

Joint media release

The Hon Lindsay Tanner MP

Minister for Finance and Deregulation

Senator the Hon Stephen Conroy

Minister for Broadband, Communications and the Digital Economy
Deputy Leader of the Government in the Senate

Landmark Study confirms NBN vision is achievable and affordable

The Rudd Government today released the National Broadband Network (NBN) Implementation Study which confirms that high-speed broadband for all Australians is achievable, and can be built on a financially viable basis with affordable prices for consumers.

The comprehensive report was prepared by McKinsey & Company and KPMG, and has 84 recommendations for the Government about the NBN. These cover the technology, financing, ownership, policy framework, and market structure of this important infrastructure project.

Minister for Broadband, Communications and the Digital Economy, Stephen Conroy said:

"After months of detailed and rigorous analysis, the Implementation Study confirms that the Government's National Broadband Network is achievable, viable and will transform life and business in Australia."

The Implementation Study also confirms that while infrastructure sharing and other commercial arrangements with existing telecommunications companies can benefit the project, the NBN will be financially viable even without the participation of Telstra.

Key findings and recommendations from the Implementation Study include:

- The NBN will deliver world class broadband infrastructure to all Australians;
- The \$43 billion total capital cost of the NBN is a conservative estimate and there are opportunities to significantly reduce the build cost;
- The peak investment required by Government is estimated at \$26 billion by the end of year 7, of which \$18.3 billion will be required over the next four years;
- Government should retain full ownership of the NBN until the roll out is complete to ensure that its policy objectives are met – including its competition objectives;
- The fibre component of the NBN should be extended from 90 to 93 per cent and cover the 1.3 million new premises expected to be built by 2017-18;
- Entry level wholesale prices on the fibre should be set at around \$30-35 per month for basic broadband 20Mbps plus voice service, to drive affordable retail prices and better value for money for consumers compared to what is available today;
- Fibre to the premise is widely accepted as the optimal future proof technology with wireless broadband a complementary rather than a substitute technology;
- Next generation wireless and satellite services will deliver peak speeds of at least 12 Mbps (and much higher for many wireless users). Satellite services will deliver average data rates which are more than 20 times higher than most users of these technologies experience today and much higher than average DSL usage today;
- NBN Co can build a strong and financially viable business case with the Study estimating it will be earnings positive by year six and able to pay significant distributions on its equity following completion of the rollout; and

- The Government can expect a return on its equity investment sufficient to fully cover its cost of funds.

"The Study released today is the result of seven months of detailed work and comprehensive consultation with over 140 industry stakeholders," Senator Conroy said.

"The Implementation Study team also worked closely and in a complementary way with NBN Co in preparation of this report.

"The Study confirms that the NBN can provide consumers with faster speeds and better download limits for comparable prices to what they pay in the market today.

"The Study confirms that the NBN business model establishes that taxpayers are paid back their investment with a modest return by year 15 of the project on the basis that privatisation is completed.

"Twelve months ago, the Government committed to investing in a \$43 billion NBN. The Study confirms that the company will generate sufficient earnings by the end of year 7 so that the Government's recommended investment peaks at \$26 billion.

"The Study also confirms the Government's decision to focus on fibre as the far superior, future proof technology for delivering high speed broadband."

The Government invites key stakeholders and the general public to provide their views on the Implementation Study to the Department of Broadband, Communications and the Digital Economy by 27 May 2010.

Senator Conroy said: "The Government will carefully consider the recommendations and feedback before we make final decisions which are critical for Australia's long term national interest."

The Government will make appropriate provision for the project in the 2010-11 Budget.

The Minister for Finance and Deregulation, Lindsay Tanner said: "Delivering the NBN will help kick start a revival in Australia's productivity growth, which has deteriorated in recent years."

The full Implementation Study, together with details on the public consultation process, is available online.

http://www.dbcde.gov.au/nbn_implementation_study

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