



Media Release

12 December 2013

Revised NBN to deliver access to fast broadband to Australians sooner and at less cost to taxpayers

- NBN Co submits Strategic Review to Government
- 100Mbps wholesale download speeds available to more Australians by 2019 than if previous plan had continued on current path*
- Peak funding reduced by faster uplift of revenue, reduced construction costs and lower debt levels

NBN Co has completed the Strategic Review of the National Broadband Network and has delivered the findings to the Government. ^

The comprehensive analysis of Australia's largest national infrastructure project has found that the existing NBN plan is forecast to miss its completion date by three years and would cost \$73bn to complete.

However an alternative approach is capable of delivering very fast broadband to Australians sooner and at less cost to the taxpayer.

Executive Chairman Dr Ziggy Switkowski said:

"The NBN can be rolled out faster and at a much lower cost by combining proven technologies with existing capable networks.

"By 2019, at least two-thirds of Australians in the fixed-line footprint would have access to download speeds of up to 100Mbps from NBN Co compared to only 57 percent under the re-evaluation of the previous plan*. The proposed model could save taxpayers more than \$31 billion compared to the current Fibre to the Premises-only rollout. It would also mean less disruption and less invasiveness to the homes and driveways of millions of Australians."

Announced in October, the Strategic Review was established to examine the progress and cost of the current rollout, as well as NBN Co's financial and operational status, and to put forward alternative strategies for the delivery of very fast broadband to Australian homes and businesses.

Progress to date

Construction of the NBN, which commenced in 2009, and would not be completed until three years later than planned under the previous approach.

By June 2014, the rollout is expected to pass a total of only 357,000 brownfields premises with fibre, against a target of 1.129 million as set out in the August 2012 Corporate Plan; the total number of brownfields premises with an active NBN service is now forecast to be 90,000 versus the August 2012 Corporate Plan target of 420,000.

A comprehensive analysis of the project to date has found that if the NBN was to continue under the previous model, NBN Co would:

- Require more than \$29bn in additional peak funding (\$73bn v. \$44bn in the 2012 Corporate Plan)
- Require more than \$19bn of additional capex (\$56bn v. \$37bn)
- Miss its forecast completion date by three years (June 2024 v. December 2021)
- Forego revenue of more than \$12bn between 2011 and 2021
- Require a cumulative increase in opex of \$5bn+ until the new network completion date of 2024
- Generate a much lower IRR (2.5% v. 7.1%)

The higher funding requirement of \$73bn arises from the original plan having optimistically underestimated costs, including the cost of physical construction as well as, in the view of the independent assessment, overestimated revenues.

For instance, the cost-per-premises of the rollout of the local and distribution network is 31% over budget and rising. Delays in construction have also led to a deferral of anticipated revenues in the short to mid-term.

Optimised Multi-Technology Mix

As an interconnecting “network of networks”, the new-look NBN would resemble the architecture of similar broadband rollouts in other advanced economies, embracing a range of technologies including Fibre to the Node and HFC (i.e. the cable broadband network), alongside Fibre to the Premises, fixed wireless, satellite as well as future advances in telecommunications technology.

This approach should also be able to deliver access to wholesale speeds of up to 50 Mbps to 90% of Australia’s fixed-line footprint and wholesale speeds of up to 100 Mbps to 65%-75% by 2019*.

It would reduce costs and bring forward revenues, reducing peak funding from an estimated \$73bn to \$41bn under the revised outlook.

The ability of homes and businesses to access the NBN sooner would also speed up the flow of revenues. This would help fund the already-reduced cost of construction, thereby moderating cash requirements and allowing for lower debt levels and associated interest charges.

Very fast broadband for all Australians

NBN Co’s Executive Chair, Dr. Ziggy Switkowski, said:

“The NBN’s original objective was to deliver a significant improvement in broadband to all Australians and build a nationwide communications network that will open up competition among retail broadband providers. That remains our task today.

“The approach I have outlined today can deliver very fast broadband to homes more quickly and at less cost.

“We will do this by investing taxpayers’ money appropriately on the right technologies at the right time, by translating a long term milestone into a rolling series of realistic and actionable near term plans, and by being alert to upgrades in technology and shifts in consumer needs.

“By 2019 more people will be able to access higher speed broadband than would have been the case had the previous plan continued on its current trajectory.

“What’s more, viable economically attractive upgrade paths currently being trialled internationally are capable of providing speeds well beyond 100 Mbps and can be deployed as consumer demand increases over time.

“Delivering the NBN requires enlightened leadership aligned around a clear policy direction and operational plan, with clear executive accountability and a sensible transformation framework. It requires a collaborative approach to delivery partners, retail service providers and the wider telecommunications industry. It is a journey that the Board endorses and NBN Co employees look forward to.”

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NOTES TO EDITORS

NBN Co is committed to fulfilling the Commonwealth’s policy goal of ensuring all Australians have access to very fast broadband as soon, cost-effectively and affordably as possible.

The requirement to carry out the Strategic Review is contained in the Government’s Statement of Expectations to NBN Co.

The Statement of Expectations directs the company to continue to roll out Fibre to the Premises while the review process is underway. It also gives NBN Co the flexibility to use a wider range of technologies to connect homes and businesses to the National Broadband Network.

** NBN Co will be designing the new-look NBN to provide these speeds to NBN Co’s wholesale customers (internet service providers). End-user experience, including the speeds actually achieved over the NBN, will continue to depend on a number of factors outside our control including end-user equipment quality, software, broadband plans and how each service provider designs its network.*

^ The output of the Strategic Review and the summary contained here are both subject to the necessary contractual and regulatory changes being able to be implemented by NBN Co and other relevant stakeholders.