



**Australian Government**  
**Productivity Commission**

# Public Infrastructure

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## Box 2.2 Genesis of the National Broadband Network project

In May 2007, the federal opposition committed to investing in a national broadband network if elected. Following the election later that year, the new Australian Government issued a request for private sector proposals to build and operate a broadband network. Several proposals were received, but on advice from a panel of experts that none of them offered value for money, this process was terminated (Rudd 2009). This occurred concurrent with the onset of the global financial crisis which, the panel reported, had a significant impact on the process.

In April 2009, the Prime Minister announced that the Australian Government would 'build and operate a new super-fast National Broadband Network [NBN]' (Rudd 2009). The Prime Minister said that the new network would connect up to 90 per cent of Australian homes, schools and workplaces with broadband using fibre to the premises (bypassing the existing copper network owned by Telstra), with the remaining 10 per cent of premises being provided with next generation wireless and satellite services.

The Australian Government estimated that the project would cost up to \$43 billion over eight years. It said that the NBN would be built and operated by a new company established for this purpose, with majority Government ownership. The company would be permitted to offer wholesale services only, thereby delivering separation between the infrastructure provider and retail service providers.

The Department of Broadband, Communications and the Digital Economy later stated:

Faced with a significant failure in the telecommunications marketplace with significant long term structural implications for its operation and the wider economy, the lack of an acceptable private sector alternative and private sector difficulty in raising capital because of the 2008-09 global financial crisis, the government decided that it would need to take the leading role in providing a solution. (quoted in AGCNCO 2011, p. 7).

Rather than conduct a cost–benefit analysis of the project, the Government commissioned an Implementation Study (released in May 2010), which was a detailed examination of the NBN project. The study was concerned with how best to implement the Government's stated policy objectives, but did not evaluate those objectives. The study explicitly stated that it did not:

- evaluate the decision to implement the NBN via the establishment of NBN Co
- undertake a cost–benefit analysis of the macroeconomic and social benefits that would result from the implementation of a superfast broadband network. (McKinsey & Company and KPMG 2010, pp. 1–2)

More recently, the Australian Government commissioned a strategic review of the NBN in 2013. This review (which was not a cost–benefit analysis) found that construction of the network was substantially behind schedule and estimated that, under the existing plan, the peak funding requirement would be \$73 billion. The Minister for Communications, Hon. Malcolm Turnbull MP, has announced that a cost–benefit analysis of the economic and social returns from broadband will be undertaken (Turnbull 2013).