

**Broadbanding
Australia**



Media Release

NBN Co & Silcar reach agreement to deliver value-for-money fibre rollout

1 June 2011

NBN Co and Silcar Pty Ltd today struck an agreement which enables NBN Co to prepare for the first large-scale deployment of optic fibre for the National Broadband Network.

NBN Co and Silcar have reached agreement on terms and prices for construction worth \$380 million over the next two years, with the option of a further two years at an additional value of \$740 million.

This covers Queensland, New South Wales and the ACT, and represents almost 40 per cent of national construction activity planned over the next two years.

Importantly, the design and construction pricing in the Silcar agreement is in line with NBN Co's Corporate Plan.

This agreement follows eight weeks of intensive negotiations between NBN Co and Silcar, and represents a competitive and acceptable benchmark for design and construction across the project. The final detailed contract will be concluded by 17 June 2011.

According to NBN Co's Head of Corporate Services, Kevin Brown: "We have always said we would strive to deliver the best possible deal and achieve the lowest cost for taxpayers. Having reached this position, we have every reason to believe we will bring in the remaining locations across Australia at acceptable prices and on very competitive terms.

"We selected Silcar based on objective criteria, and on their performance in the field as the construction company responsible for the rollout in the Armidale First Release Site.

"In our one-on-one negotiations we agreed NBN Co would assume the risk of other infrastructure providers and Silcar would assume the risk of construction. Through the negotiations NBN Co and Silcar have established the optimal balance between price reductions, certainty of volume, location of premises, appropriate payment terms and the benefits of initial exclusivity to defray overheads.

"Achieving this result would not have been possible negotiating with multiple parties concurrently."

Today's agreement includes nine of the 19 NBN Second Release Sites previously announced by NBN Co – extensions to existing works in Kiama, Townsville and Armidale and new sites in Springfield Lakes, Toowoomba and inner northern Brisbane, Riverstone in western Sydney, Coffs Harbour, and Gungahlin in the ACT.

Discussions have already commenced with a select group of construction companies for all other regions in Australia, using these key commercial terms as a basis for rapid negotiations. We expect to finalise these discussions over the coming months. This will enable the delivery of all other Second Release Sites.

Mr Brown said: “Today’s agreement with Silcar, coupled with the signing today of Ericsson to deliver a fixed-wireless service, combined with the earlier announcements of our interim satellite service and the IT contract for our operating and business support systems, means most of the major building blocks are now in place to deliver a high-speed national broadband network across the country.”

NBN Co has now executed over 100 tenders with a total potential value of approximately \$7 billion. NBN Co remains committed to finalising a definitive agreement with Telstra shortly, before releasing a more detailed construction timetable. The Telstra deal is expected to be better for communities and for the taxpayer because it will give NBN Co access to existing Telstra infrastructure to facilitate the rollout.

Silcar Chairman Michael Wright said: “The agreement reached between Silcar and NBN Co is a great result for all stakeholders and ultimately for the Australian community, which will benefit significantly from the substantial benefits that national broadband infrastructure will bring.”

Silcar Chief Executive Peter Lamell said: “We are proud to have been chosen to work on what is the most significant infrastructure project in Australia. We have worked hard with NBN Co to ensure that we will deliver this project to the exacting standards of quality, timeliness and cost required by NBN Co.”

Silcar Pty Ltd is a 50/50 joint venture between Siemens Limited, a global leader in electrical engineering and electronics, and Thiess Services, a 100% owned subsidiary of Thiess Pty Ltd, Australia’s largest mining construction and services company.

Further information about NBN Co, its objectives and recent announcement is at www.nbnco.com.au

MEDIA INQUIRIES: **Rhonda Griffin**
Phone 02 9927 4015
Mobile 0428 134 401