

Media Release



8 August, 2012

Release of the updated NBN Co Corporate Plan for 2012-15

Highlights

- Commitment to connect all Australians to high-speed broadband over remaining 9 years of 10 year project
- Construction commenced or completed for c.758,000 premises by December 2012 and for c.3.5 million by mid 2015, in line with 12 month and 3 year rollout plans
- Expected return on investment for shareholder equity remains marginally above 7%
- Total forecast Capital Expenditure to end of Fibre Construction period up by 3.9%
- Wholesale prices are projected to fall over time in both real and nominal terms

NBN Co, the company building and operating the National Broadband Network, said its updated Corporate Plan for 2012-15 released by the Government today reaffirmed the underlying business case for Australia's largest national infrastructure project.

The company expects to achieve an annual Internal Rate of Return of 7.1%, a marginal increase on its original projection released 20 months ago before the full-scale rollout of the National Broadband Network had commenced.

NBN Co CEO Mike Quigley said: "The Internal Rate of Return is essentially unchanged from our original projections and the company remains committed to the objective of connecting all Australians to high-speed broadband over the remaining nine years of this ten-year project.

"Moreover the new Corporate Plan reaffirms our commitment to ensure wholesale broadband prices fall over time."

Progress since December 2010

The 2012-15 Corporate Plan reflects NBN Co's transition to becoming an operational wholesale telecommunications company undertaking the volume rollout of high-speed broadband to every Australian premises.

.../1

It includes changes in the overall project such as the longer-than-expected approval process for the Definitive Agreements between Telstra and NBN Co, with the ACCC-approved Commencement Date occurring nine months after the agreements were finalised.

The 2012-15 Corporate Plan also takes account of policies, regulatory decisions and other issues that have had an impact on the project, including:

- The ACCC's decision to mandate 121 Points of Interconnect (or 'Fibre telephone exchanges');
- An updated policy for connecting new housing developments (Greenfields sites);
- The finalisation on 19 July 2012 of the Optus agreement, which relates to the migration of Optus' HFC cable customers to the NBN;
- The adoption of a more efficient 'Build Drop' method for connecting every premises in the Fibre footprint.

Construction to reach peak scale run rate during 2015

In taking account of these developments, the updated Corporate Plan confirms the Fibre network rollout remains on course to reach peak scale run rate during 2015.

Additionally, at 30 June 2012 construction had already commenced or was complete for approximately 305,000 premises across Australia, with activity in every state and territory.

By the end of December 2012, that number is forecast to rise to approximately 758,000 premises, in line with the 12-month rollout announcement in February.

By mid-2015, construction will have commenced or be completed for approximately 3.5 million premises, in line with the 3-year rollout plan announced in March.

Rate of return and payback year in line with original forecasts

Total forecast Capital Expenditure to the end of the construction period has increased by \$1.4 billion (3.9%). Operating Expenditure to the end of FY2021 has risen by \$3.2 billion. These changes in costs have been more than offset by forecast increases in revenues that are projected beyond the Fibre Construction period, leading to a marginal increase in the project's Internal Rate of Return from 7% to 7.1%.

"We continue to build the NBN as cost effectively as possible," said NBN Co Chief Financial Officer Robin Payne.

"Where prudent, we have built in additional costs to the plan but these are largely offset by savings we have made elsewhere. In areas where we are spending more it is generally because there are long-term benefits to NBN Co.

"To take just one example, the 2011-13 Corporate Plan did not include the Optus deal in the scope of the project. Following the finalisation of the Optus HFC Agreement, the 2012-15 Corporate Plan now includes an assumption that Optus HFC subscribers will migrate onto the NBN during the Fibre network construction period. The upfront costs for migration and connection are more than offset by additional revenues projected in the later years."

.../2

NBN Co committed to reducing broadband prices as usage grows

The project has also begun delivering on the Government's objective of opening up greater competition in retail telecommunications and delivering reduced prices for wholesale fixed-line broadband access.

NBN Co has entered into commercial agreements (Wholesale Broadband Agreement) with more than 40 telephone and internet service providers, representing 94% of the fixed broadband market. The commercial supply of Fibre services and initial billing began in October 2011. Similar agreements are being executed for the Satellite and Fixed-Wireless services.

There are more than 500 NBN retail price plans available in the market, with the Fibre plans comparing favourably to existing ADSL packages (but with the potential for higher speeds and greater capacity over the NBN).

At the same time external benchmarks indicate that data usage over fixed-line telecommunications networks is currently increasing at an annual rate well in excess of that assumed in the 2011-13 Corporate Plan.

The Australian Bureau of Statistics data for Q4 2011 showed fixed broadband downloads per subscriber grew 80% from a year earlier. Telstra has also reported 80 per cent growth in broadband data traffic per user on its copper network.

This continued trend should enable NBN Co to reduce wholesale prices faster than originally anticipated. The company has already committed to keeping the wholesale price for key products fixed for the next five years, and to limit later increases to below the rate of inflation, again aiming to achieve real wholesale price reductions over time.

"Should actual data usage growth exceed the assumed growth rate then NBN Co would be able to reduce wholesale broadband prices more quickly and still maintain the same overall return for Australian taxpayers," said Mr. Quigley.

MEDIA INQUIRIES:

Andrew Sholl

02 9927 4420 or 0448 805 806

andrewsholl@nbnco.com.au

Rhonda Griffin

02 9927 4015 or 0428 134 401

rhondagriffin@nbnco.com.au

Press Office

02 9213 2323

02 9213 2311