

## Category – Liaison to enter

### **TREASURY RED BOOK BRIEFING – NBN**

#### **TREASURY'S RED BOOK CONTAINS ADVICE TO AN INCOMING GOVERNMENT ON KEY ISSUES THAT TREASURY BELIEVES WARRANT CONSIDERATION**

- The Red Book briefing noted that there are financial risks for the public balance sheet associated with the development of the NBN, as well as competition risks.

#### **MAJOR INVESTMENT PROJECTS CARRY IMPLICIT FINANCIAL RISKS, BUT THE NBN WILL PROVIDE SIGNIFICANT BENEFITS FOR THE AUSTRALIAN ECONOMY**

- The NBN is a \$43 billion nation-building project expected to provide every person and business in Australia access to affordable, fast broadband. It is expected to support up to 25,000 jobs a year, on average, over the eight-year life of the project.
  - The NBN is a transformational infrastructure resource for the economy. It will enable new and enhanced ways of delivering business and government services and facilitating communication.
- The Government has provisioned \$18.1 billion in equity over the forward estimates for the roll-out of the NBN, based on the recommendations of the NBN Implementation Study, with a total provision of \$25.8 billion.

#### **THE GOVERNMENT WILL ADDRESS COMPETITION ISSUES IN IT'S RESPONSE TO THE IMPLEMENTATION STUDY, WHICH IS EXPECTED TO BE RELEASED IN THE COMING MONTHS**

- The NBN is expected to transform the structure and competitive dynamics of the telecommunication sector. However, several key issues need careful consideration.
  - The Government is considering a number of important competition issues as part of its response to the Implementation Study, including decisions giving effect to uniform pricing, the location of the points of interconnection, and the network design.
  - On 21 October 2010, the ACCC and NBN Co released a discussion paper on the points of interconnection issue. The ACCC, in consultation with NBN Co, will provide advice to the Government on POIs in the near future which will inform the Government's final decision.

## **OPPOSITION POLICY**

- The Coalition has noted that the estimated \$43 billion cost of the NBN is dependent on there being ‘no cost blow-outs in any of the eight years of the project build’. Coalition spokesman for broadband, the Hon Malcolm Turnbull MP, has suggested that the final cost of the NBN is ‘highly uncertain’.

## **BACKGROUND FACTS**

- In Treasury’s Red Book briefing, Treasury highlighted that the implementation of the NBN involved financial risks for the public balance sheet and competition risks.
- While Treasury noted that the implementation of the NBN was on track, the Government would need to make a number of key policy decisions following the election that would have impacts on the project, particularly competition issues.
- Three issues require resolution – how to provide uniform national wholesale pricing, the location points of interconnect and network design. Decisions on each of these will have important ramifications for competition as the project is rolled out and into the future.
  - As the Implementation Study identifies, the structure of the network today will either enable or make difficult private competition with the NBN on certain wholesale broadband activities in the future.
- A Government response to the Implementation Study is also required before NBN Co and Telstra can finalise Definitive Agreements on the NBN rollout.
- Treasury is continuing to work closely with the Department of Broadband, Communications and the Digital Economy and the central agencies on the NBN implementation.