationship with rural and regional Australia; Brad Whitcomb, our Chief Customer Officer, is joining us by video link from Sydney; and from Melbourne we have Kathrine Dyer, our Chief Operating Officer and Will Irving our Chief Strategy and Transformation officer.

As always, we appreciate the opportunity to appear before the committee and to answer your questions.

**COVID response**

2020 was always going to be a milestone year for the **nbn,** but completing the volume rollout has turned out to be more than just a milestone.

It has been crucial in supporting the millions of Australians disrupted by the pandemic.

Over the last 8 months a home broadband connection suddenly moved from being a utility to becoming a lifeline.

Australians now have months of experience working and collaborating from home; they know they can see a doctor online, and, while you can’t hug the grandkids via zoom, you can read them stories and connect in a deeper way than by phone.

Throughout this period, the network has performed very well, with high customer satisfaction and I pay tribute to the incredible work of the **nbn** team, also to the telco industry, retailers, suppliers and regulators who have come together to ensure the Australians can continue to connect, live and work during a most difficult time.

In addition to managing increased traffic volume across the network, **nbn** and our retailers stepped in to offer our support to Australians in need.

Additional capacity was provided free of charge to retailers; we doubled the average data download limits on Sky Muster satellite services; and we announced an assistance package aimed at helping RSPs support low income residential users and business customers affected by the pandemic.

**Build completion**

**T**hrough all of this, NBN still completed the volume rollout on time in June this year.

I want to be clear, though that we have never said we have completely finished construction; in this business there is always more to do.

But the large-scale production machine that in just four years made 8.8 million homes and business ready to connect has now wound down.

Just to reflect on that, since June 2016 on average, every week 40,000 Australian homes and businesses went from having no access to the **nbn**, to being able to place an order with their retailers.

This is an extraordinary performance over a long period, and it required the dedication of very many people to make this happen.

On an almost weekly basis the management team see challenges, whether in the field, in the supply chain, in resources or in processes.

Throughout the last year, we had the added challenges of restrictions on movements of work teams between states, interrupted supply chains, supply of PPE for technicians and new processes for entering homes and working in groups.

I have been privileged to see how the people of **nbn** rise to each challenge and methodically quantify and solve these issues.

As Katherine can tell you tonight, in June there were about 100,000 complex premises remaining that we identified in last year’s Corporate Plan. These are premises that for a range of reasons are considered difficult to access or where, because of their cultural or heritage significance, we require a more sensitive design, approval and construction process.

We have already made enormous progress with this number and we are on track to have the vast majority completed by the end of this year.

Of course ,there is always more to do. In fact, that is the nature of telecommunications. Networks are always evolving to meet the demand and applications that continue to emerge.

**The next phase of the nbn**

Last month in our Corporate Plan, we unveiled investments totalling $6bn over the next three years – borrowed against future cashflow – to increase the capability, reach and value of this critical asset for the nation.

It is clear to me that COVID-19 has accelerated great societal changes that were always going to occur: changes in the way we live; the way we educate or seek medical help; changes in the work we do and where we do it; changes in the way our homes operate; and changes in how we entertain ourselves.

This brings great opportunities to new entrepreneurs, to workplace participation, and to regional and rural Australia. And it brings great responsibility to all utilities, not least of which is the telecommunications industry and **nbn**.

These changes mean that demand for higher speeds is likely emerge earlier than we expected and that our previous plan - to invest in network upgrades once the company was cash flow positive - would also have to change.

For any business, small or large, higher demand and higher reliance on your services means making a decision on whether or not to invest more to meet that demand.

In many cases, not investing and not meeting forecast demand is actually the riskier move.

NBN has long talked about the concept of peak funding, and in last year’s plan we estimated $51 billion in debt and equity would be required to complete the build.

This concept is useful when you are talking about a construction project that has a clear beginning and an end, but it makes less sense when you are talking about an ongoing operational business, where investment decisions need to be made on a regular basis.

Now that the volume build is complete, new investments need to be evaluated on their merits to see if they improve the business case, rather than whether or not they add to the peak funding number.

Right now, market conditions are favourable for us to borrow against our future cash flow to make sensible and prudent investments that not only improve the **NBN** business case, but provide great outcomes for Australians, the economy, and our industry partners.

This has the added benefit of providing a stimulus into the Australian economy, with an estimate 25,000 jobs created over the next 2 years as a result of these investments.

So, to summarise what is proposed in this corporate plan: instead of starting an upgrade in 2023, we are starting now.

We are taking advantage of historically low interest rates to borrow against future revenue in an investment that has a positive return and strengthens the overall business case.

Importantly, we are not moving everybody off FTTN on to FTTP. The FTTN network will continue to provide a very good service well into the future.

We are simply starting construction now to provide options for higher speeds in eligible FTTN areas should people want them.

Each of the initiatives in our Corporate Plan is consistent with our belief in our purpose to lift the digital capability of Australia and they also strengthen the **nbn** business case.

We have already turned our attention to the next steps of this plan, including how we will develop the footprint and sequence of fibre upgrades in a methodical way. We are working with retailers to develop eligibility criteria and we are developing guidelines for the co-development initiatives, and the next tranche of our Business Fibre Zones initiative.

We will have much more to say on these points in the coming months.

Chair, my colleagues and I are now happy to answer your questions.