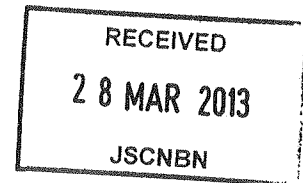


SENATOR THE HON PENNY WONG
Minister for Finance and Deregulation
Deputy Leader of the Government in the Senate

SENATOR THE HON STEPHEN CONROY
Minister for Broadband, Communications
and the Digital Economy
Leader of the Government in the Senate

Mr Rob Oakeshott MP
Chair
Joint Committee on the National Broadband Network
PO Box 6022
Parliament House
CANBERRA ACT 2600



Received @ 3.58 pm

Dear Mr ^{Rob}Oakeshott

The government has undertaken to provide the Committee with a six-monthly report on the progress of the National Broadband Network (NBN) based on information provided by NBN Co.

We are pleased to enclose the fourth report on the NBN rollout for consideration by the Committee. The report provides quantitative and qualitative advice outlining NBN Co's key performance information across the following areas:

- progress on the rollout during the reporting period;
- take-up rates;
- key financial information: statement of comprehensive income; balance sheet; cash flow statement; and schedule of commitments;
- quality of service including service levels and faults;
- industry and consumer consultation including complaint handling; and
- issues associated with health, safety and environment.

Since the reporting period, the government and NBN Co have provided updates on rollout progress at Parliamentary hearings and released high level trend information including the publication of December 2012 rollout statistics. NBN Co has also indicated that it expects to release March 2013 rollout statistics around the time of the next hearing of the Joint Committee on the National Broadband Network.

The Government supports the provision of quality information to the Committee to inform its review of the NBN rollout. The enclosed report also includes tables and graphs that summarise NBN Co's financial results, the number of premises where construction has commenced or completed, the number of premises passed/covered and the number of premises with an active service, NBN Co's resources and key performance information

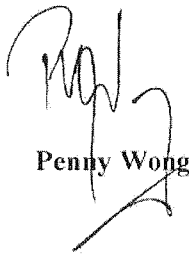
We note the Committee tabled its Fourth Report on the Review of the NBN Rollout on 28 February 2013 which recommends the government include additional information in future reports and requested an earlier timeframe for submission of the six-monthly report.

NBN Co, in consultation with the Government, already provides updates on deployment metrics in public releases, parliamentary reporting processes and regular rollout information provided on its website. Now that NBN Co has reached volume rollout, the Government and NBN Co are considering what additional information can be provided on an ongoing basis.

The Government is also carefully considering each of the Committee's report recommendations, including the request on timing of the six-monthly report and will respond in line with statutory timeframes.

We trust that this information will assist the Committee in its deliberations.

Yours sincerely



Penny Wong



Stephen Conroy

Government Report to Joint Committee on the National Broadband Network on NBN Co Limited

Fourth Report

31 December 2012

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Introduction

This report has been prepared based on information provided by NBN Co Limited (NBN Co) to provide:

- 1) A summary of the key milestones achieved by the Company for the six months to 31 December 2012.
- 2) Half year financial statements for the period ended 31 December 2012, comprising profit and loss statements, balance sheets, and statement of cash flows for the NBN Co Consolidated Group, comprising NBN Co, NBN Tasmania Limited and NBN Co Spectrum Pty Limited.
- 3) Measurement against agreed Key Performance Indicators (KPIs) for the Company as at 31 December 2012.

References in this report to "NBN Co" or "the Company" includes all members of the NBN Co Consolidated Group.

Reference to an "Access Seeker" refers to a customer acquiring NBN Co wholesale services with the intention to supply internet services to Retail Service Providers or end-users. Reference to "Customer" means a signatory to the Wholesale Broadband Agreement. Reference to a "Retail Service Provider" or "RSP" means a third party provider of retail broadband services to end users. Reference to "end users" refers to final downstream customers of NBN Co's Access Seekers.

This is the fourth government report to the Joint Committee on the National Broadband Network.

Executive Summary

Key milestones achieved during the half year include:

- Between 3 and 12 July 2012, NBN Co announced the local government areas in the Central West and Mid-Western regions of New South Wales and the Rockhampton, Townsville and Mackay regions of Queensland where planning proposals would be lodged to deliver fixed wireless broadband.
- On 8 July 2012, Operational Support System (OSS) Release 4a went live delivering fulfilment support of Small Business Broadband, Multicast, Speed Tiers and a second UNI-V port per household.
- On 12 July 2012, NBN Co published its Network Extension Program describing a process for communities, businesses or individuals to apply for an extension of the fibre or fixed wireless network to their premises.
- On 12 July 2012, the ground station contract for the Long Term Satellite Service was executed with the US satellite network specialist ViaSat Inc.
- On 19 July 2012, the Australian Competition and Consumer Commission (ACCC) announced its final determination to grant authorisation of the Optus HFC Subscriber Agreement.
- On 8 August 2012, NBN Co and the Federal Government jointly released the Corporate Plan 2012-15.

- On 9 August 2012, NBN Co welcomed the opening of an expansion to the Prysmian fibre manufacturing facility in Dee Why, New South Wales.
- On 16 August 2012, the Attorney-General tabled the report by Mr Stuart Morris, QC on the review of the operation of the *Freedom of Information Act 1982*, insofar as it applies to documents held by NBN Co Limited.
- On 24 August 2012, NBN Co announced that Ceduna, South Australia has been selected as the location for a satellite ground station that will enable Australians in isolated areas access to fast broadband.
- On 4 September 2012, NBN Co announced its first 'Business Services' product focused specifically on business end users. *NBN for Business* is the first of a series of enhancements to the fibre optic network to help enable Australian businesses make the most of high-speed broadband.
- On 6 September 2012, NBN Co announced contracts with Silcar and Service Stream that provide for technicians to install and activate NBN equipment in homes and businesses as the high-speed broadband network is rolled out across the country. The contracts also provide for the contractors to carry out ongoing maintenance, repair and augmentation of the fibre optic network. On 6 September 2012, the government announced that NBN fixed wireless services were now available in Geraldton, Western Australia.
- On 19 September 2012, NBN Co announced the official opening of NBN Co's National Contact Centre at Varsity Lakes, Queensland.
- On 28 September 2012, the revised Special Access Undertaking (SAU) was lodged with the ACCC. The SAU sets out key terms and conditions of access to the NBN by telecommunications service providers. NBN Co provided the ACCC with an updated version of its SAU on 18 December 2012.
- On 28 September, NBN Co launched its Multicast product to service providers, industry and media.
- On 1 October 2012, NBN Co announced that Western Australia had been selected as the location for three new satellite ground stations to help Australians in remote areas connect to high-speed broadband. The facilities in Geraldton, Carnarvon and Kalgoorlie will act as essential transmission centres to deliver services over the National Broadband Network (NBN) to remote communities across the country.
- On 16 October 2012, NBN Co announced Roma in Queensland's western Darling Downs had been selected as the location for a satellite ground station. The facility will be an essential transmission centre to deliver services over the NBN to remote communities such as Winton, Bedourie, Burketown and the Torres Strait Islands.
- On 25 October 2012, NBN Co announced that it had selected Cockram Corporation Pty Limited and Perkins (WA) Pty Limited to build ten ground stations for NBN Co's Long Term Satellite Solution. The contracts awarded are worth up to \$180 million.
- On 8 and 9 November 2012, NBN Co announced local government areas where planning proposals would be lodged to deliver fixed wireless broadband including:

- Victoria - the Goulburn Valley and North East Victoria, Bendigo, Central Victoria and parts of Northern Victoria; Bass Coast, South, East and Central Gippsland.
 - Western Australia - Great Southern, Wheatbelt region, Goldfields-Esperance area, Peel and South West Region.
 - New South Wales - Mid North Coast and Manning Region.
- On 23 November 2012, NBN Co issued the first Disconnection Commencement Date Notices to Telstra in respect of 15 Fibre Serving Area Modules (FSAMs) covering approximately 26,000 premises. These notices trigger the commencement of the 18 month switchover period for premises on Telstra's copper and HFC networks in the affected FSAMs.
 - On 21 December 2012, NBN Co announced that Downer EDI Limited and Universal Communications Group Limited had been awarded contracts worth up to \$66 million and \$21 million respectively to connect premises in approximately 17,600 multi-dwelling units across Australia.
 - As at 31 December 2012, NBN Co had commenced or completed construction in respect of 784,592 Fibre Brownfield premises, 60,686 New Developments lots and 21,684 Fixed Wireless premises. As at 31 December 2012, NBN Co had a total of 34,523 active premises across all delivery platforms.

Key Performance Indicators

The key results for the period are summarised below:

Cumulative Metrics	Cumulative Current half year Cumulative as at 31 December 2012	Cumulative Previous half year Cumulative as at 30 June 2012
Construction commenced or completed¹		
Brownfields	784,592	280,142
New Development Lots	60,686	13,885
Fixed Wireless	21,684	7,062
Premises passed/covered		
Brownfields	46,078	28,860
New Development Lots	26,251	10,054
Fixed Wireless & First Release Interim Satellite	267,318	173,885
Premises activated		
Brownfields	6,613	3,364
New Development Premises	3,848	503
Fixed Wireless & First Release Interim Satellite	24,062	9,669

¹ Construction Commenced or Completed represents Fibre Serving Area Modules (FSAMs) where contract instructions that have been issued together with the initial Network Design Document (NDD) so that construction partners can commence work on the detailed design, field inspections and rodding / roping activities in a FSAM. This is followed by the release of a rollout map for the FSAM on the NBN Co web site showing the coverage area for that FSAM and the estimated number of premises to be passed / covered. Construction Commenced or Completed includes Premises Passed.

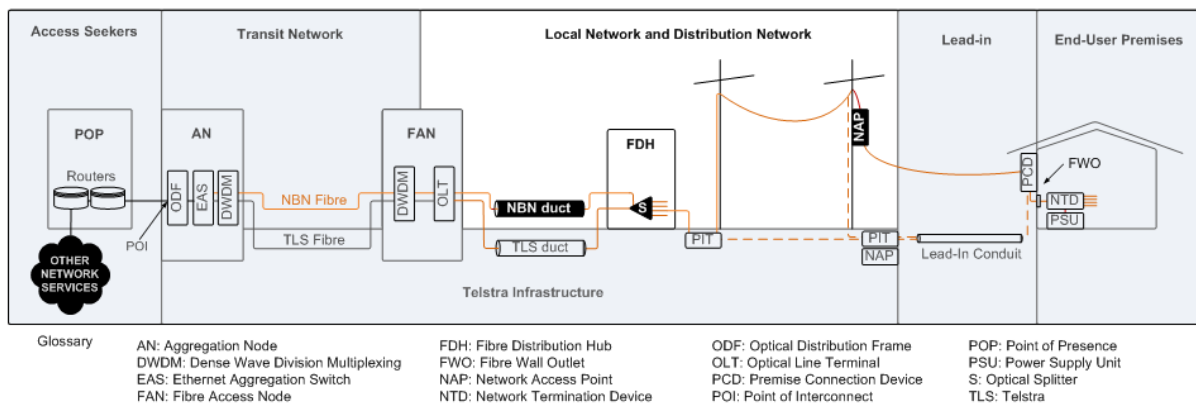
Unaudited Financial Metrics	Current Half Year	Previous Half Year
	For the period 1 July 2012 to 31 December 2012	For the period 1 January 2012 to 30 June 2012
Operating expenditure ²	\$333m	\$287m
Total capital expenditure	\$792m	\$517m

Network Deployment Status Update

Network Planning and Design

The diagram below provides an overview of NBN Co's Fibre access network and Transit components.

Exhibit 1: Diagram of the Transit and Fibre Access Networks



Source: NBN Co

On 15 October 2012, NBN Co released updated coverage maps covering a further 148,600 premises in the fibre footprint in NSW, QLD, SA, VIC and WA. As at the end of December 2012, NBN Co had work commenced or completed in areas covering 784,592 premises in the fibre footprint.

Transit Network

The Transit Project includes planning for three elements: Dark Fibre Links, Fibre Access Nodes (FAN) and Aggregation Nodes (AN). A dark fibre ring is a series of dark fibre links where the optical fibre terminates at either end to an optical connector within an exchange building. A transit link is a fibre connection used for transmission between ANs and FANs and between FANs.

During the half year to 31 December 2012, the following progress had been achieved in line with the project schedule:

- 15 Dense Wavelength Division Multiplexing (DWDM) rings and 22 Points of Interconnect (POIs) /Aggregation Nodes had been integrated into the network.
- 60 Optical Line Terminals (OLTs) were installed.
- 236 Exchanges and 232 dark fibre links had been handed over.

² Operating expenditure includes direct telecommunication costs.

Installation of equipment racks at eight of the ten Aggregation Nodes commenced in the period. Seven of the ten facilities are expected to be complete in the first quarter of 2013.

FTTP - Brownfields

As at 31 December 2012 there were 6,613 active brownfield fibre end users. The cumulative brownfield premises passed at 31 December 2012 was 46,078. In addition, design Contract Instructions (CIs) had been released for 784,592 cumulative premises and build CIs had been released for 153 FSAMs covering 361,205 premises.

On 4 October 2012 hauling of the first NBN fibre optic cable in an established urban area in the Australian Capital Territory commenced. The NBN distribution fibre links an exchange at Mitchell to homes and businesses in Gungahlin.

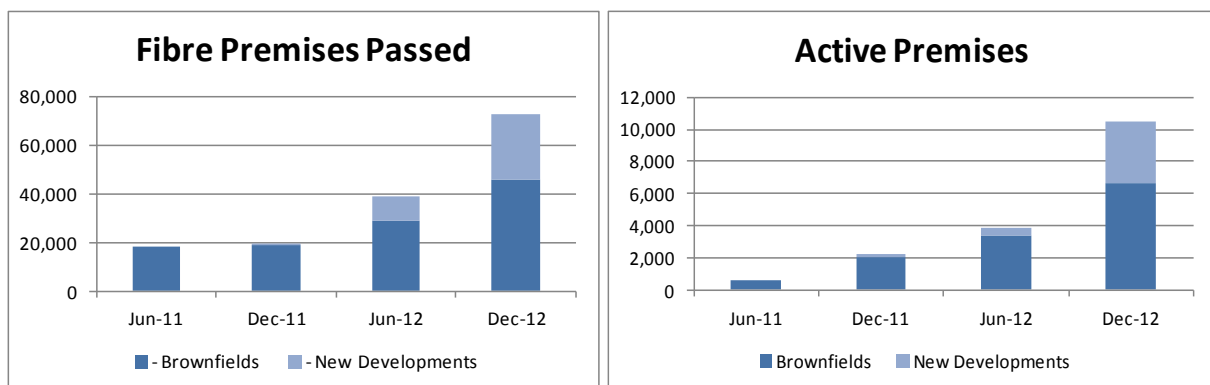
During the period NBN Co announced that it had installed the first fibre optic cable in the Brisbane suburb of Aspley, in the city centre of Toowoomba, Coffs Harbour and Geraldton as part of the widespread rollout of the NBN in those areas.

As at 31 December 2012, take-up rates for brownfield premises nationally averaged over 25 per cent in sites active for more than twelve months, with take-up approaching 50 per cent in some areas.

FTTP – New Developments

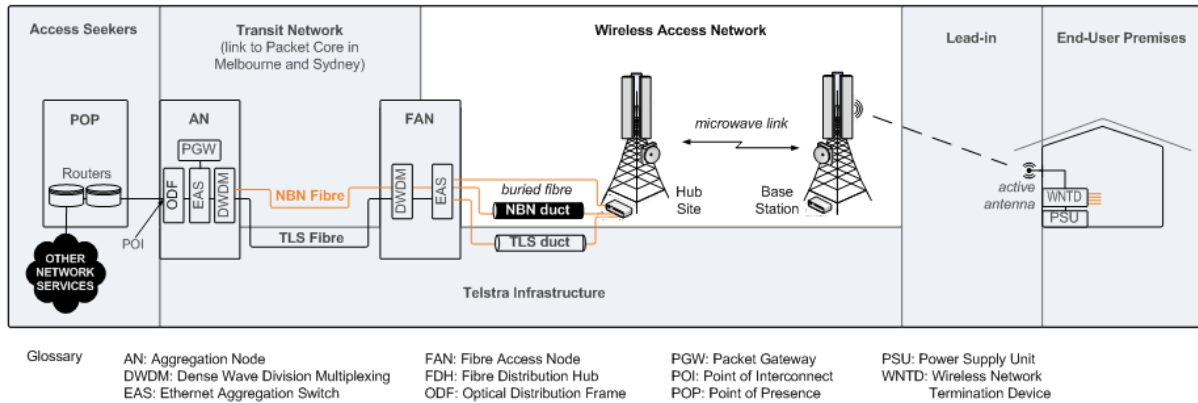
As at 31 December 2012, NBN Co had received 3,204 active developer requests covering an estimated 161,721 lots. As at 31 December 2012, NBN Co had commenced construction of the fibre network covering 60,686 lots, with a total of 26,251 lots passed. There were 3,848 active new development premises as at 31 December 2012.

The New Developments program continues to gain momentum, as the new delivery partners Visionstream and Service Stream increase resources, capability and throughput.



Fixed Wireless and Satellite Networks

Exhibit 2: Diagram of the Transit and Fixed Wireless Access Networks



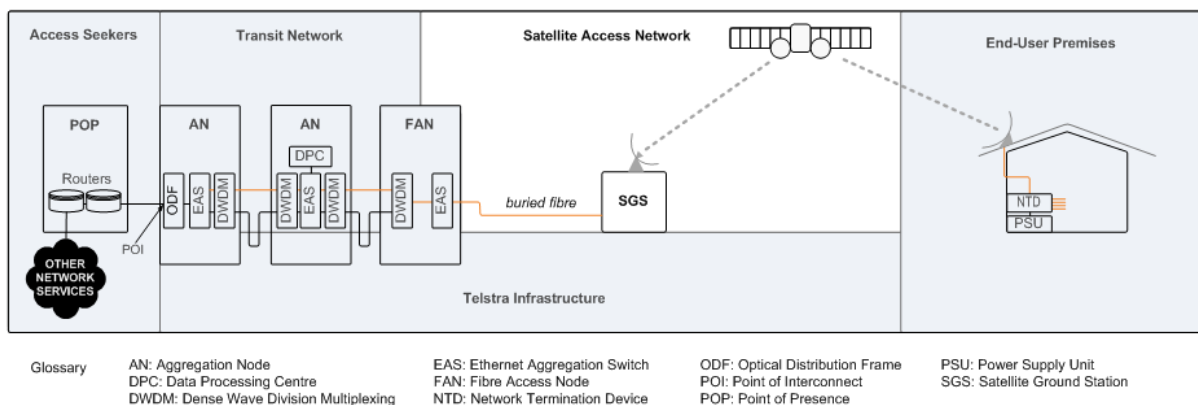
Source: NBN Co

As at 31 December 2012, there were 1,011 active fixed wireless premises. At the end of the reporting period NBN Co had commenced construction of the fixed wireless network for 21,684 premises.

Ericsson and NBN Co continue planning and site acquisition activities for volume rollout in areas where spectrum is available. Approximately 1,500 sites are undergoing planning and site acquisition.

During November 2012, NBN Co announced that its design and construction partners will work with local governments to identify appropriate locations for fixed wireless network infrastructure in and around the Bendigo region, including Central Victoria and parts of Northern Victoria, the Goulburn Valley and North East Victoria region, the Bass Coast, South, East and Central Gippsland region of Victoria, in the Great Southern, Goldfields-Esperance, Wheatbelt, the Peel and South West regions in Western Australia, in and around the Mid North Coast and Manning region in NSW.

Exhibit 3: Diagram of the Transit and Satellite Access Networks



Source: NBN Co

Following the commercial launch of the Interim Satellite Service on 1 July 2011, services continue to be activated at a higher rate than forecast. Total active interim satellite services as at 31 December 2012 were 23,051, with 12 RSPs actively selling services. The total number of pending orders for the interim satellite service as at 31 December 2012 was 1,368.

During the period Optus delivered a new Operational Support System (OSS)/Business Support System (BSS) platform to support the interim satellite service and successfully migrated all RSPs. RSP feedback has generally been positive, with the new system improving their experience.

The long term satellite and telemetry, tracking and control contract with Space Systems Loral (SS/L) progressed well during the period.

The Long Term Satellite Service (LTSS) ground systems contract with ViaSat was executed and progressed in the period to align deliverables with the NBN Co Active Network Release (ANR) program and to prepare for the ground system Preliminary Design Review (PDR), a major lifecycle progress milestone.

Satellite ground stations across Australia will play a central role in delivering high speed broadband to remote regions. They are planned to be located in NSW (Wolumla, Bourke, Broken Hill), SA (Ceduna), TAS (Geeveston), QLD (Roma) and WA (Kalgoorlie, Geraldton, Carnarvon, and Wagerup).

The procurement process for the selection of suppliers for civil construction of the ground station facilities concluded successfully during the reporting period with the appointment of Cockram Corporation Pty Ltd and Perkins WA Pty Ltd.

The International Telecommunications Union (ITU) orbital slot coordination process continued to progress.

Telstra Deal Implementation

There are four documents signed by NBN Co and Telstra (known as the Definitive Agreements) that form the core of Telstra's participation in the rollout of the NBN. The Implementation and Interpretation Deed (IID), the Subscriber Agreement (SA), the Infrastructure Services Agreement (ISA) and the Access Deed (AD).

Telstra's operational delivery performance under the ISA has generally been according to plan in the delivery of the transit network. The access network build is in its early stages and Telstra's performance is yet to be tested at scale. At an operational level, NBN Co and Telstra continue to work cooperatively on the build and on the implementation of detailed work practices.

The SA implementation has progressed. During the reporting period notable achievements include:

- Notification to Telstra of forecast region ready for service dates. This is a minimum 12 month initial forecast, which is followed by monthly updates.
- Achievement and notification of upfront switchover triggers. These are a set of one-off triggers across the NBN relating to product offering, activations and service levels which are a pre-condition to the obligation of Telstra to commence disconnection of any premises within a rollout region.
- As at 31 December 2012, NBN Co had commenced the address matching process with Telstra for a further 130 Fibre Serving Area Modules (FSAMs), representing approximately 300,000 premises.
- Disconnection Commencement Notices triggering the 18 month switchover period for Telstra's copper network were provided to Telstra in respect of 15 FSAMs on 23 November 2012 (representing approximately 26,000 premises). The initial Per Subscriber

Address Amount (PSAA) invoice for these 15 FSAMs is expected from Telstra in early April 2013.

Following agreement reached in October 2012 for early access to 80 FSAMs Telstra had handed over more than 300 remediated Fibre Distribution Areas (FDAs) and 25 FSAMs by the end of December 2012, consistent with the agreed plan.

Optus HFC Deal Implementation

On 19 July 2012, the ACCC made its final determination to grant authorisation of the Optus HFC Subscriber Agreement. This authorisation satisfied the last remaining Condition Precedent to the Optus HFC Subscriber Agreement. The Optus HFC Subscriber Agreement is now unconditional.

As part of the Optus HFC Subscriber Agreement, both parties also agreed to the Optus HFC Subscriber Agreement Implementation Plan (dated 18 November 2011). This plan sets out how:

- Optus HFC Subscribers are to be migrated.
- Optus HFC Serving Areas will be deactivated.
- NBN Co and Optus will work together under the agreement.

Optus and NBN Co have continued to work jointly in the Steering Committee established.

Procurement and Local Content

Local content is actively promoted as part of NBN Co procurement processes. Certain contracts are inherently local such as construction and network operations. For other contracts, NBN Co has sought to maximise the local content, particularly where local manufacturers are already established.

As at 31 December 2012, NBN Co's local content percentage was 52 percent, a one percentage point increase in comparison to the previous six months.

Procurement activity during the six months included:

- **Passive and Active Equipment:** A \$38.5 million contract was signed in July 2012 with Cisco for the supply of routers and firewalls for the National Connectivity Network (NCN). The NCN is NBN Co's management network for secure transmission of management, supervisory and control data between NBN facilities.
- **Field Service Delivery and Network Augmentation:** During the period the Field Service Delivery (FSD) and Network Augmentation Restoration and Assurance (NARA) negotiations closed and contracts worth approximately \$77m for installation and maintenance activities were awarded to Silcar for NSW, QLD and the Australian Capital Territory (ACT). FSD and NARA contracts worth approximately \$64m were also awarded to Service Stream for installation and maintenance activities for WA, SA, the Northern Territory (NT) and VIC.
- **Temporary FAN Cabinets:** A \$3 million contract was signed in July 2012 with Eaton for the supply of temporary FAN cabinets for New Development locations. The requirement for these cabinets will fall away as NBN Co's permanent transit network is built out across the country.

- **Multiple Dwelling Units (MDU) Design and Construction:** On 21 December 2012 NBN Co announced the signing of contracts with Downer EDI Limited and Universal Communications Group Limited for design and construction services covering a range of MDUs. These contracts will enable NBN Co to accelerate the rollout of the FTTP to around 17,600 blocks of flats and units across four states and territories over the next two years. The approximate value of the contracts is up to \$87 million.
- **Fibre links design and construction:** A panel of construction contractors has been established to facilitate the design and construction of over 300 fibre links for the Wireless and Transit projects. Following a detailed procurement process the incumbent contractors were appointed to undertake this work in their respective regions over the next two years. The largest award was to Silcar for work in QLD, ACT and NSW for approximately 160 fibre links with an estimated contract value of \$47 million. There were also awards to Transfield Services, Syntheo and Visionstream for smaller volumes in Victoria, WA/SA/NT and Tasmania (TAS), respectively.
- **IT Sourcing Strategy:** NBN Co has been working on the development of a new IT and OSS/BSS sourcing strategy in order to address the need for continued systems integration, development and support/maintenance of the critical OSS/BSS systems over the next three years.
- **Long Term Satellite Service:** The ground station contract for the Long Term Satellite Service was executed with the US satellite network specialist ViaSat Inc. on 12 July 2012. ViaSat will supply the equipment for the ten ground stations to be constructed across regional Australia, ready for launch of the first satellite scheduled for 2015. In addition ViaSat will supply the equipment to be installed in end user premises. The initial contract value in Australian dollars is approximately \$280 million.
- **Satellite Earth Station Sites:** Negotiations for ten Satellite Earth Station sites continued during the period and seven contracts have been exchanged. Negotiations for the remaining three sites will continue in 2013.
- **Satellite Earth Station Construction Contracts:** On 25 October 2012, NBN Co announced that it had selected Perkins (WA) Pty Ltd to build four satellite transmission centres in WA and Cockram Corporation Pty Ltd to build six facilities located in NSW, QLD, TAS and SA. The contracts are worth approximately \$180 million and construction is due to be completed in 2015, in time for the launch of NBN Co's Long Term Satellite Service.

Significant volumes of orders for fibre network equipment commenced in September 2012. These orders went to Corning, Prysmian and Tyco, signalling the solid growth in their supply chain volumes. NBN Co's supplier management activities are focused on ensuring readiness by key suppliers to meet forecast demand from contractors as the fibre network build program accelerates.

Supply

NBN Co has established regular executive meetings with key passive equipment suppliers to focus on readiness for significantly increased deployment activity in Q3 FY13 and beyond.

The Supply Coordination Centre (SCC) was established to monitor the NBN Co supply chain and mitigate disruptions. To date this has significantly decreased the time for problem resolution.

Network Releases

- **Active Network Release 3 (ANR3)** delivers enhancements for both the voice and multicast products. It also delivers network and system upgrades.

Operational readiness was achieved on 30 September 2012 for the first phase of deployment. Achieving this milestone enabled the product launch of multicast capability.

ANR3 is in the final stages of production deployment. Network upgrades for the Site Environment Manager, Enterprise Backup and Recovery, Server Status Monitoring, Lawful Intercept and Transport network elements were completed successfully during the quarter.

Volume rollout of the Optical Line Terminal (OLT) and Optical Network Terminal (ONT) upgrades were completed in November 2012 across all production sites ahead of schedule.

- **Active Network Release 4 (ANR4)** delivers operational enhancements to the Fibre Access, Aggregation and Wireless networks. These include implementing a redesign of the Quality of Service (QoS) functionality to enable automation of Customer Virtual Circuit (CVC) provisioning and the NCN.

ANR4 will also provide shared bandwidth pooling and multiplexing functionality.

The first test phase for the enhancements to the fibre based networks was completed in December 2012. The second test phase for the Wireless 25/5 product, Tagged Services, enabling the second voice port on a Network Termination Device (NTD), battery backup for data ports and access network enhancements has commenced with completion expected in 2013. The wireless 25/5 product is expected to be ready for service by the end of June 2013.

In November 2012, NBN Co completed the detailed design phase for the NCN and undertook the Critical Design Review.

- **Active Network Release 5 (ANR5)** will deliver an additional Traffic Class 4 speed tier and the network design of the Traffic Class 2 solution for medium businesses. Further scope items include a hardware augmentation solution for increased capacity at Aggregation Nodes, wireless system upgrades and the test and deployment of the NCN.

ANR5 is progressing to schedule with the endorsement of the High Level Designs in November 2012. In addition the NCN Proof of Concept lab build activities continue at the National Test Facility, with build and test activities progressing.

- **Passive Network Release 2 (PNR2)** integrates the long-term solution for Premises Install Equipment into the end-to-end passive network. It covers products which enable connectivity from the Local Access Network to the Network Termination Device in the end user premises in both Single Premises Sites and Multi-Premises Sites.

The PNR2 project has completed User Acceptance Testing and Business Readiness Testing for Multiple Premises Sites. Field deployment of two Brownfield sites has been successfully completed for First Time Application Release.

IT Systems

▪ **Operational Support Systems (OSS)**

Release 4(c) of the OSS was delivered into production on 3 September 2012. The release facilitated the launch of the Multicast and Small Business Broadband (SBB) products, the strategic Workforce Demand Management (WDM) platform and support for key Telstra-disconnect triggers.

Release 5 phase one of the OSS program was delivered in November 2012. The major capabilities delivered include assurance support for the multicast product, notification enhancements to the B2B service, service qualification enhancements and support for the commercial launch of the NBN wireless access service.

The testing for Release 5 phase two commenced in December 2012 and is planned to be completed in early 2013. This release is expected to enable construction build drops, multicast assurance, workforce activity management and other operational enhancements.

▪ **Business Support Systems (BSS)**

The BSS Program delivered a number of independent releases throughout the six months to December 2012.

Functionality delivered through Release 4 (R4) through to September 2012 provided improved capabilities for the capitalisation of Network Assets including a Rates and Quantities system to help automate the calculation and comparison of network build costs. R4 also provided Address Management enhancements to improve planning accuracy and efficiency during the design walk-out.

Additional capabilities delivered in R4 included financial integration of the Billing platform to the general ledger and the second phase of functionality for the Rostering, Time and Attendance system, which supports greater accuracy in payroll calculations and compliance with Enterprise Bargaining Agreements.

Functionality delivered through the Release 5 project through to December 2012 included Supply Chain initiatives for demand supply balancing and event monitoring; project accounting improvements; a work activity management system; single dwelling unit (SDU) build drops capability and enhanced support for data uploads of third-party infrastructure to assist with aerial design.

Additional capabilities delivered in the reporting period also included refreshing address information in SpatialNet for use in the planning and design processes, the load and reconciliation of network assets in the fixed assets register and enhancements to the web portal to support network extensions.

The Network Extension Customer Relationship Management (CRM) solution and online application was launched in December 2012.

▪ **Telstra Definitive Agreement**

NBN Co and Telstra have continued development and implementation of the 39 Telstra Definitive Agreement (TDA) IT Interactions. Each interaction requires completion of joint Telstra and NBN Co Business Requirements and Technical Specification documents, IT system build and test activities and exchange of 'payloads' between Telstra and NBN Co.

Twenty of these IT interactions have now been implemented. Requirements gathering, design and development is progressing on the remaining nineteen interactions.

A project has commenced to implement a lease management system to manage the significant number of asset licenses under the Telstra DA. High level design of the solution has been completed.

Company Update

Board Governance

Board Composition

Under rule 5.4.1 of the NBN Co constitution, the Board is to consist of a minimum of three and a maximum of nine directors, including the Chairperson. The Chairperson is appointed by the Commonwealth from amongst the directors in accordance with rule 7.3.1 of the constitution. Further, section 2.7(b) of the *Commonwealth Government Business Enterprise Governance and Oversight Guidelines*, October 2011 (GBE Guidelines) states that the Chairperson shall not also be an executive of the GBE, unless otherwise agreed by the Shareholder Ministers. The Board Chairperson is not an executive of NBN Co.

Directors are appointed by the Commonwealth and, under rule 5.5.1 of the NBN Co constitution, the term of office of a director is determined by the Commonwealth at the time of appointment, up to a maximum term of three years.

As at 31 December 2012, the Board comprises eight Non-Executive Directors and one Executive Director.

Directors Mr Gene Tilbrook and Mr Peter Hay retired from the Board when their terms expired on 4 August 2012. On 5 August 2012 Directors Ms Diane Smith-Gander and Ms Siobhan McKenna were re-appointed and Mr Brad Orgill was appointed as a Director for a three year term. Director Mr Clement Doherty retired from the Board effective 14 August 2012. On 28 September 2012, Dr Kerry Schott was appointed as a Director for a three year term.

On 7 December 2012, Ms Alison Lansley was appointed as a Director for a three year term. On 22 December 2012, Director Mr Terry Francis was reappointed as a Director for a three year term.

Board Diversity

In accordance with its obligations under the GBE Guidelines and cognisant of the Commonwealth Government's commitment to 40 percent representation of women on Government boards by 2015, the Board of Directors of NBN Co, through its Nominations Committee, provides its Shareholder

Ministers with recommendations on Board composition and membership. In making recommendations to the Shareholder Ministers, the Board endeavours to achieve a balance of relevant skills in the areas of telecommunications, civil construction, financial, legal, media/public relations and information technology.

As at 31 December 2012, women comprised 44 per cent of Board appointments.

Director Induction and Education

NBN Co has an induction program for new Directors which is reviewed periodically by the NBN Co Company Secretary. Ongoing education for Directors is delivered through individual briefings, presentations made by NBN Co senior executives and by Directors visiting NBN Co's operational locations.

Human Resources and Industrial Relations

People and Policies

As at 31 December 2012, NBN Co's headcount was 2,235 comprising 2,187 employees, ten contractors and 38 labour hires.

Of the current workforce 1,015 are based in NSW, 914 in VIC, five in the ACT, 26 in TAS, 138 in QLD, 61 in SA, 6 in NT and 70 in WA.

The average tenure of the workforce is 14.5 months and the average age is 40.3 years. NBN Co has one percent of the workforce employed on a part-time basis, with 29 percent of the workforce being women, 21 percent of management roles and 19 percent of General Manager and above roles are filled by women.

On 6 December 2012, NBN Co announced the following Executive appointments and movements:

- Mr Jim Hassell, Head of Product Management and Industry Relations resigned from NBN Co to take up a position as CEO of Broadcast Australia. Mr Hassell left the company in February 2013.
- Ms Caroline Lovell was appointed to the Executive Committee as Head of Regulatory Affairs and Industry Analysis.
- Mr John Simon will commence as the new Head of Product and Sales in January 2013.

During the period a comprehensive review of all functions was undertaken to ensure efficient operations in line with the organisations design principles and readiness for scaling operations. Additionally a talent review was undertaken to identify areas where development of stronger capability is needed to support the growth of the organisation. Both of these activities have resulted in revisions to the NBN Co workforce plan.

External Workforce Strategy

An update of the 2010 workforce modelling data was completed during the period. The refresh was designed to update the forecast level of demand for construction and design roles, the effects of the

most recent network implementation plan, the Telstra Definitive Agreements, the impact of Type 2 network architecture and the 3-1-7 FSAM activity sequencing. The 2012 modelling forecasts a peak workforce of 16,000 – 18,000, which is consistent with the 2010 forecast. There were, however, certain changes in the demand for specific occupations.

Work has commenced on the development of a Training and Accreditation Program which will see the establishment of a number of accreditations that will be required by workers who perform specific tasks in the construction and maintenance of the NBN. The accreditations are designed to minimise the risk of quality and safety issues through a national system of training and assessment.

A “Subcontractors Jobs and Training Forum” was held in conjunction with Silcar in Western Sydney during September 2012, with over 70 subcontractors in attendance. Forums were also held in Melbourne (Transfield) and Hobart (Visionstream). The purpose of the forum was to inform subcontractors about the significant increase in future workload and options for growing their workforce. Further forums are being organised with other delivery partners.

NBN Co has applied to the Australian Skills and Qualification Authority (ASQA) for approval of a suite of NBN Co specific national skills sets and NBN Co branded qualifications to provide training for job seekers. Approval is expected before the end of 2013.

Working with various industry groups an umbrella model for accessing funding has been established to support sub-contractors in taking on trainees and increasing their workforce.

Acceleration of Safety and Awareness training has been facilitated through the application of a subsidy by NBN Co to enable sub-contractors to ensure all workers complete relevant training prior to commencing work on the NBN. The NBN Co Safety and Awareness course has had 850 attendees and is now available to the public through approved training providers.

Health, Safety and Environment

The frequency of lost time injuries in the half year for NBN Co employees was zero and for contractors it was 0.6 lost time injuries per million work hours. The frequency of medical treatment injuries in the half year for NBN Co employees was 3.2 and for contractors it was 12.8 medical treatment injuries per million work hours.

No medical treatment injuries incurred to date have developed into a lost time injury.

NBN Co has trained senior management in critical risk controls and due diligence under the new Work Health and Safety Act 2011.

Sustainability remains a high priority for NBN Co and the Environmental Team is working on a number of recycling projects as well as energy saving ideas for sites and offices. A full report will be submitted at the end of the financial year.

NBN Co has introduced measures to control its critical risks known as the Critical Risk Controls (CRCs). There are nine CRCs to control high risk activity. The controls have been introduced into all new high risk contracts.

Fleet Management

NBN Co has a total of 180 Tool of Trade and operational vehicles, including hire vehicles.

Quality Control and Continuous Improvement

Continuous Improvement

NBN Co has focussed on reducing the time taken to produce Network Design Documents (NDDs) which are the high level designs that are then converted to Detailed Design Documents (DDD) by NBN Co's construction partners to enable the physical construction of the network.

Continuous process improvements have led to a reduction in the time taken to produce an NDD from a median of 35 days in January 2012 to 16 days in December 2012. This new baseline for NDD production underpins the rollout targets for 2013.

Contact Centre and Complaints Management

The contact centre averaged 2,212 contacts (inbound and outbound calls, emails and web queries) per week during the half year. Queries (able to be handled by a call centre agent) and complex queries (that need to be referred to a subject matter expert) averaged 1,004 cases per week. Each case may involve multiple contacts. The major categories of queries and complex queries are satellite eligibility, rollout maps/timeframes and the network availability in New Developments.

The number of complaints received during the half year was 401.

NBN Co's Complaints Management Policy sets targets for the resolution of formal complaints (relatively simple to resolve) at five working days and complex complaints (more complex to resolve/ requiring a cross functional response) at 20 working days. During the six months 91 percent of formal complaints and 90 percent of complex complaints were resolved within target.

Data Challenges

Design cycle time reductions have occurred despite significant problems with the quality of the external data which NBN Co relies upon as input to the design process. There are three main sources of data in this category: PSMA address data, Telstra infrastructure data and utility data.

PSMA Address Data

The G-NAF (Geocoded National Address File) Dataset is used by NBN Co for network designs. The PSMA address data is derived from three primary sources: the Electoral Commission, Australia Post and various state planning agencies.

Approximately 61 percent of the addresses supplied by all three primary sources were identical. As a consequence NBN Co undertakes desktop verification using tools such as Google Earth and Streetview and then carries out intensive field verification activities when the desktop studies cannot provide a high level of confidence in the address data.

Telstra Infrastructure Data

NBN Co seeks to use Telstra infrastructure wherever possible. Where Telstra provides NBN Co with data on the location and condition of infrastructure NBN Co generally needs to employ field

verification in order to ensure the accuracy of the data as part of the process of creating a detailed design.

Third party utility infrastructure

A proportion of the NBN will be deployed aerially via utility power poles. In order to complete the aerial portion of a design NBN Co needs to have access to utility data. Thirteen power utilities have been identified and negotiations to access their data is ongoing. The lack of a common data structure between the utilities has added to the complexity of NBN Co's task.

Access Arrangements, Regulatory and Policy Decisions

Special Access Undertaking (SAU)

Following lodgement of the SAU on 28 September 2012, NBN Co has been engaged in ongoing discussions on matters of detail with the ACCC. NBN Co also continued discussions with customers to further refine its Wholesale Broadband Agreement in the Contract Development Process (CDP) between 28 September and 30 November 2012.

The ACCC published its Consultation Paper on the SAU on 12 November 2012, inviting submissions before 11 January 2013. A Stakeholder Forum was hosted on 10 December 2012, and included representatives from NBN Co, Access Seekers, government and other industry groups. This provided interested parties with the opportunity to present their views directly to the ACCC on key issues, as well as to seek further clarification from NBN Co. On 18 December 2012, NBN Co lodged an updated version of its SAU with the ACCC to reflect the outcomes of the CDP process and to assist stakeholders in providing their submissions. The ACCC has indicated it expects to release its draft decision on the SAU in March 2013.

Wholesale Broadband Agreement Contract Development Process (WBA CDP)

The final WBA CDP multilateral meeting was held on 27 November 2012. Following this final multilateral CDP session, NBN Co issued a "final CDP draft" of the next WBA to Access Seekers on 30 November 2012. This draft of the next WBA has now been placed on hold while the ACCC assesses the SAU, and will then be aligned to the SAU when that is accepted. The next WBA will be made available for execution once the SAU has been accepted. NBN Co has proposed that the current WBA be extended pending the acceptance of the SAU.

NBN Co will continue to work on with industry via ongoing business-as-usual consultation activities (including battery backup, activation of premises "without infrastructure", non-standard installation and the development of an operations manual).

Network Extension Policy

The Network Extension policy was launched on the NBN Co website on 12 July 2012. The policy states that NBN Co must recover only the incremental cost of building any Network Extensions.

The policy outlines the process and criteria for individuals, businesses or government organisations to submit a request for NBN Co to deliver an extension of the existing fibre footprint or fixed wireless footprint beyond that which is planned.

Training on the Network Extension process and policy for the Contact Centre staff is scheduled for early 2013.

As at 31 December 2012, NBN Co had received 85 Network Extension applications.

Co-Development Policy

The NBN Co Co-Development Policy has been approved and external communications material is being prepared for release in early 2013.

Co-Development covers external projects where there is an opportunity to simultaneously install NBN Co pit and pipe infrastructure for fibre network (FTTP, Transit and Distribution).

NBN Co has engaged with road authorities in NSW and Queensland regarding the forward capital works programs to identify opportunities for the early installation of pit and pipe infrastructure.

Spectrum Requirements

NBN Co has to date acquired, or acquired the right to use, spectrum licences for the fixed wireless footprint and the long term satellite footprint.

All of these licences are due to expire over the next four years. NBN Co has continued active dialogue with the Australian Communications and Media Authority (ACMA) on the renewal of these licences.

Access Seeker Installation of NTDs

NBN Co has received responses from seven interested RSPs, with five expressing an interest in performing installations of NBN Co NTDs. NBN Co has commenced consultations and aims to have finalised its policy by the end of financial year 2013.

Carrier Services

The number of Managed Service Backhaul (MSB) links ordered totalled 342 as at 31 December 2012. Demand has been driven as part of the accelerated New Developments program. There are also Fixed Wireless sites that are planned to be integrated prior to the transit network being available in a number of locations in late financial year 2013.

Regulatory Accounting

Pursuant to the Statement of Expectations, NBN Co provided its first regulatory accounting report to the Shareholder Ministers and the ACCC in respect of the 2011-12 financial year. NBN Co anticipates that its regulatory arrangements will undergo further development and refinement over time.

Public Interest Premises (PIPs)

Results of a trial investigating the provision of fibre based NBN services to PIPs has been reported to government, including recommendations for delivery models. Further detailed consultations with relevant infrastructure owners, including State and Territory Governments will be conducted to ensure delivery models meet the needs of end users.

Freedom of Information

On 16 August 2012, the Attorney-General tabled the report by Stuart Morris, QC on the review of the operation of the Freedom of Information Act 1982 (FOI Act), insofar as it applies to documents held by NBN Co Limited. The key findings included that NBN Co has not only fulfilled its lawful responsibilities under the FOI Act but has also achieved a high standard in its administration of the FOI Act and adopted a pro-disclosure attitude.

Network Operations

Multi-Dwelling Unit (MDU) Cabling

Residential multi-dwelling units comprise over 30 percent of the addressable market. Accordingly a separate project has been established to develop processes and capabilities to make those premises NBN ready. It is intended to cable each MDU from the multiport to the Premises Connection Device for each end user in parallel with construction of the FSAM.

To manage the end-to-end cabling of MDUs NBN Co is planning to release four MDU Cabling Partner (MCP) work packages. The status of engagement is below.

- MCP 1 - On 21 December 2012, a contract was awarded to Downer EDI to complete MDU buildings in NSW, ACT and VIC.
- MCP 2 - On 21 December 2012, a contract was awarded to Universal Communications Group Limited to complete MDU buildings in TAS and NSW.
- MCP 3 and 4 - At 31 December 2012 bilateral negotiations were underway with awarding contracts to complete further MDU buildings.

Tasmanian Pre-Release Sites Migration

A project to migrate the first three Fibre Serving Areas in Tasmania (Smithton, Scottsdale and Midway Point) from the pre-release NEC technology to the NBN Co standard Alcatel Lucent technology progressed during the reporting period. This pre-release network was built by Aurora and operated by Opticomm and uses a temporary Point of Interconnect (POI).

The project scope includes the installation of three new backhaul links from new POIs to the aggregation nodes, expansion of existing shelters to install new aggregation nodes and to allow patching from old to new network and replacement of end user NEC Network Termination Devices (NTDs) with Alcatel Lucent NTDs.

The migration of Tasmanian services commenced on 26 October 2012 and was completed on 15 December 2012.

“Bulk Drop” Program

There are a number of FSAMs in which fibre lead-ins have not been installed as part of initial construction activity in line with the original ‘demand drop’ approach. To fill this gap a “bulk drop” program is being established which will leverage the capabilities of Silcar, Visionstream and Service Stream under their network augmentation contracts.

The objective is to install the fibre lead-in from the street Multiport to the Premises Connection Device (PCD) for Single Dwelling Units (SDU) in FSAMs that are currently serviceable or are already in the construction pipeline for which the design does not include drops. The installation from the street to the side of the premises is the key variable in the activation process. Completing this step before an active order is received removes this variable and provides for a more efficient and cost effective way to deploy the fibre network.

The bulk drop initial pilot in Sorell, Tasmania was successfully completed in November 2012. Fibre lead-ins for 66 premises were installed during the pilot. The bulk drop project has now been extended to South Morang, Victoria.

Operational Support Contracts

During the period the Field Service Delivery (FSD) and Network Augmentation Restoration and Assurance (NARA) negotiations closed and contracts worth approximately \$77m for installation and maintenance activities were awarded to Silcar for NSW, QLD and the ACT. FSD and NARA contracts worth approximately \$64m were also awarded to Service Stream for installation and maintenance activities for WA, SA, NT and VIC.

The implementation of these contracts will significantly improve the capacity for the transition to the NBN and the coverage and service levels for assurance and restoration activities.

Market Environment and Products

Product Overview and Development

On 29 August 2012, NBN Co launched its first product focused specifically on business end users. The ‘Business Services’ product includes faster fault restoration commitments from NBN Co (compared to residential products), as well as features that enable multiple, high-quality telephone lines into a premises to support items such as fax machines and multi-line phone systems. NBN Co will build on this initial business-focused capability over the next two years by releasing additional features that will cater to medium businesses and large enterprises.

On 28 September 2012, NBN Co launched the ‘Multicast’ product on the fibre network. Multicast enables service providers who offer broadcast television services to distribute content to end users more efficiently by allowing them to inject video one time into the network after which the video content is replicated to potentially tens-of-thousands of end users.

Multicast enables providers to sell a ‘triple play’ bundle of NBN-based products (i.e. internet, telephony and internet television) to their end users.

In August and September 2012, NBN Co launched a series of features to facilitate large scale migration of telephony services to the NBN. These features improve the level of automation available

to service providers when configuring telephone services, as well as enabling service providers to better manage voice quality and investigate faults.

In October 2012, NBN Co began operating the 'Product Development Forum'. This forum has been established to ensure that RSPs are able to submit requests for future NBN Co products and features and that NBN Co is able to analyse and prioritise these opportunities in a structured, consultative fashion. NBN Co has so far received two product requests and these are currently being assessed.

Two RSPs launched NBN telephone-only plans in November 2012. Telstra is offering four telephone-only plans, with increasing amounts of included calls with prices ranging from \$22.95 to \$89.90. Internode's telephone-only service is priced at \$29.95 per month.

Following the September 2012 launch of various NBN product enhancements focused on business premises, there are now six providers offering 60 different enhanced service level packages in the market: Aurora, Exetel, Primus, iiNet, Internode and Telstra. To date, more than 70 percent of these enhanced service level packages are supplied on retail packages based on the 100/40Mbps wholesale speed tier targeting small businesses.

NBN Co has invited RSPs to participate in a trial of the recently-launched multicast product at a New Development estate in Sydney. Both iiNet (in conjunction with Fetch TV) and AARNet (in conjunction with NICTA) have registered interest. In addition the Australian Ballet has expressed interest in using the trial to broadcast a live performance of Swan Lake. The trial aims to gain learnings from deployment of the multicast product within an apartment building with 50 end users and will run from December 2012 to June 2013.

Skymesh is seeking to offer the current NBN interim satellite service to a number of remote schools. Approximately 57 schools and related premises are set to be connected in the first six to eight months of 2013, including some very remote Indigenous schools and communities.

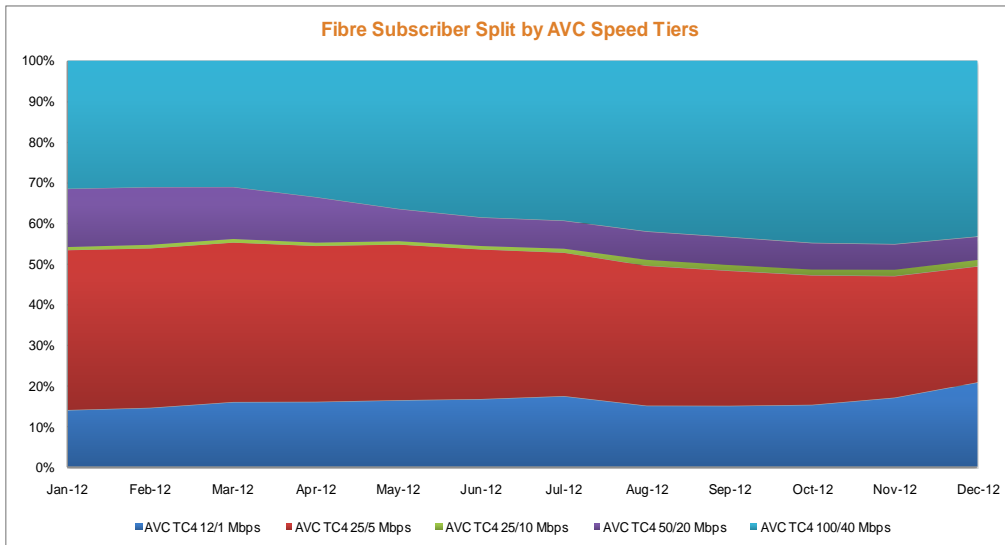
The NBN Product 'Customer Focused Design' team is currently developing programs to baseline the end user experience for the recently launched fixed wireless and facilities access products. These programs will seek to map and measure the experience of RSPs and end users to identify opportunities for improvements to NBN products.

During the period the design enhancement to end user installed equipment was finalised. NBN Co has now finalised the design of the enclosure and testing is underway with internal and external stakeholders.

AVC Profile

The mix of speeds provisioned for fibre services continues to be more favourable than that assumed in the Corporate Plan 2012-15, particularly at the 100/40 Mbps wholesale speed tier which currently represents 43.4 percent of activations compared to an assumption of 18 percent in the Corporate Plan 2012-15.

As at the end of December 2012 the weighted average AVC speed provisioned on the fibre network was 56Mbps, compared to 33Mbps average forecast in the Corporate Plan for financial year 2013.



Customer Connectivity

NBN Co has been working with RSPs to accelerate their connections to Points of Interconnect (POIs) by running a 'Day-1 Project' to trial a new process in which RSPs will be able to connect to the POI prior to the ready for service (RFS) date.

During the past six months 32 POIs were integrated into the network. The table below illustrates the number of RSPs at each stage of engagement with NBN Co as at 31 December 2012.

Measure	Total as at 31 December 2012
RSPs that have executed the Wholesale Broadband Agreement	46
RSPs that have executed the Interim Satellite Services Agreement	13
RSPs that have executed the Fixed Wireless Trial Agreement	21
RSPs who have on-boarded to offer service	31
Wholesaler Service Providers offering service to downstream RSPs	12
RSPs offering service – Brownfields Fibre	38
RSPs offering service – New Developments	28
RSPs offering service – Wireless	12
RSPs offering service – Satellite	12

The announcement of the Disconnection Commencement Dates in the first fifteen FSAMs has seen an increase in activity across all fifteen active Fibre Service Areas by twelve RSPs. As a result NBN Co experienced a 65 percent increase in orders for the first three weeks of December 2012 for Brownfields activations.

Communication

Community Relations

NBN Co met with various councils and state government and Regional Development Australia (RDA) bodies in the period. During these meetings information was provided to increase practical understanding of the rollout, the NBN and its benefits.

Further to these activities, 52 presentations were conducted to increase the understanding of the rollout and benefits of the NBN with Education, Health and Business organisations.

▪ **Local Area Communications**

September Communications Plan – A short term local information plan was developed to increase NBN awareness. Communications were in market from 31 August – 23 September 2012 and included radio, direct mail and experiential events.

- **Build Drop and Bulk Drop Communications** – PCD installation notices were developed and tested as part of the build drop trial in South Morang and bulk drop trial in Sorell and South Morang. A pre-construction flyer was also tested as part of the build drop trial in South Morang.

- **Disconnection Commencement Date (DCD) Communications in First 15 FSAMs** – A local area information plan was drafted for implementation in November 2012 in affected sites. The communications notify end users that the 18-month switchover window has started and prompts them to call their service provider to move their services to the NBN. Notification letters were sent to approximately 26,000 premises within the first 15 FSAMs where DCD was declared on 23rd November 2012.

▪ **Product Communications**

'NBN for Business' Events – Two events were held for media, RSPs and business industry organisations to learn more about the benefits of the NBN for Australian businesses.

SME Communications Plan - A SME communications plan was developed to raise awareness and understanding of the business benefits of the NBN.

▪ **Experiential (Truck and Discovery Centre)**

During the period the Discovery Truck's operating model was revised. The Discovery Truck will now attend local and national events such as the Sydney Royal Easter Show to attract visitors, rather than conduct a national tour. During the reporting period 3,602 people visited the Discovery Truck.

In September 2012, the NBN Discovery Truck worked with local RSPs to host community events in South Morang, Willunga, Kingston and Townsville. More than 570 residents and multiple RSPs attended these events which allowed end users to sign-up for NBN services on site.

The Discovery Centre hosted 556 stakeholder briefings with more than 1,500 visitors from government, industry and corporate bodies during the reporting period. Tours included representatives from RSPs, Telecommunications Industry Ombudsman (TIO), Australian Communications and Media Authority (ACMA), Telecommunications Universal Service Management Agency (TUSMA), Silcar, Telstra, Optus, iPrimus and Nextgen as well as numerous councils and universities.

A shopping centre kiosk strategy is being implemented to support the Local Area Campaigns in rollout regions. It will allow end users to receive practical information about the rollout, see the NBN equipment and gain an understanding of the NBN in an interactive manner. Experiential outreach will also be developed to support NBN Co's national information campaigns. A tender is being conducted to appoint an experiential agency.

Public Information on Migration (PIM) Governance

The Public Information on Migration Campaign (PIM) implements the government's 2010 announcement that NBN Co would be responsible for an information and education campaign to inform the public about the imminent migration of services from copper to fibre in their area.

The PIM governance framework officially commenced in June 2012 with the following Reference Groups:

- NBN Co Customer PIM Reference Group
- Industry PIM Reference Group
- Consumer PIM Reference Group
- Regulators.

On 23 August 2012 the ACCC, ACMA, Telecommunications Industry Ombudsmen (TIO) and the Telecommunications Universal Service Management Agency (TUSMA) were briefed on the local fibre Brownfield rollout timeline. The briefing outlined NBN Co activity along a 30 month timeline from initial council engagement through to final FSAM switchover and outlined consumer information needs at each stage.

NBN Co's Customer PIM Reference Group was briefed on the local level fibre Brownfields timeline (31 July 2012) and NBN Co's draft local communications plan (30 August 2012). The Consumer PIM Reference Group and Industry PIM Reference Group were briefed on the local level timeline and local communications plan on 17 and 19 September 2012 respectively.

Regular subsequent meetings were held with the Reference Groups between September and December 2012.

Optus and NBN Co have begun engagement around the switchover messaging regarding Optus' HFC network.

Extensive consultation was conducted with RSPs, DBCDE, ACCC, ACCAN, other industry and consumer groups and regulatory agencies to support the development of the Disconnection Commencement Date (DCD), bulk drop, build drop and MDU letters and notifications.

Online - Website

- "Find a Retail Service Provider" was launched on the website in November 2012. This feature allows a user to type in an address and provides a list of active RSPs for that address.
- The Rollout Map was enhanced to support address level details, enabling a visitor to search an address and get details specific to that premises (i.e. Service Available, Construction Commenced).

Stakeholder and Industry Relations

NBN Co continued to engage with state-based NBN taskforces, local government and regional interest groups, industry associations and key stakeholder groups in research, business, health and education. NBN Co continued to present at a variety of industry events covering education, aged care, health, regional development and small business.

During the six months to 31 December 2012, briefings were provided to the SA, VIC, NSW, and QLD Governments and a working session conducted with the Technical Advisory Panel for Positive Ageing, which is developing a proposal for a program focused on closing the digital literacy gap for seniors in NBN rollout areas.

During the six months to 31 December 2012, NBN Co facilitated engagement with key industry stakeholders, Australian Industry Group and Australian Computer Society. Briefings were provided to QLD, SA, VIC, NSW and TAS State Governments on a number of issues including Public Interest Premises policy. Ongoing discussions were held with the Australian Local Government Association (ALGA) regarding the development of a joint NBN Co/ALGA engagement strategy for 2013.

Engagement was facilitated with primary national Indigenous skills body 'Generation One' to assist in the development of the NBN Co Reconciliation Action Plan.

On 4 February 2013, NBN Co released a report on a study of Australian schools connected to the NBN titled 21st Century Teaching Strategies for a Highly Connected World. The study was part of a comprehensive program involving 60 teachers in NBN-enabled schools across NSW and SA.

The report indicated that educational benefits are already flowing through to children in those schools connected to the NBN that participated in the study. The full report is available at www.nbnco.com.au/educationreport.

Government Relations

- During the half year NBN Co senior executives attended hearings of the Joint Committee on the National Broadband Network (JCNBN) and the Senate Environment and Communications Legislation (Estimates) Committee. The company dealt with 224 Questions on Notice arising from the hearings during the period.
- Work continues on a number of Government policy issues. These include discussions with Shareholder Ministers on the results of trials in connecting PIPs (schools, nursing homes and aged care facilities), progressing approaches to standard/non-standard installations and defining issues around non-addressable and frustrated premises. Implementation of the Government's 'must-opt' policy for battery back up is underway.
- In accordance with reporting obligations NBN Co continues to notify the Government of "significant events" under the *Government Business Enterprise (GBE) Governance and Oversight Guidelines*.

Corporate Communications

- On 8 August, 2012, the Federal Government and NBN Co jointly released the Corporate Plan 2012-15 at a press conference held at the company's North Sydney offices. Senator Conroy

and NBN Co's CEO Mr Quigley delivered presentations to journalists and television crews from the major broadcasters.

- Additional key consumer communications activity included television coverage for the opening of the Customer Contact Centre on the Gold Coast and the release of the NBN for Business feature.
- NBN Co concluded the half year to 31 December 2012 with interviews between Mr Quigley and the Herald Sun and the syndicated news agency AAP, on the outlook and challenges for the project in 2013. Mr Quigley also spoke at events in Sydney, Perth and Geraldton.
- During the reporting period, media events were held to mark the first hauling of fibre in FSAMs in QLD (Aspley, Toowoomba), NSW (Coffs Harbour, Gosford), WA (Victoria Park, Geraldton), VIC (Bacchus Marsh) and the ACT (Gungahlin).
- NBN Co also participated in a feature article in the Business Review Weekly on the benefits of the NBN for small business and filmed a package on the Channel Nine breakfast program and Today, showcasing the use of the NBN by a Melbourne school and a music charity.

Risk Management

NBN Co has an enterprise-wide risk management framework to facilitate the identification of significant business risks and implementation of appropriate risk mitigation or treatment plans and monitoring processes.

The approach adopted by NBN Co is consistent with the international risk management standard, AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines. NBN Co's Risk Management Policy defines the way in which the Company establishes the risk context, identifies, assesses, analyses, evaluates and treats risk to effectively manage its business, and assign roles and responsibilities for risk management. Risk mitigation actions and treatment plans are reported quarterly to the Board and Management.

The board of NBN Co is satisfied that NBN Co has appropriate risk management policies and practices in place and that the adequate systems and expertise are being applied to achieve compliance with those policies and procedures.

Since the last JCNBN Report, a complete review of all key risks has been collectively undertaken by Executive Management resulting in the re-evaluation of several key risks (including Quality, Construction, Telstra Definitive Agreement Implementation, New Developments and Wireless Spectrum) as the risk exposure is considered to have substantially reduced. This has led to the subsequent identification of a new set of specific key risks which are currently deemed to have the most significant potential impact on NBN Co.

A current summary of all key risks and the associated mitigation strategies are discussed below.

Safety

The construction and operation of the NBN will involve thousands of people employed directly by NBN Co and by its suppliers and contractors. Many of these people will be working in potentially hazardous environments (for example, in traffic exposed locations, in confined spaces, using heavy

machinery, at height or working close to power lines and underground infrastructure such as gas mains).

The risk of a serious injury or fatality to NBN Co employees, contractors or the general public requires constant vigilance and the establishment and adherence to a comprehensive safety management system has been a key focus for the Company.

NBN Co will continue to monitor critical safety risks through conducting scenario analyses and working with key stakeholders (Board and Shareholders) to ensure appropriate measures are in place to prevent incidents wherever possible and to respond to any incidents that may arise.

Change of Government Policy in relation to the NBN

The Corporate Plan 2012-15 is based on delivering the NBN in accordance with the policy directions currently provided to the Company. In the event of a significant change to these policy directions it would be necessary to revise the Corporate Plan.

Policy direction is a matter for the Government to determine. However, NBN Co engages wherever possible with key stakeholders to ensure early visibility of potential policy changes and to facilitate an informed debate on the likely consequences of such changes.

Construction partners

The majority of the 'in field' work of building the NBN is contracted out to external construction partners. NBN Co is therefore dependent on the performance of these partners to deliver key elements of the network on time and on budget. Failure to perform by one or more of NBN Co's construction partners is a critical risk to the delivery of the Corporate Plan objectives.

NBN Co seeks to mitigate this risk through a combination of actions, including close monitoring of each construction partner's performance and through broadening the number of construction partners engaged in building the NBN. NBN Co is also evaluating alternative contracting models that may be required over time, including the ability for NBN Co to manage tier 2 and tier 3 sub-contractors directly in certain circumstances.

Equipment suppliers

The operation of the NBN involves the integration of complex fibre optic 'active' equipment (i.e. equipment that requires electrical power) for which, in some instances, there is a limited number of suppliers around the world.

In the event of one of its key suppliers ceasing to provide or support network-critical equipment, NBN Co would need the flexibility to source suitable alternatives from as wide a range of suppliers as possible.

Workforce

NBN Co is completing its transition from 'start up', focused on planning and network design, to an established business undertaking volume rollout and operating an ever-growing wholesale telecommunications network. As in any organisation, attracting and retaining the right people is critical to NBN Co's ability to deliver on its Corporate Plan objectives.

The Company has recently completed a comprehensive organisational review resulting in a number of changes, notably in the Chief Operating Officer (COO) Group. The Company will continue to review its organisational structure to ensure talented people are in positions where they can perform to their abilities and new high quality people are brought in as required.

IT systems to scale

The volume of transactions that will need to be processed through NBN Co's core IT systems will increase significantly as the construction of the network gathers pace. Failure of the IT systems to handle this increased level of activity could significantly disrupt the pace of the rollout and/or result in the need to implement costly manual workarounds.

The Company has conducted a detailed review of its medium term IT needs and developed an IT roadmap to ensure critical functionality is delivered ahead of the expected increases in volumes in different parts of the business. Management will continue to closely monitor delivery of IT capability and conduct regular reviews to ensure IT delivery is prioritised to meet critical business needs.

In addition, the risk of software configuration errors causing network outages will increase as the network adds more users and operators. NBN Co regularly reviews testing practices for new software releases for all active network and IT systems and is reviewing options to automate configuration management controls across critical network and IT infrastructure.

Processes to scale

The modular approach to construction of the NBN requires the consistent application of efficient processes by multiple construction partners across widespread geographies over an extended period of time. This approach provides the opportunity to realise significant benefits through the adoption of 'fit for purpose' processes that can be improved and adapted over time. However, failure to ensure processes scale with the business could result in significant resource, cost and schedule implications.

As the rollout gathers momentum, NBN Co is implementing a 'meta process' to drive proven innovation and standardisation across the business.

Revenue

The financial performance of NBN Co is dependent on the ability of the Company to meet the revenue forecasts as outlined in the Corporate Plan.

The Company has identified three risk areas that are critical to achieving its revenue forecasts:

1. Disconnection of existing copper and HFC networks in accordance with the Telstra Definitive Agreements and the Optus HFC Agreement.
2. The extent of 'wireless substitution'.
3. The rate of growth of data usage.

NBN Co has strong contractual arrangements in place under the Telstra Definitive Agreements and the Optus HFC Agreement which will ensure that the switchover to the fibre network is managed effectively.

Assessing the extent of wireless substitution and likely growth in data usage requires the Company to make assumptions about future events which are, by their nature, uncertain.

Costs to connect end-user premises

For Single Dwelling Units (SDUs) the risks relate predominantly to the mix of aerial and underground lead-ins that will be required and the availability of Telstra lead-in conduits (LICs). NBN Co is constantly monitoring experience in the field against assumptions made in the Corporate Plan and will continue to do so as the rollout progresses.

For Multi Dwelling Units (MDUs) the risks relate to the unique nature of each MDU and the need to engage with bodies corporate.

Deployment of continuous improvement initiatives will focus on cost control in order to:

- Simplify the contractor interface at each stage (Design, Build, handover).
- Institutionalise best practice operating activities.
- Undertake critical assessments and review of designs, including in field variations to improve compliance and optimal outcomes.
- Reduce variation.
- Drive process efficiency and uniformity.

Latent equipment failure

NBN Co and its suppliers conduct rigorous equipment testing. However, a serious latent equipment failure could cause significant disruption to services across the network.

NBN Co currently tests all critical equipment in a laboratory environment, with reliance on vendors' warranty conditions and supply capability. In addition, NBN Co is evaluating the merits of establishing a team of experts to monitor failure data for trends that would provide early warning of potential equipment issues.

Security breach

Because of the scale of the project and the criticality of the network to Australia's economic infrastructure, the NBN is a likely target for malicious cyber-attack. A serious security breach through a successful attack on NBN Co's network or corporate systems could result in significant disruptions to network service and/or financial loss.

NBN Co has established a comprehensive, world class security platform to minimise this risk.

Misconduct or fraud

As the construction of the NBN expands, the volume and value of transactions passing through the Company will increase significantly, increasing the risk of serious misconduct or fraud.

Mitigation strategies include:

- Undertaking activities to fulfil requirements relating to Commonwealth Fraud Control Guidelines (March 2011) and AS 8001-2008: The Australian Standard on Fraud and Corruption Control.
- Ensuring strict segregation of duties, particularly in areas relating to creating purchase orders, releasing payments and access to master data.
- Regular internal and external auditing of high risk areas.
- Strict enforcement of Company policies across the organisation.

Financials (Unaudited)

Equity Funding

NBN Co received \$946 million of Commonwealth equity funding in the six months to 31 December 2012. As at 31 December 2012, a total of \$3,778 million equity had been received by the Company.

Financial Result³

In the six months to 31 December 2012, NBN Co incurred \$66 million in direct costs and \$267 million in Selling, General and Administration (SG&A) expenditure. The main components for the six months to 31 December 2012 were:

- \$153 million of employee related expenses (\$122.0 million in the previous period)
- \$57 million for IT and facilities expenses (\$56 million in the previous period)
- \$29 million for external service cost (\$39 million in the previous period).

In the six months to 31 December 2012, the company had incurred \$792 million in capital expenditure.

Property, plant and equipment included additions of \$1,216 million for the six month period to 31 December 2012. This consisted of network assets of \$639 million for the construction of the transit, fibre, satellite and fixed wireless networks. Network and non-network assets acquired under finance lease additions of \$406 million. Intangible assets included additions of \$100 million primarily for the development of the BSS/OSS environments.

As at 31 December 2012, NBN Co had entered into commitments totalling \$4,404 million.

Commitments increased \$475 million during the period, and was primarily due to:

- \$325 million associated with the Long Term Satellite Solution for contracts for the spacecraft, earth stations and launch services.
- \$133 million for fibre deployment and support activities.

Unaudited financial statements are presented in the following section.

Taxes

The Company expects to record a tax loss in the current year. This situation is expected to continue for the next several financial years. As a result, this progress report includes a nil income tax expense.

In accordance with Australian Accounting Standards, no deferred tax asset has been recognised for these tax losses at this stage.

³ Comparative information has been aligned to any changes in current period presentation.

Unaudited Half Year Statement of Comprehensive Income

For the half year ended 31 December 2012

	NBN Group	
	Period ended	Period ended
	31 December 2012	31 December 2011
	\$'000	\$'000
Revenue		
Telecommunications revenue	5,262	354
Other revenue	70	2
Interest income	23,983	29,319
Total Revenue	29,314	29,675
Direct telecommunications costs	(66,022)	(24,665)
Employment costs	(152,883)	(100,527)
External services costs – systems and organisation	(29,972)	(28,511)
Legal and negotiation support costs	(8,082)	(13,298)
IT and communications expenses	(41,202)	(27,746)
Occupancy expenses	(15,297)	(12,160)
Travel and entertainment costs	(8,284)	(5,593)
Insurance expense	(2,542)	(1,051)
Depreciation and amortisation expense	(74,342)	(28,447)
Other expenses	(9,063)	(8,237)
Finance costs	(20,499)	(6)
Total Expenses	(428,190)	(250,241)
(Loss) before income tax	(398,876)	(220,567)
Income tax (expense)/benefit	(9,392)	-
(Loss) for the period	(408,268)	(220,567)
(Loss) attributable to the shareholders	(408,268)	(220,567)
Other comprehensive income/(loss)		
Changes in the fair value of cash flow hedges	2,473	-
Income tax relating to components of other comprehensive income	(742)	-
Total other comprehensive income/(loss) for the period, net of tax	1,731	-
Total comprehensive income/(loss) for the period	(406,537)	(220,567)
Total comprehensive income/(loss) attributable to the shareholders	(406,537)	(220,567)

Amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar. Comparatives have been restated where there has been a change in the current period classification.

Unaudited Half Year Statement of Cash Flows

For the half year ended 31 December 2012

	NBN Group	
	Period ended 31 December 2012 \$'000	Period ended 31 December 2011 \$'000
Cash flows from operating activities		
Receipts from customers (Incl GST)	4,817	213
Payments to suppliers and employees (Incl GST)	(335,655)	(243,297)
GST Received	31,128	18,342
Other revenue	809	-
Interest received	27,354	25,254
Interest paid	(1)	(6)
Net cash (used in) operating activities	(271,548)	(199,494)
Cash flows from investing activities		
Payment for held to maturity investment	(27,762)	-
Payment for property, plant and equipment	(628,164)	(189,901)
Payment for intangibles	(99,223)	(125,199)
Net cash (used in) investing activities	(755,149)	(315,100)
Cash flows from financing activities		
Payment for finance leases and right of use licences	(9,516)	
Equity injection for ordinary shares by the Commonwealth of Australia	946,445	1,120,000
Net cash provided by financing activities	936,929	1,120,000
Net increase in cash and cash equivalents	(89,768)	605,406
Cash and cash equivalents at the beginning of the financial period	778,952	538,237
Cash and cash equivalents at the end of the financial period	689,184	1,143,643

Amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar. Comparatives have been restated where there has been a change in the current period classification.

Unaudited Balance Sheet

As at 31 December 2012

	NBN Group	
	As At	As At
	31 December 2012	30 June 2012
	\$'000	\$'000
Current assets		
Cash and cash equivalents	689,184	778,952
Receivables	26,877	26,865
Inventory	3,944	1,672
Derivative financial asset	662	11,938
Held to maturity investment	102,762	75,000
Other current assets	22,460	21,452
Total current assets	845,889	915,879
Non-current assets		
Receivables	315	1,029
Derivative financial asset	792	10,528
Property, plant & equipment	2,107,246	1,027,745
Intangible assets	561,294	504,162
Other non current assets	7,330	8,068
Total non-current assets	2,676,976	1,551,532
Total assets	3,522,865	2,467,411
Current liabilities		
Trade and other payables	380,489	276,991
Derivative financial liability	3,542	-
Other current liabilities	17,113	4,942
Provisions	21,114	16,265
Total current liabilities	422,258	298,198
Non-current liabilities		
Derivative financial liability	6,751	-
Other non current liabilities	636,569	232,441
Provisions	16,698	12,446
Total non-current liabilities	660,018	244,887
Total liabilities	1,082,276	543,085
Net assets	2,440,589	1,924,326
Equity		
Contributed equity	3,778,445	2,832,000
Reserves	(6,187)	15,726
(Accumulated losses)	(1,331,669)	(923,400)
Total equity	2,440,589	1,924,326

Amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar. Comparatives have been restated where there has been a change in the current period classification.

Unaudited Schedule of Commitments

As at 31 December 2012

	NBN Group	
	As At	As At
	31 December 2012	30 June 2012
	\$'000	\$'000
By type		
Equity funding		
Expected equity funding	23,721,555	24,668,000
Total equity funding	23,721,555	24,668,000
Commitments payable - Capital		
Leasehold Improvements	1,000	1,026
Network Assets	1,429,890	837,253
Total capital commitments	1,430,890	838,279
Commitments payable - Intangible		
Software	35,505	32,422
Total intangible commitments	35,505	32,422
Commitments payable - Other		
Operating leases	158,254	169,895
Finance leases and right of use licences	2,596,540	2,730,944
Other commitments	182,796	157,937
Total other commitments	2,937,590	3,058,776
Total commitments payable	4,403,985	3,929,477
By maturity		
Equity funding		
Within one year	4,841,555	5,788,000
From one to five years	17,500,000	17,500,000
Over five years	1,380,000	1,380,000
Total equity funding	23,721,555	24,668,000
Commitments payable - Capital		
Within one year	797,578	427,254
From one to five years	633,312	411,025
Total capital commitments	1,430,890	838,279
Commitments payable - Intangible		
Within one year	21,092	17,605
From one to five years	14,412	14,817
Total intangible commitments	35,505	32,422
Commitments payable - Operating lease		
Within one year	24,623	24,421
From one to five years	78,548	82,422
Over five years	55,082	63,052
Total operating lease commitments	158,254	169,895
Commitments payable - Finance lease and right of use licences		
Within one year	60,484	2,145.00
From one to five years	832,064	616,457.00
Over five years	1,704,073	2,112,342.00
Total finance lease commitments	2,596,621	2,730,944.00
Commitments payable - Other		
Within one year	147,129	143,811
From one to five years	34,990	13,528
Over five years	598	598.00
Total other commitments	182,716	157,937
Total commitments payable	4,403,985	3,929,477

Amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar. Comparatives have been restated where there has been a change in the current period classification.

Post-Closing Events

This report includes all announcements and events up to 22 March 2013.

- On 11 January 2013, NBN Co announced that it had exceeded its target to have construction commenced or completed in areas covering 758,000 premises before the end of 2012. The total number of premises in areas where construction had commenced or completed was 784,592 by year end.
- On 17 January 2013, hauling of the first NBN fibre optic cable in an established urban area in metropolitan Sydney commenced. The NBN local distribution fibre links the Blacktown exchange to homes and businesses throughout the local area. On 18 January 2012, NBN Co also installed the first fibre optic cable in Penrith.
- On 17 January 2013, NBN Co announced that its design and construction partners will work with local governments to identify appropriate locations for fixed wireless network infrastructure in and around the Mid Murraylands, South East, Far South East and Kangaroo Island areas of SA.
- On 25 January 2013, NBN Co released updated coverage maps covering approximately 98,800 premises in NSW, QLD, SA, VIC, WA and the ACT.
- On 29 January 2013, NBN Co released year-end figures – the number of homes and businesses using the NBN increased from 13,600 in June 2012 to 34,500 at the end of December 2012.
- On 31 January 2013, NBN Co announced 1,700 homes and businesses are now able to connect to the NBN in Toowoomba, the first city in South East Queensland to join the network.
- On 1 February 2013, the NBN was formally switched on in the nation's capital. NBN fibre covers more than 4,000 homes and businesses in Gungahlin and Harrison in Canberra's northern suburbs.
- On 6 February 2013, NBN Co announced plans to bring even faster internet to the bush by offering a new speed tier doubling the wholesale broadband speeds for rural and remote Australia. More than half a million homes, farms and businesses eligible to receive the NBN's Fixed-Wireless and Long Term Satellite services will be able to order wholesale download speeds of up to 25 Mbps and upload speeds of up to 5 Mbps from their internet service provider.
- Also on 6 February 2013, NBN Co, began outlining plans to provide some smaller communities and rural residents in parts of the Northern Rivers with facilities dedicated to delivering high-speed, fixed-wireless broadband services.
- On 8 February 2013, the NBN was formally switched on in Hobart. NBN fibre now covers more than 1,800 homes and businesses in South Hobart with work underway to have the network rolled out in its entirety in Tasmania in 2015.
- On 13 February 2013, Coffs Harbour became the first city in the NSW Mid North Coast to switch on to the NBN. NBN fibre now covers more than 2,600 homes and businesses in West Coffs Harbour. Construction work has commenced for a further 24,800 premises in Coffs

Harbour, Korora, Sapphire Beach, North Boambee Valley, Boambee, Boambee East, Toormina and Sawtell with the roll out set to be complete by 2021.

- On 14 February 2013, NBN Co announced that Downer EDI Engineering Pty Ltd, a subsidiary of Downer EDI Limited, had been contracted to provide additional construction capacity for the rollout of the NBN in northern NSW. The contract is valued up to \$94 million over two years, with two one-year options to renew.
- On 15 February 2013, NBN Co provided the ACCC with additional data forecasts to assist it in its assessment of the SAU.
- On 20 February 2013, the NBN was formally switched on in metropolitan Brisbane. NBN Co announced that NBN fibre is now available in the suburb of Aspley, and set to be available to a further 1,700 premises in the coming weeks.
- On 22 February 2013, NBN Co switched on the NBN in Bacchus Marsh, the first regional area in Victoria to join the fibre network. Nearly 1,800 more homes and businesses will have access to the network in the coming months.
- On 26 February 2013, NBN Co announced that its design and construction partners will work with local governments to identify appropriate locations for fixed wireless network infrastructure in and around the Gympie and Sunshine Coast area.
- On 4 March 2013, NBN Co announced that Arianespace, the European satellite launch company, had been awarded a contract worth up to \$300 million, to launch two next generation NBN satellites into space. The two satellites to be launched separately in 2015, will allow access to fast, reliable and affordable broadband speeds of 25 mbps download and 5 mbps upload to up to 200,000 homes, farms and businesses in regional and remote parts of the country.
- On 13 March 2013, NBN Co signed a contract worth up to \$27.7 million with Daly International Pty Ltd to undertake the detailed work of connecting flats and units to the NBN in WA, Brisbane and the Gold Coast. The contract is for two years with the option of two one-year extensions.
- On 15 March 2013, NBN Co announced that it has awarded a contract to Visionstream, a subsidiary of Leighton Holdings Limited, to roll out fibre optic broadband in VIC, QLD and southern NSW. The contract is valued up to \$334 million over two years, with two one-year options to renew, and adds to the existing NBN construction efforts of Silcar in NSW and QLD and Transfield in Victoria.
- On 21 March 2013, NBN Co reported that it has updated its short-term fibre rollout timeline expecting to pass 341,000 premises with fibre about three months later than the June 2013 target, with between 190,000 and 220,000 premises now forecast to be passed by fibre by end June. NBN Co will also assume direct responsibility for the Northern Territory fibre rollout.

Corporate Key Performance Indicators⁴

This is the fourth report and as such reflects initial reporting while systems and reporting processes are still in development. The data will become more meaningful against actual and forecast measures as the reporting series builds up over time. This report is consistent with a start-up company in the early years of the rollout. Further KPIs will be brought online as agreed with the Shareholders.

(i) Cumulative Key Performance Indicators

#	Measure	Key Performance Indicator	Definition	Current Half Year Cumulative as at 31 December 2012	Previous Half Year Cumulative as at 30 June 2012
1.	Health, Safety and Environment				
1.1	Safety Scoreboard – NBN Co	Lost Time Injury (LTI)	Any work related injury or illness where a person loses one full shift from work after the date of injury. Measurement is expressed as a frequency rate as the number of lost time injuries per million work hours.	Dec - 0.0 Sep - 0.0	Jun - 0.0 Mar - 1.6
		Medical Treatment Injury (MTI)	Any work related injury or illness where a person is treated by a Doctor, Paramedic or Allied Therapist. Measurement is expressed as a frequency rate as the number of medical treatment injuries per million work hours.	Dec - 3.0 Sep - 3.5	Jun - 1.4 Mar - 1.6
		Events without Injury	Any unplanned incident that occurred at the workplace which, although not resulting in any injury or disease, had the potential to do so.	Dec - 4 Sep - 4	Jun - 2 Mar - 1
	Safety Scoreboard – Contractors	Lost Time Injury (LTI)	Any work related injury or illness where a person loses one full shift from work after the date of injury. Measurement is expressed as a frequency rate as the number of lost time injuries per million work hours.	Dec - 1.0 Sep - 0.0	Jun - 0.0 Mar - 0.0

⁴ Comparative information has been amended to include restated information where applicable and alignment to current period presentation.

#	Measure	Key Performance Indicator	Definition	Current Half Year Cumulative as at 31 December 2012	Previous Half Year Cumulative as at 30 June 2012
	Safety Scoreboard – Contractors	Medical Treatment Injury (MTI)	Any work related injury or illness where a person is treated by a Doctor, Paramedic or Allied Therapist. Measurement is expressed as a frequency rate as the number of medical treatment injuries per million work hours.	Dec – 12.1	Jun - 2.6
		Events without Injury	Any unplanned incident that occurred at the workplace which, although not resulting in any injury or disease, had the potential to do so.	Sep – 7.1	Mar – 10.6
				Dec – 15	Jun – 8
				Sep - 9	Mar - 15
2.	Deployment				
2.1	Fibre to the Premises (FTTP) Brownfields	Premises Passed (As at the Period End)	A premises is passed / covered when the shared network and service elements are installed, accepted, commissioned and ready for service, which then enables an end-user to order and purchase a broadband service from their choice of retail service provider.	46,078	28,860
			Metro - Premises Passed.	7,912	6,120
			Non Metro - Premises Passed.	38,166	22,740
		Premises Connected and Activated (As at the Period End)	Number of premises with active service A premises is activated after a valid service order is provisioned and after the dedicated optic fibre cable connection to the premises, optical network termination unit, and reliable power supply unit with battery backup option (for Fibre premises), are installed and in service.	6,613	3,364
		Construction Commenced or Completed (As at the Period End)	Construction Commenced or Completed represents Fibre Serving Area Modules (FSAMs) where contract instructions that have been issued together with the initial Network Design Document (NDD) so that construction partners can commence work on the detailed design, field inspections and rodding / roping activities in a FSAM. This is followed by the release of a rollout map for the FSAM on the NBN Co web site showing the coverage area for that FSAM and the estimated number of premises to be passed / covered. Construction Commenced or Completed includes Premises Passed.	784,592	280,142

#	Measure	Key Performance Indicator	Definition	Current Half Year Cumulative as at 31 December 2012	Previous Half Year Cumulative as at 30 June 2012
2.2	FTTP New Developments	Requests Received (# of premises) (As at the Period End)	Number of requests received from New Development developers expressed in # premises.	161,721	132,090
		Requests Received (# of development locations) (As at the Period End)	Number of requests received from New Development developers expressed in # of development locations (new estates).	3,204	2,589
		Lots Passed – Build (As at the Period End)	Number of Lots (NBN Co Build) passed.	26,251	10,054
		Lots Passed – Build (As at the Period End)	Metro - Lots Passed.	15,607	6,315
		Lots Passed – Build (As at the Period End)	Non Metro – Lots Passed.	10,644	3,739
		Premised Connected and Activated (As at the Period End)	Number of premises (NBN Co Build) with active service	3,848	503
		Construction Commenced or Completed (As at the Period End)	Construction Commenced or Completed represents Fibre Serving Area Modules (FSAMs) where contract instructions that have been issued together with the initial Network Design Document (NDD) so that construction partners can commence work on the detailed design, field inspections and rodding / roping activities in a FSAM. This is followed by the release of a rollout map for the FSAM on the NBN Co web site showing the coverage area for that FSAM and the estimated number of premises to be passed / covered. Construction Commenced or Completed includes Premises Passed.	60,686	13,885
2.3	Fixed Wireless and Satellite	Premises Covered (As at the Period End)	Based on coverage estimate.	267,318	173,885
		Premises Connected and Activated (As at the Period End)	Number of premises with active service.	24,062	9,669

#	Measure	Key Performance Indicator	Definition	Current Half Year Cumulative as at 31 December 2012	Previous Half Year Cumulative as at 30 June 2012
		Construction Commenced or Completed ⁵ (As at the Period End)	Construction Commenced or Completed represents Wireless Serving Area Modules (WSAMs) where contract instructions that have been issued together with the initial Network Design Document (NDD) so that construction partners can commence work on the detailed design, field inspections and rodding / roping activities in a WSAM. This is followed by the release of a rollout map for the WSAM on the NBN Co web site showing the coverage area for that WSAM and the estimated number of premises to be passed / covered. Construction Commenced or Completed includes Premises Covered.	21,684	7,062
3.	Project, Pricing and Revenue				
3.1	Key Product Releases and Project Milestones Project Milestone Commentary	Business Support Systems (BSS)	The Business Support Systems (BSS) Program delivered a number of independent releases throughout the reporting period. Functionality delivered through the Release 5 project included Supply Chain initiatives for demand supply balancing and event monitoring; project accounting improvements, a work activity management system, single dwelling unit (SDU) build drops capability and enhanced support for data uploads of third-party infrastructure to assist with aerial design.		
		Operational Support Systems (OSS)	Release 5 of the OSS program was delivered in November 2012. The major capabilities delivered include assurance support for the multicast product, notification enhancements to the B2B service, service qualification enhancements and support for the commercial launch of the wireless access service.		
		NSOC /NTF Facilities	The NSOC/NTF was officially opened on 25 November 2011.		
		Data Centres	The expansion of Data Centres 1 and 2 infrastructure was executed to support growth in business requirements.		
3.2	Product Take up for Activated Fibre Premises	Fibre Premises on retail services based on 12/1 Mbps wholesale speed tier	Percentage of Fibre premises on retail services based on 12/1 Mbps wholesale speed tier.	20.7%	-
		Fibre Premises on retail services based on 25/5 Mbps wholesale speed tier	Percentage of Fibre premises on retail services based on 25/5 Mbps wholesale speed tier.	28.6%	-
		Fibre Premises on retail services based on 25/10 Mbps wholesale speed tier	Percentage of Fibre premises on retail services based on 25/10 Mbps wholesale speed tier.	1.7%	-

⁵ Fixed Wireless only

#	Measure	Key Performance Indicator	Definition	Current Half Year Cumulative as at 31 December 2012	Previous Half Year Cumulative as at 30 June 2012
		Fibre Premises on retail services based on 50/20 Mbps wholesale speed tier	Fibre Premises on retail services based on 50/20 Mbps wholesale speed tier.	5.7%	-
		Fibre Premises on retail services based on 100/40 Mbps wholesale speed tier	Fibre Premises on retail services based on 100/40 Mbps wholesale speed tier.	43.4%	-
4.	Regulatory Accounting				
4.1	Regulatory Accounting	Accounting Separation	Progress in implementing accounting separation arrangements.	During the period the accounting separation reports were submitted to shareholder Ministers.	
5.	Local Content				
5.1	Local Content	Local Content (As at Period End)	<p>All services performed in Australia are regarded as 100 percent local content – construction, installation, design, testing and most consulting.</p> <p>All equipment substantially manufactured in Australia is counted as 100 percent local content even though a certain small percentage comprises imported components.</p> <p>All imported equipment is assigned zero local content even though the contract value may include 10 – 20 percent local services for installation, commissioning and ongoing support.</p>	52%	51%

(ii) Incremental Key Performance Indicators

#	Measure	Key Performance Indicator	Definition	Current Half Year Incremental For the period 1 July 2012 to 31 December 2012	Previous Half Year Incremental For the period 1 January 2012 to 30 June 2012
6.	Complaint Handling				
6.1	Construction	Rollout Complaints	Number of rollout complaints related to the construction of the fibre, fixed wireless and satellite networks.	120	31
		Rollout Complaints Resolved and Time to Resolve	Performance and timeliness of NBN Co processes to resolve construction rollout complaints. (Percentage resolved within 5 working days).	85 or 71%	17 or 55%
6.2	Retail Service Providers	Complaint Handling - RSP Complaints	Number of retail service provider complaints relating to the accessing of the fibre, fixed wireless and satellite networks.	72	29
		Complaint Handling - RSP Complaints Resolved and Time to Resolve	Performance and timeliness of NBN Co processes to resolve retail service provider complaints. (Percentage resolved within 5 working days).	44 or 61%	14 or 48%