



THE HON MALCOLM TURNBULL MP
Minister for Communications

SENATOR THE HON MATHIAS CORMANN
Minister for Finance

08 APR 2014

Dr Ziggy Switkowski
Executive Chairman
NBN Co Limited
Level 40, 360 Elizabeth Street
MELBOURNE VIC 3000


Dear Dr Switkowski

GOVERNMENT EXPECTATIONS

We are writing in our capacity as Shareholder Ministers in NBN Co Limited ('NBN Co' or 'the Company') to provide a new Statement of Expectations. This Statement of Expectations replaces previous statements and will be updated as required to reflect future decisions by Government.

Policy Objectives

The Australian Government is committed to completing the National Broadband Network ('NBN') and ensuring all Australians have access to very fast broadband as soon as possible, at affordable prices, and at least cost to taxpayers.

To achieve these objectives the NBN should be built in a cost-effective way using the technology best matched to each area of Australia. This Statement of Expectations provides NBN Co with flexibility and discretion in operational, technology and network design decisions, within the constraints of a public equity capital limit of \$29.5 billion specified in its funding agreement with the Commonwealth, and the Government's broadband policy objectives (as summarised below).

The Government intends the NBN to be a wholesale-only access network, available on equivalent terms to all access seekers, that operates at the lowest practical levels in the network stack. The Government expects completion of the NBN will result in the structural separation of Telstra and a competitive market for retail broadband and telephony services.

During the transition proposed in this statement, NBN Co should be guided by the following goals: avoidance of service disruption for consumers; minimisation of uncertainty and disruption for construction partners; and achievement of rollout objectives as cost-effectively and seamlessly as possible.

Delivering the NBN

The Government has considered the NBN Co Strategic Review's report of 12 December 2013 and agrees that the NBN rollout should transition from a primarily fibre to the premises (FTTP) model to the 'optimised multi-technology mix' model the Review recommends ('Scenario 6'), having due regard to the following outstanding policy and commercial issues:

- NBN Co will determine which technologies are utilised on an area-by-area basis so as to minimise peak funding, optimise economic returns and enhance the Company's viability.
- The design of a multi-technology mix NBN will be guided by the Government's policy objectives of providing download data rates (and proportionate upload rates) of at least 25 megabits per second to all premises and at least 50 megabits per second to 90 per cent of fixed line premises as soon as possible.
- NBN Co will ensure upgrade paths are available as required.
- NBN Co will prioritise areas identified as poorly served by the 'Broadband Availability and Quality Report' published by the Department of Communications in February 2014 (including any subsequent refinements arising from additional data) to the extent commercially and operationally feasible.
- NBN Co will ensure the business rules it establishes to determine which technology is utilised in each locality are transparent to the community, and periodically updated to reflect technological and commercial developments.
- As proposed by the Strategic Review, NBN Co will integrate existing HFC networks into the rollout where this is feasible and economically beneficial, and provide for wholesale-only, open access operation of these.
- NBN Co will trial Fibre to the x (FTTx) network architectures to inform the Company's planning and decisions.
- NBN Co will take proportionate responsibility for the quality, consistency and continuity of service experienced by Retail Service Providers and their end users.
- The Government expects NBN Co will contribute leadership and resources to the industry-wide challenge of migrating services to the NBN.
- NBN Co's Board and management will monitor the capabilities required to implement a multi-technology mix NBN, and ensure alignment between these and the Company's personnel.

Corporate Planning and Transparency

The forthcoming NBN Co 2014-2017 Corporate Plan will detail the approach NBN Co intends to take to implement an optimised multi-technology mix NBN. It should also include specific treatment of policy issues that influence the cost, delivery and performance of a multi-technology NBN, including:

- Pricing and takeup.
- Rollout scheduling and prioritisation of poorly served areas.
- Qualification, financing, installation and maintenance of customer premises equipment.
- Battery backup.
- Delivery of voice services.
- Customer migration and decommissioning of infrastructure.
- Migration of services
- Future upgrade paths.

We expect NBN Co will work closely with the Government and Shareholder Departments to ensure appropriate and timely policy responses to these issues where required.

The Government requires a high degree of transparency from NBN Co in its communication with the public and Parliament. Transparency arrangements which should continue to be observed include weekly online reporting of network deployment and active services; monthly reports to Shareholder Ministers; quarterly financial and operational reports to Parliament; and quarterly management briefing of stakeholders and the media. NBN Co will additionally begin periodically reconciling its performance against its forecasts once the NBN Co 2014-2017 Corporate Plan is approved by Government.

The Company should prepare annual corporate plans for consideration by Government and subsequent public release. Any information necessary for Government consideration of these plans (or other NBN issues) should be available to Government, including Shareholder Ministers and Departments.

NBN Co will disclose any material variance from Corporate Plan assumptions or forecasts, and other material events, to the Government including Shareholder Ministers and Departments at an early stage.

Future Issues

A Panel of Experts appointed by the Government is conducting an independent cost-benefit analysis of broadband (including direct and indirect economic or social costs and benefits) and a review of long-term regulatory arrangements governing NBN Co. The Panel will report to Government in mid-2014. NBN Co should assist the Panel as required.

NBN Co's rollout plan outside the fixed line footprint is subject to the findings of the Strategic Review's second phase, which reports in April 2014. Its recommendations will be considered by Government and, if approved, reflected in a further amendment of the Statement of Expectations.

The Government will provide additional guidance to NBN Co during the process of preparing and considering the next Corporate Plan, and upon the completion of negotiations with Telstra and Optus.

There are many issues that may arise as NBN Co moves to implement a new model for the rollout of the NBN. The Government requests early engagement with Shareholder Ministers and Departments on these matters as they arise.

Kind regards



Malcolm Turnbull
Minister for Communications



Mathias Cormann
Minister for Finance