

26 May 2008

FttN RFP responses

In response to questions from investors and recent media speculation, **PIPE Networks Limited (ASX:PWK)** CEO and Managing Director, Mr Bevan Slattery, today confirmed that the Company has not participated as a bidder in the governments Fibre to the Node (FttN) RFP process which closed last Friday.

“Our analysis of the real cost to deliver on the governments FttN requirements has consistently been far higher than the \$8.7billion figure bandied about by government and prospective bidders. Add to this regulatory uncertainty risk to the business process and we see no benefit to our shareholders in terms of reasonable long term returns on investment. Our focus is on preparing for the expected massive migration of copper based business telecommunication services which will be terminated under Labor’s FttN onto a wholesale fibre based network such as ours.” Mr Slattery said. A breakdown of his analysis is attached as part of a presentation made at the Communications Day Summit in April 2008.

Mr Slattery wished the competing FttN bidders well.

ENDS

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The Labor NBN/FttN pre-election promise

- **National FttN Network**
- **Connecting 98% of all Australians**
- **GUARANTEED speed of 12Mb/s symmetrical**
- **Total cost of \$8.7B (fully costed by Labor)**



THE POST ELECTION REALITY CHECK



Post-election reality = Broken Election Promise

- National FttN Network **and/or wireless (FtsN?)**
- Connecting 98% of all Australians **and businesses**
- ~~GUARANTEED speed of 12Mb/s symmetrical~~ **or equivalent**
- ~~Cost of \$8.7B (fully costed by Labor)~~ **Labor contribute up to \$4.7B**



PROBLEM #1

\$8.7B NUMBERS DON'T STACK UP



\$8.7B for a national FttN Network?

“Tell him he’s dreaming”

- Daryl Kerrigan





Population	Coverage Area %	Coverage Area Square km's
50%	<0.1%	5,997
75%	0.3%	23,692
90%	2.0%	154,379
95%	6.0%	463,284
97%	10.2%	784,411
98%	14.0%	1,079,823



12Mb/s symmetrical FttN Backhaul costs (VDSL2) assumptions

- All copper connecting house to node no further than 1km via 'super magic direct thick copper'
- VDSL2 node capable of providing 12Mb/s symmetrical (unrealistic)
- All nodes are exactly spaced 2km's apart and there are no customers in the area's outside the node circumference (unrealistic)
- Cost to install fibre \$30/m (unrealistic for metro, questionable in regional and possible in rural)



Population	Coverage Area Square km's	Nodes required	Fibre for Node backhaul (km's)	Fibre backhaul cost
50%	5,997	1,908	3,817	114M
75%	23,692	7,541	15,083	452M
90%	154,379	49,141	98,283	2,948M
95%	463,284	147,472	294,944	8,848M
97%	784,411	249,693	499,386	14,981M
98%	1,079,823	343,728	687,456	20,623M

12Mb/s **a**symmetrical FttN Backhaul costs (VDSL2) assumptions

- Labor break election promise
- All copper connecting house to node no further than 2km via 'super magic direct thick copper'
- VDSL2 node capable of providing 12Mb/s asymmetrical (unrealistic)
- All nodes are exactly spaced 4km's apart and there are no customers in the area's outside the node circumference (unrealistic)
- Cost to install fibre \$30/m (unrealistic for metro, questionable in regional and possible in rural)



Population	Coverage Area Square km's	Nodes required	Fibre for Node backhaul (km's)	Fibre backhaul cost
50%	5,997	477	1,908	57M
75%	23,692	1,885	7,541	226M
90%	154,379	12,285	49,141	1,474M
95%	463,284	36,868	147,472	4,424M
97%	784,411	62,423	249,693	7490M
98%	1,079,823	85,932	343,728	10,311M



PROBLEM #2

**ONLY TELSTRA HAS INFORMATION
NECESSARY TO RESPOND**



“I know nothing, nothing”

- Sergeant Hans Schultz





NBN Information Black hole

- Respondents required to submit tender responses in 90 days without the most fundamental and critical information being where the 'nodes' or pillars are.
- RFP provides no idea of what regulatory support will be given by the government to get access the copper
- Non-committal fluff about serious matters such as open access and interconnection



PROBLEM #3

INADEQUATE TIMELINE TO RESPOND



**“The flux capacitor is what makes
time travel possible...”**

- Marty McFly





Lack of adequate time is almost criminal

- Respondents required to submit tender responses in 90 days
- No idea of where the nodes actually are
- Need to design, cost and finance a \$16B+ network covering over 1,000,000 square kilometres in 90 days
- Federal Government provides more time to for respondents for tenders such as the supply of photocopiers



PROBLEM #4

LACK OF CONSULTATION



**“Now you see, the changing of the
worrd is inevitabre!”**

- Kim Jong Il





Lack of Consultation

- **Consultation has become a check-box in the process rather than something which is valued**
- **Expediency has replaced effectiveness**
- **Eg. Public comment to the Expert Panel open for 8 days during the Easter public holidays**
- **Request for highly sensitive network information from infrastructure providers was a threat letter providing 3 days to 'volunteer' or else face legislation aimed to compulsory acquire**
- **No discussion with competing carriers regarding what will happen to their assets in a post FttN world**



Lack of Consultation – The consumer!

- **12Mb/s will almost be guaranteed, but at what cost?**
- **No market analysis or consultation with the actual consumer on speed pricing matrix of the new FttN network**
- **No detail given to the consumer as to their expectations in terms of speed, pricing, download quotas etc.. and therefore no feedback has been forthcoming**



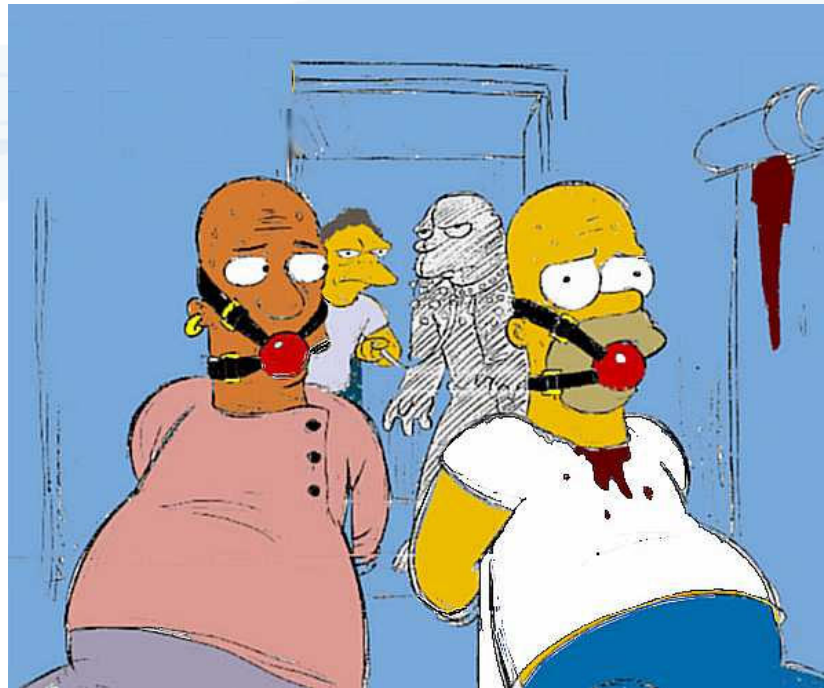
PROBLEM #5

LACK OF TRANSPARENCY



[GAGGED SCREAM]

- Homer Simpson





Lack of Transparency

- **Gross lack of due care, transparency and process**
- **Labor failed to disclose its workings on how it came to \$8.7B. It was actually prepared by 23 year old university student.**
- **No legislative or regulatory framework, no costing, no open access policy ever provided just an RFP that has all the buzz-words but no substance**
- **No disclosure on how this will effect existing infrastructure of competing carriers**
- **A draconian gag clause in the RFP which prohibits respondents from discussing the process publicly or with media**



PROBLEM #6

IGNORANCE



'Stupid is, as stupid does'

- Forrest Gump





Ignorance

- **The timeline is the agenda and to hell with ACTUALLY consulting, ACTUALLY establishing a data room, ACTUALLY separating Telstra, ACTUALLY establishing interconnect arrangements, ACTUALLY conducting a fair and equitable process**
- **Policy is based on completely flawed pricing**
- **Difficult to think a 'consultative' government could be so ignorant to the plight of consumers, competitive telco's and the voting public, unless there has been a dirty deal already done and the process is a formality to an already reached conclusion**



PROBLEM #7

THE CONSUMER



**"Any customer can have a car
painted any color that he wants
so long as it is black"**

- Henry Ford





Forgotten the consumer

- **What is the Governments cost of a 12Mb/s broadband service at 1%, 5%, 10% 25%, 50% and 100% utilisation?**
- **Is there pricing protection for consumers? Broadband prices WILL INCREASE!**
- **How will innovation happen on a technically restricted, over-priced broadband service?**
- **What will the market be like in 10 years?**
- **Has anyone asked an informed consumer what they think?**



WHERE TO FROM HERE?



Where to from here?

- **Telstra is the only company that holds the information necessary to respond**
- **Excluding G9 any other company is merely using NBN as a marketing ploy to raise their profile**
- **G9 should boycott the process as it is a completely flawed process which has completely ignored requests from industry and designed (either intentionally or unintentionally) so Telstra is the only party capable of responding**
- **The RFP process should be halted until the necessary information is provided to ALL respondents and they are provided adequate time to respond (6 months)**
- **The reality is it's either Telstra or it's no-one**



THANK YOU

This concludes our presentation



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