

**Event: NBN Co. 2019–2022 Corporate Plan Presentation**

**Date: Friday, 31<sup>st</sup> August 2018**

**Speakers: Stephen Rue, Minister Mitch Fifield**

**Speaker:** Okay, good morning everybody. Welcome to the NBN Co Corporate Plan presentation. To get us started I'd like to welcome Minister Fifield to the stage to give us a few instructions at this time.

**Minister Mitch Fifield:** Thanks, Tony. Good morning everyone and thanks for joining us. Today, as you know, the NBN is releasing its Fourth Corporate Plan following the change in policy under this government to the multi-technology mix.

As we've often said, the NBN is Australia's largest and the most complex infrastructure project, and as such, has been one of the most challenging to undertake. Looking back at the foundational Corporate Plan released in August 2015, it's remarkable how many milestones NBN has now achieved. And remember, this was a plan which was derided by many as virtually impossible. But the numbers do tell a very positive story.

In just three short years the roll-out has reached unprecedented scale and is now on the home stretch. Three years ago the first FTTN connection had not even been switched on. Today, more than 2.2 million homes and businesses are receiving their internet and phone services over that technology. Fiber-to-the-curb was just a concept back then; now it's available at 180,000 premises and 25,000 have switched over. More than half of the expected eight million users are now connected to the network and two million of those users are now at the top two speed tiers of 50–100Mbps.

It's fair to say the NBN is on the way to fulfilling its promise. Research indicates that that promise is already delivering significant economic benefits. For instance, the NBN is enabling more women to start their own businesses and is providing a platform for those wishing to work from home, and there's some good work that's been done by AlphaBeta to highlight some more of the economic positives of the NBN.

What we've seen since 2014 is a substantial turnaround in the NBN project. The multi-technology roll-out is delivering savings of around \$30 billion in project costs and we'll see the network fully complete on time in 2020. Today the roll-out to rural and regional Australia, where there has been a longstanding digital disadvantage, is almost complete, and 1.3 million premises previously identified as underserved now have access to fast broadband.

The plan of 2015 only included a three-year outlook as required under the Public Governance, Performance and Accountability Act, so the forecasts made back then can now be fully reconciled, with NBN having finalised its results for fiscal 18. Interestingly, revenue has remained on target or a little above, and activations have held fairly closely to schedule. The original of 2015 had forecast 4.395 million activations by mid-2018, and today NBN has completed 4.256 million, with about 120,000 more being added each month.

That being said, the past year has seen a number of forecast variations emerge as NBN sought to recalibrate targets and make the entire roll-out strategy more consumer-centric. The primary focus on roll-out numbers has given way to a more balanced approach which seeks to maintain roll-out momentum without it causing inconvenience and disruption to households and businesses going through the switchover. I think we all recognise that households and businesses are highly dependent on their internet connections, and maintaining reliable service is NBN's first priority.

Now, while the majority of customers were pleased with their NBN service, it became clear last year that user feedback was pointing to a number of issues. Internet speeds for some were falling noticeably during the evening and the full utility of the NBN was being foregone because consumers could not be tempted to pay more for faster speeds. NBN also recognised that the HFC network was not sufficiently robust to cope with the large numbers of households migrating onto that service. Despite this and the costs associated with a change of approach, the last financial year still saw NBN Co connect a record number of services, launch the latest technology in their toolkit – Fiber-to-the-curb – and introduce the tremendously successful focus on 50 pricing discount.

Looking ahead, NBN has set achievable roll-out targets over the remaining two years which take account of the changing nature of the fixed line deployment. As the FTTN nears completion NBN's focus is switching to scaling up FTTC and the large volume release of HFC services in metro areas.

Now, before I hand over to NBN's new CEO, Stephen Rue, I would very much like to pay tribute to Steven's predecessor, Bill Morrow. Bill has had one of the toughest gigs in corporate Australia, getting the NBN roll-out back on its feet, building a high-performance team and coordinating a vast army of workers engaged in the roll-out, and all under a very intense public glare. Bill has done truly a remarkable job that I think represents one of the most significant corporate turnarounds in Australian history, and it's a credit also to Stephen and all the other members of the NBN team.

Stephen takes over at what is a pivotal point in the life cycle of the NBN with the roll-out completion in view and the challenge ahead to transition the business into a self-sustaining operating model. Stephen is the right person to take the NBN forward and over the past four years he has brought financial rigour to the company and transformed its procurement and supply processes, so it's now my great pleasure to hand over to Stephen to take you through the details of NBN's 2019/22 Corporate Plan. Thanks Stephen.

**Stephen Rue:** Well, thank you minister and thank you for your kind words. And good morning everybody and thank you for joining us, whether you're in the room or on the phone, for the release of our latest corporate plan. I trust you all have the materials provided to you by our media team and these are also available now on the NBN website. It's my great pleasure to present this plan to you as NBN's incoming chief executive.

Joining me today are three members of NBN's Executive Team – our chief customer officer, Brad Whitcomb; our chief network deployment officer, Kathrine Dyer; and our chief network engineering officer, Peter Ryan – and together we'll discuss the 2019–2022 Corporate Plan and answer questions you may have at the end of the presentation.

The roll-out of the NBN is at an important stage as we work together to complete the final years of the build, continue to improve customer experience and position our business for the future. I'm pleased to say we remain on track for 2020 completion. By the year 2020 we expect all Australian homes and businesses to have access to the NBN network, with 8 million premises connected to services. We have more than 6,800 employees at NBN, more than 24,000 workers in the streets connecting homes, and more than 100 RSP partners developing products and helping to connect homes and businesses to the NBN network. Together we remain motivated by our purpose to connect Australia and bridge the digital divide.

We can already see the significant impact the network is having on the national economy and the lives of Australians. A few months ago we released results of the first comprehensive study of NBN's impact across the country. This research by economics firm AlphaBeta compared areas with and without NBN access to understand how it's impacting the way people work, job growth, increases in new businesses and the access people have to education and health services. It found that during fiscal '17 the NBN network helped drive an additional \$1.2 billion per annum in economic activity and predicts that by fiscal '21 this could total \$10.4 billion. Amongst its key findings this research also found that businesses in NBN-connected regions are growing at twice the annual rate compared to the national average, and that up to 31,000 new jobs could be created by the end of the roll-out. These findings show the network is delivering on its policy aims and underlines the importance of delivering the network as quickly as possible so all Australians can enjoy the benefits it can unlock.

Last year we completed a record number of activations with the addition of 1.6 million new homes and businesses. We also declared a further 1.6 million premises ready to connect and nearly doubled our revenue to \$2 billion. It's clear to see that we've reached momentum and scale in the roll-out with all technologies in the multi-technology mix launched. We now have more than 60% of premises ready to connect and 99% of the network either in design, construction or complete. And across regional

Australia the roll-out is on the home stretch, with 86% of premises in non-metro areas now having access to the NBN network.

Throughout the roll-out we've prioritised regions where internet quality and availability was at its lowest. This has resulted in a significant improvement in regional internet access. At 30<sup>th</sup> June 1.3 million premises previously identified as under-served were now able to order an NBN service. The roll-out in these areas is critically to improve internet equality; the economists working on the AlphaBeta impact study forecast that, because of the NBN roll-out, Australia will move into the top ten OECD countries for internet equality, which is a huge shift from being in the bottom ten in 2012.

On the last two slides we've demonstrated the speed and scale in our delivery, but like my predecessor I will emphasise that we will not prioritise build and activation progress at the expense of customer experience. That's a conscious decision taken by management and some key choices we made last year demonstrate that.

Now I'd like to hand to Brad on improving customer experience. So, Brad, please.

**Brad Whitcomb:** Morning and thank you, Stephen. As the minister and Stephen both already highlighted, during the past 12 months the NBN has made an unprecedented investment in improving our customer experience. If we were to look back a year ago we'd find that, while most people were happy with their NBN service, there were still far too many that weren't satisfied. So we've worked very, very hard as a company, listening to Australians, working with industry and RSPs, to deliver significant improvements. And while there's still a lot of work to be done, you may have seen from our recent presentations and our monthly updates that we're making very good progress.

Today we are connecting homes and businesses more effectively than ever before, improving their broadband experience when they're using the network, restoring their services quicker if issues do occur. Specifically, we're completing 93% of all installations of equipment right the first time. We've reduced our service fault rate to less than one for every 100 homes and businesses. We're fixing 91% of service faults within agreed timeframes and we're maintaining network availability levels at nearly 100%. These results clearly demonstrate our unwavering commitment to customer experience.

Now, we haven't done this alone; this is an industry-wide effort. NBN is of course just one part of the value chain, but we recognise the critical role that we play and we're pleased with the work that we've done in collaboration with our industry partners. Behind these improvements is a comprehensive programme of work backed by significant investment, and I'd like to highlight three key elements of this programme, starting with HFC.

Last November we made one of the toughest decisions we've made as a company, and that was to pause sales of the HFC network so we could conduct optimisation to improve the quality of customer experience across how they connect, use and, if necessary, have their services repaired on this network. Today that optimisation work is well-progressed and we have released over 100,000 HFC premises back into the footprint.

Now, one example of the benefits of our optimisation work is a sharp reduction in aged orders. Since December we have reduced aged orders on our HFC network by more than 90% and our mean time to connect is now aligned with our other, more mature technologies. This is leading to speedier connections and more satisfied customers, and while it's still early days, initial results show that the HFC network is a more stable, more reliable one than it was a year ago, delivering improved customer experience across all stages of the customer journey.

If we turn now to pricing, last year we also found that many homes were facing congestion due to the amount of CVC capacity made available to them by their retailers, and we knew that there were others that were on speed tiers that appeared to be too low for their growing needs. To address this, we worked closely with industry to revise our pricing construct, making it more attractive for our RSP

partners, to offer a better experience during the busy evening period, by increasing their CBC, and also encouraging the uptake of higher speeds. And we have seen a fundamental shift.

As a result of our pricing changes, average congestion on our fixed line network has been slashed, from more than five hours per week a year ago, to less than 30 minutes per customer per week today. And when it comes to speed, we're now seeing around three quarters of new customers coming on to our 50-Mbps wholesale speed plans. And if we look at the entire network, almost half, or around two million homes and businesses, are now on 50-Mbps plans or above. And this compared to just 16% a year ago.

And finally, when it comes to fixed wireless, we are continuing to invest in the capacity of the network and working hard on our upgrade programme, which we hope to complete by mid-2019. To date, more than 3,100 cells have had capacity upgrades completed. This is one of the most extensive fixed wireless networks in the world, and we remain very proud of what the technology is delivering in many homes and businesses. But it is a wireless network and that has some natural limitations that we're working with industry to manage. Given that fixed wireless end-users are still increasing and they're using increasing amounts of data, thanks in part to concurrent video streaming, we know that we need to do more.

That's why in this corporate plan, we show an investment of more than one billion dollars in capacity upgrades on the fixed wireless network through FY2022. This is an important investment in customer experience in the bush. And although around 77% of regional areas are covered by fixed line technologies, around 14% do rely on our fixed wireless network. Over the next two years, we will invest in capacity to meet both the needs of the growing number of end-users, and the additional volumes of data they are consuming. We will also be consulting with internet providers over the coming months on a new product construct that will better match our fixed wireless technology to the needs of our customers.

Now there's clearly more work to be done on customer experience, so this will remain one of our very highest priorities. But we are pleased with our progress over the last fiscal year, and excited about building on our growing momentum. What we're presenting today is a plan that incorporates these initiatives, along with a much more intense focus on customer experience across the entire company, and indeed, across the entire industry. I'll now hand over to Catherine to walk through our deployment and activation phasing. Kathrine, please.

**Kathrine Dyer:** Thank you Brad, and good morning. The slide behind me shows our ready-to-connect phasing up to financial year '21. And compare it to the previous corporate plan, you'll see here that our network build of 11.6 million premises remains on-track for completion in 2020. Of course, greenfields deployment will continue past the 2020 date and that explains the 11.7 million premises reflected past financial year '20. We had more than eight million homes and businesses, or nearly 70% of the footprint, ready for service on the NBN network at the end of June.

In addition, we reached seven million premises ready to connect and four million activations. This is, of course, behind where we expected we would be in our last corporate plan, but let me unpack this. Our re-phasing of deployment is primarily because of the pause that we've put on HFC activations last December, and the shift to premises to FTTC. We had a very strong start to the year in terms of activations, and we're on-track for our ready-to-connect and activations targets prior to the pause.

I want to make it clear that even though we've paused HFC sales to conduct optimisation works, this does not mean that we've paused construction. We have continued to build. We'll be releasing the premises we've put on pause as well as new HFC premises in large volumes in the coming months. We reckon- we commenced the gradual release of the HFC network in June and from September, we expect to release optimised HFC premises into the market at scale. FTTC was launched in March this year and since that time, we've been doing a huge amount of construction work across the country. We've already invested more than 900 million dollars in this part of the network, with 170,000 premises

ready to service and more than 70,000 ready to connect. Together, with our RSPs, we now have more than 22,000 homes and businesses connected to the FTTC network. This is the biggest FTTC rollout in the world and we're forecasting 1.4 million homes and businesses in the network footprint, which is significant. We've launched with limited volumes on FTTC initially, to make sure we're getting the customer experience right and our early results are very positive.

The rollout of the FTTC network requires greater civil build works as compared to the FTTN network. We've been closely working with our delivery partners to optimise the design and construction practices, to support FTTC network deployment at scale. We're seeing good pace in the rollout and this gives us great confidence in our deployment forecast for the rest of the build as we continue to scale the network. That being said, we were already 75% complete in terms of overall NBN network construction across the country, and we're very much on the home-width stretch.

Now, for the technology mix. The main change from the last corporate plan has been in the revised HFC technology forecast, from 3.1 million to 2.5 million premises. The vast majority of these premises have been switched to FTTC, with a smaller number of premises switched to FTTB. The HFC premises that were switched over to FTTC were switched early in the design process. This made it relatively straightforward to switch these premises to a different technology, without impacting the overall network schedule. As with decisions made on allocating technologies, NBN endeavours to choose the most appropriate technology to meet the needs of each different area where we are building the network and considered how to best reach existing assets available.

Our latest cost per premises at the end of the build on the screen, as compared against the previous corporate plan. As many of you know, this reflects our average cost of construction for each access technology. There is minimal change to our estimates when it comes to FTTN and FTTB. This remains unchanged at \$2,300. For FTTC, this has increased slightly to \$3,000, largely due to an investment in more advanced connection devices to support a better customer experience. The supply of the network connection device will assist in managing customer connections and allows us to better monitor the network for assurance purposes.

The HFC increase, of course, reflects the network optimisation work to deliver improved levels of network quality that Brad has spoken about earlier. The new premises under construction on HFC, that optimisation work is happening prior to those premises being declared ready-to-connect, which is why we have reflected those costs in our capital costs. And lastly, fixed wireless remains unchanged from the previous corporate plan at \$4,300. This excludes the additional investment in capacity upgrades we've spoken about.

In the next couple of years, we're very focused on activating the next four million homes and businesses across the country. We know that meeting our target of eight million connected end-user premises presents a challenge, but we know that we have a track record of delivering ambitious activation numbers. The last couple of years are a great example. Even with the HFC pause, we activated 1.6 million premises in financial year '18, which followed on for more than 1.3 million activations in financial year '17. If we look at 2017 alone, there were two months in particular where we activated over 200,000 end-user premises in a single month. That's the equivalent of connecting a city larger than Canberra.

In addition to FTTN, the vast majority of activations over the next two years are going to be on the HFC and FTTC networks, and we've been preparing the grounds for scaling up activation across these technologies. With HFC, our delivery partners have been out in the field, pre-constructing new leadings where required, which will mean that homes and businesses will be able to connect to an NBN service within days of ordering it. There should be no more lengthy waits for connections as a result of leadings needing to be installed.

On FTTC, we've put in an extraordinary amount of work to make the connection as smooth as possible for the home or business. We're pre-connecting future FTTC premises to the network during

construction, which makes it more seamless for customers once they activate their home or business with their retail service provider. We're connecting the majority of our customers on the FTTC network with a self-installed kit, which really brings to life the work we're doing in construction to support a great customer activation experience.

Of course, we try to achieve the right balance between driving a high level of activations whilst maintaining a high level of customer experience at the same time. I'll now hand back to Stephen. Thank you.

**Stephen Rue:** So, thanks, Kathrine and thanks, Brad, prior to that. So, naturally, our revenue phasing has shifted in response to the customer experience decisions we made during the last year. Fiscal 20 revenue was forecast at 4.9 billion in the previous corporate plan. We've now revised that to 3.9 billion in line with the rephrasing of activations Kathrine has spoken about and the recent pricing decision. The HFC pause will have a \$700 million impact on revenue within the peak funding period due to the deferred activation. Similarly, the wholesale pricing change while helping reduce congestion is forecast to also result in a \$700 million to deferral in revenue.

I want to emphasise of the short-term nature this impact. We continue to forecast annual revenues of more than \$5 billion per annum from fiscal 21 onwards. Revenue growth remains a key focus as the roll out reaches maturity. This is driven by the take up of NBN services which we continue to forecast at 73 to 75% of all homes and businesses. The take up rate we are seeing in connected regions now is already in line with those expectations and we are confident that these will continue.

Supporting revenue growth is an expected increase in ARPU to \$51 by fiscal 22. This is stimulated by expected increases in the take up rate of higher speed plans, increase data consumption and greater penetration into SME and enterprise business segment which remain very important for our revenue projection. The demand from medium to large businesses for high speed broadband is increasing. NBN has dedicated business sales and support team to help drive this growth and we've scaled the size of this team in the past year.

We have a range of wholesale enterprise grade products which includes high speed capabilities, symmetrical bandwidth and enhance service level agreements. We're connecting around 15,000 new businesses a month and this is just the beginning. The business segment remains very important for us and we look forward to updating you more about our progress in this area of the market.

This updated financial forecast ensure that our internal rate of return of 3.2% remains within the previously indicated range. It's important that we continue to deliver what is economically and commercially viable in terms of our business plan. This will ensure that we're maintaining an internal rate of return that ensure a modest return on the taxpayers' investment.

Our investment in customer experience has some implications for peak funding. We estimate \$51 billion in peak funding which will be required for the build inclusive of one billion contingency for ongoing complexity. This peak funding outcome remains within the \$47 to \$51 billion peak funding range as outlined in last year's corporate plan. This will not impact the shareholder contribution and NBN will source the fund from short-term private debt to accommodate for the increase.

These changes are as a result of a further investment in customer experience we've spoken about. As I mentioned previously, the pricing decision has a \$700 million impact on revenue so, too, does the impact of the HFC pause due to the faired activation. Additionally, we have a \$200 million investment reflected in this plan for the HFC optimisation work.

And, finally, our fixed wireless incremental investment of \$800 million to upgrade capacity also has an impact. This \$2 billion increase is not a substantial rise on the cost of the network build. Revenue to ferrules and the increase in investment in customer experience for fixed wireless are the primary reason from the adjustment in the base case estimate.

And now to the future. As we look forward beyond 2020, the company is facing new challenges and opportunities. So, there's always going to be talk about the type of competition we may see post-2020. The world will continue to evolve and we will evolve with it. At the end of the build, we will have delivered an important piece of national infrastructure that provides universal access to connectivity to Australia. We will move from a build focus company and continue to focus on our capability as a network operator. We will continue to see opportunity for driving revenue and ensure we deliver a modest return on the tax pay investment and we'll continue exploring international development such as DOCSIS 3.1 and G.fast to maximise the potential of our network.

And so, to summarise our 2020 outcomes. We remain committed to completing the build and reaching our goal of 8 million activations. We know the social and economic benefits the network is already delivering and the need to deliver these as quickly as possible. We'll continue to drive ARPU growth as we scale business market penetration, see increase data consumption and appetite for higher speed tiers and we remain committed to improving customer experience as we've demonstrated and ensuring the network delivers what we know is it capable of. I look forward to updating you on our progress as we deliver this plan. There will be challenges as we enter the final year for the build some now, some new but our ability to deploy the network at speed and scale is evident and we're well-positioned to enhance customer experience and help deliver access to the benefits of broadband to all Australian.

So, with that, I'll invite questions from the phone and the floor and I'll invite the Minister and Brad and Kathrine. Peter, if you could please join me? And I'll ask Tony Brand to facilitate our Q and A. We have a number of people on the call and on the room so we'll clearly alternate backward and forward. Tony.

**Speaker:** Yes, well, there is a large number of people on the call and the operator will just give those people on the call directions on how to place a question. We will go to questions from the floor first, though, so, Sharon can you link the operator?

**Operator:** Thank you, Sir. For telephone participants if you wish to queue for a question, please press zero followed by one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press zero then two.

**Speaker:** Your activation forecast down across [inaudible] versus the last corporate plan, what's the highlight? Is that just the HFC issues or?

**Stephen Rue:** Yes, the primary reason for that is clearly the HFC and pause that we've put in place. As Katherine said that we will be scaling at the HFC and the FTTC and both build and activation in coming months. We're releasing the HFC and optimised network into the market at – we will be releasing that increasingly from September onwards.

With FTTC as well, we've been very conscious to ensure that we deliver upon customer experience so we've had a sensible launch of the product to ensure that both we have our process in place. Our deliver partners are ready and to deliver upon the activations that we're coming off so our RFC and partners have their businesses and processes in place. So, we're going through – we've gone through that initial launch of FTTC and, again, you're going to see that scale significantly in coming months.

**Speaker:** Okay, I got that. But just in terms of the level of competition on the NBN, I'm interested in your views around, you know, the impact of NBN pricing structure is having on competition from the smaller players, in particular, following the announcements were made within this week will put NBN business under review and if there's anything that could be done to address those issues that they're talking about?



**Stephen Rue:** Yeah, well, we have very close relationships with all our retail providers and, clearly, the – with NBN we've seen a large significant growth in competition in the retail market. Brett, would you like to comment on that?

**Brad Whitcomb:** Yeah, so one of our foundational principles of the NBN was to create this so-called level playing field to stimulate this robust competition. We've seen signs of that. We have dozens of RSPs on the network today. Actually, the pricing plans that we've put into place, we think gives RSPs more opportunity to differentiate around customer service. I wouldn't comment on one particular RSP coming in and out of the market but we have a very, very robust level of RSPs participating today.

**Speaker:** Corrine from ZDNet. You've mentioned four duplex, DOCSIS, MG1 to MG fast and next gen base that has upgrade paths. Are they like, could it be rolled out before the completion of the network, particularly, in satellite, especially, with so many more customers on it than you first envisioned?

**Stephen Rue:** Let me comment on a few of those. I'll pass to Peter to comment for other. But the DOCSIS 3.1 of course we've already launched and the modems that we have in the home are DOCSIS 3.1 compliant. So again you'll see DOCSIS 3.1 continue to move forward. G.5 we have substantial testing work going on at the moment, and again you're going to see G.5 is something that we will have ready to release into the market when it's appropriate. Peter, would you like to comment on the rest?

**Peter Ryan:** Just to reinforce, I suppose, the point you were making Stephen that the technologies we deploy were always very mindful of making sure they've got upgrade powers to highest speeds to meet customers demands when those demands materialise. A number of them like DOCSIS we've already started to deploy. Others like G.5 is in our laboratories and we're testing them now.

**Speaker:** But the other mentioned that they're more theoretical, I mean, full duplex DOCSIS and MG fast. Are they more theoretical upgrade parts for the future or are you actually planning on deploying those?

**Stephen Rue:** All these types of technologies we are actively monitoring as they mature around the world and we will schedule them into our plans at the appropriate time as the need arrives and as that technology matures.

**Brad Whitcomb:** Yeah, we have a dedicated CTO office, who spend their time clearly looking at developments in the markets. And as and when, as I said in my remarks, the world will continue to evolve and so away. And when it's appropriate we will continue to evolve too. But we have active monitoring of all that's happened.

**Speaker:** Thank you.

**Speaker:** One more before we go to phone. So Peter Ryan.

**Peter Ryan (ABC):** Thanks. It's the other Peter Ryan. Peter Ryan from the ABC. I just wanted to ask you a question about just to confirm the budget. I see you talking about \$51 billion including \$1 billion contingency. So we originally always talked about \$49 billion. So has the budget been topped up or are you sourcing that additional money including the contingency additional. Is that something new that you announce today?

**Stephen Rue:** Yeah, so thanks Peter. A bit worried my own Peter was going to ask me a question but thank you. Now what we have is – what we're talking about today is an investment and customer experience. So we have invested in three main things really. We've looked at our pricing during the year. And as we said at the time, it was always going to be an investment that we were making. You'd had seen when Brad was talking about the congestion on our network have significantly improved from the numbers that Brad was talking about. That's the pricing. The HSC, we took a decision that we would in November increase for a period of time sales on our network while we do further work and

again that has led to a revenue deferral over time. We're still going to get to the \$5 billion we've always talked about but it's for the timing of when we get there. And again that's \$700 million investment.

And the third is an investment in our fixed wireless network. Again, an investment in customer experience, as consumer behaviour continues to evolve, we're investing with that as well and providing additional capacity into the network. In terms of the contingency, it's appropriate to continue to keep a contingency in place. In programmes like this there are always things that occur. Again, as I said in my remarks some we expected them, sometimes occur unexpected. So \$1 billion we think is the appropriate amount to keep in our plan.

So yes, that means that there is a need for \$2 billion additional funding and we are going to source that from the private market. The government commitment does not increase. It is our obligation to go to the market and obtain that \$2 billion, and I actually think that's a great vote of confidence in the company. It's not unusual for a GB to actually go into the private market for funding and I think it represents a great product confidence in the company that we will be doing that at the time when it's required.

**Speaker:** Okay, we'll just open it up to the operator to take calls from the phone.

**Operator:** Thank you. Once again that is 0 followed by 1 on your telephone and wait for your name to be announced. Our first question comes from the line of Eric Choi from UBS. Please go ahead.

**Eric Choi:** Hi guys. Thanks for the questions. Just had a couple. Just noticed that the \$51 ARPU obviously changed a little bit from the \$52 in the other corporate plan. It's probably just timing but just wanted to confirm if there has been any changes in the underlying CVC versus AVC versus business uptake assumptions? And then just a second question around the subscriber payments. The phasing has changed obviously but the total remains \$8 billion over the course. But just wondering if to the extent that we sort of got consumers moving from DSL directly to wireless products, does that potentially suggest those subscriber payments could be less in future? Thanks.

**Stephen Rue:** Thanks for the question. Look, we anticipate in this plan ongoing take-up of NBN services of, as we said, between 73% and 75%. In fact when you actually look at areas which have passed the 18-month disconnect period, we are seeing take-up rates beyond that in fact, and in fact even in areas that are passed that timeframe, we still see on a monthly basis a small increase in the activations or the end customers on our network.

So we remain confident around our targets of 73% to 75%. And the subscriber payments reflect that. And the subscriber payment as you say, there is a small shift in the timing of those but that's to be expected because of the shift in the activations.

**Speaker:** Another question from the phone? Operator.

**Operator:** Once again that is 0 followed by a 1 on your telephone and wait for your name to be announced. There are no questions from the phone at this point, please continue.

**Speaker:** Okay. We have a few more questions from the floor.

**Speaker:** Hi Corinne again. Will you be looking internally for your CFO replacement as well?

**Stephen Rue:** Thanks Corinne. Look, we will – that is something that I'm currently considering what we do regarding my replacements. We will have some commentary to make on that in due course. But I'm pleased with the team I've built but obviously we'll need to consider the appropriate replacement.

**Speaker:** And are you still looking into 5G fixed wireless?

**Stephen Rue:** Peter or Brad, if you want to talk to that?

**Peter Ryan:** Absolutely. It's part of the technology roadmap. It provides us with better spectrum efficiencies and it allows us therefore as the advancement of technology to drive better performance but in terms of capacity etc out of the evolution of that technology. So just like all that technologies, we'll look at the advancement, and in world of fixed wireless, we look at both antenna technology and its development as well as the evolution of the underlying technology from 4G up to 5G. So yes, we're looking at that.

**Speaker:** Just a follow-up on that one. Bill had also spoken about potentially using 5G fixed wireless to replace last mile tech in some of the existing fixed footprint. Is that also sort of in consideration?

**Speaker:** Peter, do you want to talk about that or you want me to –

**Peter Ryan:** Look, at the moment we're focused on completing the build as we've said utilising the existing technologies that we have. And to the extent that new technologies become available to us in the future, then we'll always consider those. But right now we don't have in our plans any plan at the moment to deploy 5G fixed wireless in the fixed footprint.

**Speaker:** Thank you. Just one question, if I may. On the increase to the \$51 billion. Was the government not willing to chip in the extra \$2 billion bucks?

**Stephen Rue:** We clearly have them ongoing discussions with our shareholders on a range of things. I think where we ended up, as I've said Jen, is a real vote of confidence in the company is appropriate for the company to stand on its own two feet to go the market. And I'm confident in our plans. It's absolute ability to do that. I think it's the appropriate thing to do and it's consistent with what, as I said, earlier, it's consistent what GBEs actually do in other companies.

**Speaker:** Peter Ryan. Then we'll go back to the phones.

**Peter Ryan:** Just a follow-up on my earlier question. I was just – the original NBN budget was \$29 billion, right, but you got a top-up from the federal government of \$19.5 billion? I think that was a couple of years ago. So, that was so you didn't have to source that additional money on market, it has come from the government. So, the additional \$2 billion, have you actually done the deal to source that or are you looking for that at the moment?

**Stephen Rue:** Yes, so just to be clear around the original plan, the first – the business plan or the corporate plan that we put forward in 2015 that the minister was referring to actually had a plan that had a range of 46–56 billion with a base case of \$49 billion, and that base case was to be funded with \$29.5 billion of equity and – as you quite rightly point out, Peter – \$19.5 billion of loan from the federal government.

In terms of the additional funding that we will require, that is not going to be needed for several years. It's not something that I need to go to the market to do today; it is something that we will look forward to do at the appropriate time, Peter, which I think is some way away. What I can say is that I'm extremely confident in the ability of the company to source that – I think there will be plenty of competition, actually.

**Speaker:** We'll go back to the phones and we'll take a question from Ry Crozier from iTNews.

**Ry Crozier:** Hi guys. Just two quick questions. Firstly, I wondered if you could put an actual total cost on the HFC freeze? It was something that had been talked about at the six months and there were all these comments that it would be revealed in the corporate plan. I know there's an overarching figure on the EBITDA number coming out, but I wondered if you could actually give the total figure of just the HFC [inaudible].

And the second question was around the RFS premises FY19 [inaudible]. I just wondered if you could pick up on what premises have actually been delayed or pushed back into the following year?

**Stephen Rue:** I didn't quite catch all your question. I think the first question related to HFC pause –

**Ry Crozier:** Yes and what was the total cost.

**Stephen Rue:** – and the impact of the cost. And what was the second question? I'm sorry.

**Ry Crozier:** I apologise, the line is not very good. The 1.2 million premises that have been moved from RFS in 2019.

**Stephen Rue:** The 1.2 million premises being moved from RFS in 2020...

**Ry Crozier:** In 2019.

**Stephen Rue:** 2019, okay. All right, so in terms of the HFC pause, there are two things that I talked about and the first is that the what we call HFC optimisation or the additional work we did is an incremental capital expenditure of \$200 million. In terms of though the impact on the plan, the impact of the pause is a deferral of revenue into future years of \$700 million.

In terms of the movement in FY19 of premises, Kathrine, would you like to take over?

**Kathrine Dyer:** Yes, sure. So, what I think you're talking about there is the difference between ready-to-connect and ready-for-service. So, there are 9.7 million for this financial year for ready-to-connect and broadly we have just under 1.2 million which are ready for service which we have ring-fenced or quarantined. They're made up of two types of premises primarily: the HFC footprint, which we are optimising, and also some of the FTTC footprint. So, in my overview I advised that we made a decision during the financial year where we would – we decided to cut in all of the lead-ins in the FTTC network, we decided to integrate them into the distribution units. So, the difference between the ready-for-service and ready-to-connect number in FTTC is where we're going back and integrating all those lead-ins. So that's the difference between the 1.2 million you were talking for RFS and ready-to-connect. But obviously the focus this financial year is on optimising the HFC network and releasing them and obviously releasing the FTTC footprint at scale as well.

**Speaker:** Okay, we have no further questions on the phone, so the last five minutes, are there any further questions from the floor? Corinne.

**Speaker:** Hi. Do you envision expanding the FTTC footprint beyond the 1.4 million or 1.5 million?

**Stephen Rue:** What we are absolutely focused on, Corinne, is in completing the build by 2020. We are very pleased that we had a plan several years ago that did that and this plan today continues to deliver that. We are focused upon ensuring that all Australians have access to high-speed broadband by 2020, we are focused on ensuring that we deliver a modest return to shareholders and we are focused upon customer experience. So, what you see today is the plan that we plan to deliver, to deliver high-speed broadband to everybody by 2020.

**Speaker:** Are you still looking at putting a third satellite up?

**Stephen Rue:** We will continue to – again, as I've said, continue to see how the world evolves and we will continue to see the needs of people and what's required. It's not something that currently we're focused on, but obviously as the world moves on we will consider all options.

**Speaker:** Thanks. That's all I've got.

**Speaker:** Given the \$51 billion – sorry to come back to his – how long now do you think it will take for the full cost of the NBN to be recouped?

**Stephen Rue:** The best way to consider that is the internal rate of return actually, Corinne. So we will – at the end of 2020 we're clearly completed the build, you can see that we have in the corporate plan what the company looks like in steady state. So you can see that we have strong cash flows generated each year and I anticipate that those cash flows will continue to be strong. Clearly the world will evolve on, but the best way to think of it is an internal rate of return and that continues at 3.2%.

**Speaker:** Okay, last chance for any final questions from the floor? No? Stephen, would you like to close it out?

**Stephen Rue:** So, thank you very much; I am very grateful for the attendance today and on the phone. We are excited with this plan. We are thrilled that we are completing the build in a very short period of time. It has been a very exciting few years of the last four years that I have been with the company. I am extremely excited about taking the company forward and delivering upon this plan and we look forward to continue to update you on a quarterly basis as to our progress.

Thank you today for your attendance.