



28 May 2015

The Hon Malcolm Turnbull MP
Minister for Communications
Parliament House
CANBERRA ACT 2600

Senator the Hon Mathias Cormann
Minister for Finance
Parliament House
CANBERRA ACT 2600

Dear Ministers,

Updated cost estimate for a broad based Fibre to the Premises (FTTP) scenario

I refer to your letter dated 28 April 2015 to Dr Switkowski requesting that **nbn** provide an updated cost estimate for an FTTP rollout scenario ('counterfactual') based on our best estimate in line with current operational planning, and summarised as per page 17 of the Strategic Review. You asked that we take account of additional data, experience and market knowledge gained by the company since the Strategic Review, December 2013.

In the light of significant new information, experience and market knowledge gained since then, I am enclosing the counterfactual information you requested. The new estimates take into account historical and current cost per premises figures, changes to industry engagement and service delivery contracts, achievable peak construction rates, the possible impacts of competitive threats from alternative networks and technologies, and cumulative cost forecasts for ongoing network operations.

We confirm that despite higher than anticipated cost and risk, the Multi-technology Mix (MTM) rollout remains a superior strategy to an FTTP rollout for fixed line areas. We estimate that an all FTTP fixed line rollout could be completed by 2026 (but possibly as late as 2028) and with a peak funding range of \$74 billion to \$84 billion depending upon critical sensitivities around peak construction rates, construction and operating cost and revenue generation.

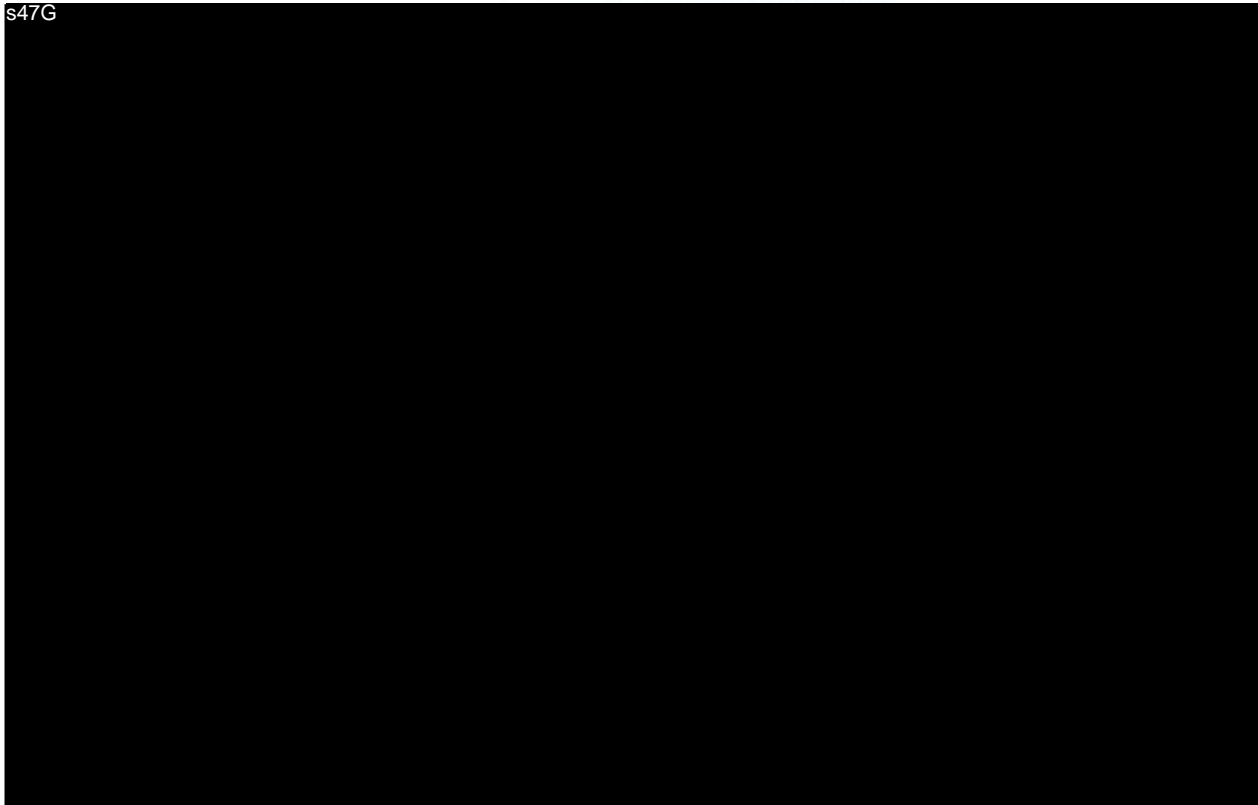
Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Bill Morrow', is positioned above the printed name.

Bill Morrow
Chief Executive Officer



s47G



Copied to:

Dr Ziggy Switkowski AO, Chairman, nbn co limited
Mr Drew Clarke, PSM, Secretary, Department of Communications
Ms Jane Halton, PSM, Secretary, Department of Finance
Brad Whitcomb, Chief Strategy and Transformation Officer, nbn co limited
Stephen Rue, Chief Financial Officer, nbn co limited