

Media Release

NBN Co and Telstra reach heads of agreement

20 June 2010

- Heads of Agreement signed leading to negotiation of contract in coming months
- NBN Co to access Telstra fit-for-use infrastructure
- Reduces infrastructure duplication and creates more efficient and certain roll out of broadband network
- Telstra to progressively move customers from copper and HFC networks to NBN fibre
- NBN to pay Telstra for the migration of traffic on to the NBN and the decommissioning of its network
- Based on estimates provided by Telstra the total deal would be worth approximately \$11bn
- Telstra likely to become NBN Co's largest customer

NBN Co today said it had reached a Financial Heads of Agreement with Telstra that would provide access to Telstra facilities and the progressive migration of Telstra traffic onto the National Broadband Network, subject to regulatory approval. The agreement for these terms will have an approximate value of \$9 billion.

Separately, the Federal Government has agreed to progress public policy reforms with an attributed value of approximately \$2 billion.

"This is a sound outcome for NBN Co because when finalised it can maximise the use of existing infrastructure and accelerate the roll out of its network," NBN Co Chief Executive, Mike Quigley, said today.

"It also means Telstra is likely to become NBN Co's largest customer as it progressively migrates its voice and broadband traffic to NBN Co's wholesale-only, open-access network, providing greater certainty about future revenues.

"This Heads of Agreement represents more than nine months of detailed and complex negotiations and is a foundation for the work on specific binding terms and conditions that lies ahead," Mr Quigley said.

NBN Co was established in April 2009 to design, build and operate a wholesale-only national high-speed broadband network for all Australians. In the fibre footprint, the network will deliver broadband speeds of up to 100 Mbps, subject to the retail plan chosen.

The Heads of Agreement covers the migration of subscriber traffic and the decommissioning of Telstra's copper network and its cable broadband service.

NBN Co will pay Telstra for migration of traffic on to the NBN and the decommissioning of its network.

The Heads of Agreement also provides for NBN Co's use of Telstra's existing fit-for-use infrastructure, such as ducts, pits and conduit and a right to acquire Telstra backhaul services and space in Telstra exchanges.

"While there is a considerable amount of negotiation and contractual work to go, we believe this agreement is a significant step forward to creating a more competitive telecommunications industry," Mr Quigley said.

Further information on NBN Co is available at www.nbnco.com.au.

Media inquiries: Rhonda Griffin 0428 134 401