Broadbanding Australia

NBNCo Limited

Media Release

NBN Co and Telstra Sign Binding Definitive Agreements

Transaction Enables More Efficient Rollout of the National Broadband Network for All Australians

23 June 2011

- Milestone agreements enable NBN Co to roll out the National Broadband Network more efficiently, with greater certainty over its cost base and with reduced disruption to the community
- NBN Co to access Telstra infrastructure over a minimum 35-year period, reducing duplication and enabling efficient use of existing infrastructure
- NBN Co given greater certainty over revenues as Telstra, Australia's largest retail telecommunications provider, agrees to a fixed-line network preference in favour of NBN Co for wholesale fixed line services
- NBN Co to pay Telstra progressively for the disconnection of customers (other than HFC pay-TV customers) from Telstra's legacy fixed-line networks
- Interim arrangements negotiated for immediate access to Telstra infrastructure to accelerate network deployment
- Total payments over time are estimated to deliver approximately $9 billion in June 2010 post tax net present value to Telstra
- Definitive Agreements reached with Telstra are financially beneficial to NBN Co as reflected in the company's Corporate Plan of December 2010

Thursday, 23 June 2011 -- NBN Co Limited ("NBN Co" or "the company") announced today it had signed binding Definitive Agreements with Telstra Corporation Limited ("Telstra"), subject to certain conditions including shareholder and regulatory approvals, which facilitate the efficient rollout of a high speed National Broadband Network for all Australians.

The landmark transaction has three key components that make it beneficial to NBN Co, Telstra and the Australian taxpayer:

I. It grants NBN Co access to Telstra facilities and infrastructure over a minimum period of 35 years, ensuring that the fibre optic component of the National Broadband Network, serving 93% of premises, can be rolled out efficiently and avoids duplicating infrastructure;
II. It provides for the progressive disconnection of Telstra's copper and Hybrid Fibre

Coaxial (HFC) customers (other than HFC pay-TV customers) and NBN Co will be Telstra's preferred fixed-line network;

III. In addition, NBN Co and Telstra have negotiated interim arrangements for immediate access to Telstra infrastructure.

In order to meet the Government's requirement to stimulate competition in the retail telecommunications market, there will be no special pricing or volume discounts for wholesale services included in the agreement with Telstra.

Welcoming the Definitive Agreements with Telstra, NBN Co Chairman Harrison Young said:

"This transaction paves the way for improved broadband access for all Australians. It is beneficial to NBN Co and we believe to Telstra and most importantly it will deliver the improved telecommunications infrastructure that is vital for Australia's future.

"The Definitive Agreements are a significant milestone for NBN Co in delivering on its Corporate Plan and represent the conclusion of nearly two years of detailed negotiations. They support NBN Co's ability to achieve its targeted take-up of services and projected financial returns."

Mike Quigley, NBN Co Chief Executive Officer, said:

"We've taken considerable time to reach today's agreement. But it has been worth the wait. It means we can build the NBN more cost effectively and with less disruption and greater certainty than had we duplicated Telstra's existing infrastructure.

"This deal will bring about the efficient delivery of a standardised national broadband platform which will foster innovation in applications and services. Unquestionably it will be of lasting benefit to Australia."

Total payments over time are estimated to deliver approximately $9 billion in June 2010 post tax net present value to Telstra.

The Definitive Agreements reached with Telstra are financially beneficial to NBN Co as reflected in NBN Co's Corporate Plan of December 2010.

Under the agreement, Telstra will provide much of the infrastructure required to build the network including:

- Lead-in conduits through which the NBN fibre will be connected to each premise;
- Underground ducts and pits through which the NBN fibre will run;
- Dark fibre; and
- Rack spaces in Telstra exchanges

The fibre optic network will deliver peak speeds of up to 1 gigabit per second to a potential 93% of Australian premises. The remaining 7% of premises in rural and regional Australia will be served by satellite and fixed-wireless services enabling peak speeds of up to 12 megabits per second.

A summary of the Definitive Agreements is attached.

ends

MEDIA INQUIRIES:

Andrew Sholl
Phone 02 9927 4420
Mobile 0448 805 806
andrewsholl@nbnco.com.au or media@nbnco.com.au

Telstra | NBN Co Limited

Decommission

Copper

- Progressive decommission
- Traffic migrated to NBN
- NBN Co pays Telstra per disconnection

HFC

- Progressive disconnection except Foxtel
- Traffic migrated to NBN
- NBN Co pays Telstra per deactivation

Infrastructure

Ducts and pits and manholes

Use of fit-for-use infrastructure within NBN Co's network design

Lead-in conduits

NBN Co acquires fit-for-use lead-in conduits

Backhaul

NBN Co has the right to use dark fibre

Exchanges

NBN Co has the right to use rack spaces in Telstra exchanges

Summaries of the Definitive Agreements

There are four documents signed by NBN Co and Telstra (known as the Definitive Agreements) that form the core of Telstra's participation in the rollout of the National Broadband Network.

The documents are:

Implementation and Interpretation Deed (IID): This documents the Conditions Precedent (i.e. actions that must be completed and conditions that must be satisfied or waived before the transaction is required to be fully implemented) and various interim arrangements and is effective immediately. It also contains common provisions which are incorporated into the SA, ISA and AD.

Subscriber Agreement (SA): This deals with the disconnection by Telstra of copper-based Customer Access Network services and broadband services on its HFC cable network (but not Pay TV services on the HFC) that are provided to premises in the NBN fibre footprint as the NBN is rolled out.

Infrastructure Services Agreement (ISA): This documents the detailed terms for the long-term provision of access to three types of infrastructure and related services by Telstra to NBN Co: Dark Fibre, Exchange Access and Ducts and for the sale of the Lead-in-Conduits by Telstra to NBN Co.

Access Deed (AD): This documents the high-level commitments made by NBN Co to Telstra in respect of the proposed supply of NBN Co's Basic Service Offering (BSO) and the charging for certain wholesale supply services.

Set out below are more detailed summaries of each of these agreements.

Implementation and Interpretation Deed (IID)

Topic	Summary
Purpose	Unlike the other agreements, the IID operates immediately on signing as it contains the mechanics needed to bring the transaction to life and specifies the conditions precedent (**CPs**) (such as shareholder and regulatory approvals) that must be satisfied or waived before the proposed transaction can be fully implemented. It also contains various interim arrangements to enable NBN Co to obtain immediate access to Telstra's facilities and infrastructure for its early phase rollout. Further, it links the SA, ISA and AD together by providing common clauses and definitions for each of those agreements, and by establishing a framework for various IT interaction systems to be developed.
Conditions Precedent	CPs that need to be satisfied or waived for the SA, ISA and AD to become effective include: • approval by each of Telstra's and NBN Co's shareholders of the proposed transaction;

	• ACCC acceptance of a SSU and approval of a Final Migration Plan in a form approved by Telstra and NBN Co and those documents come into force in accordance with the Telecommunications Act; • the TUSMA Agreement and the Information Campaign and Migration Deed being entered into by Telstra and the Commonwealth in a form acceptable to NBN Co; • the Commonwealth amending legislation or establishing other arrangements to implement its greenfields policy in a form acceptable to Telstra and NBN Co; • the Commonwealth introducing legislation considered necessary or desirable by the Commonwealth and NBN Co to facilitate NBN Co's rollout, in a form acceptable to Telstra and NBN Co; • separate ATO private tax rulings relevant to each party that confirm the tax treatment of elements of the transaction being acceptable to Telstra and NBN Co respectively; • if NBN Co notifies Telstra of a change to its stated intention, as at the execution date, to roll out fibre to 93% of premises in Australia at the execution date, Telstra being satisfied that the change does not adversely affect Telstra; • the parties agreeing to an initial plan establishing a program for the handover of specified infrastructure under the ISA over the course of NBN Co's Rollout; and • any other matters that the parties agree to be a condition precedent. Telstra has requested that NBN Co confirms that NBN Co has arrangements in place to ensure the cessation of supply by Telstra of certain products occurs in a non-discriminatory way.
Termination	If the CPs are not satisfied or waived by 5 pm on 20 December 2011, then the IID, unless varied by prior agreement, will automatically terminate (and the SA, the ISA and IID will not come into force and effect). In this circumstance, the interim access provisions will continue in force for a period of 10 years to support Telstra infrastructure in use or ordered by NBN Co at that time. Those interim access provisions include a process the parties will follow to deal with any continuing need NBN Co has for access to Telstra infrastructure on expiry or early termination of the provisions.
Telstra representations and warranties	In addition to general corporate warranties, Telstra has given NBN Co a number of warranties relating to NBN Co's due diligence into the transaction, including Telstra's best estimate of a baseline number of relevant service addresses.
NBN Co representation and warranties	In addition to general corporate warranties, NBN Co confirms to Telstra that it intends to roll out fibre to 93% of premises in Australia. NBN Co is required to notify Telstra if its intention changes before the date on which all the conditions precedent have been satisfied or waived (**Commencement Date**).
Interim access	Telstra will provide information and infrastructure services for NBN Co to

arrangements (i.e. pre Commencement Date)	continue its rollout prior to all CPs being satisfied or waived (that is, on an interim basis). If the ISA does not commence, NBN Co will continue to obtain certain operations and maintenance services from Telstra in relation to the infrastructure that has been provided to NBN Co and that Telstra is otherwise committed to provide to NBN Co up to that time. In these circumstances, the provisions that apply will be a subset of those under the ISA, but for a shorter term. In addition, the price of supply will be adjusted to reflect that shorter term and the lower volume of infrastructure provided.
Liability caps	The IID sets out the liability caps which apply to the various agreements. In broad terms Telstra and NBN Co's liability to each other under the IID, the SA, the ISA and the AD are all capped at particular amounts which have been commercially agreed by the parties. There are certain exceptions to this liability regime which are consistent with market standards for these types of agreements.
Financial security	Each of Telstra and NBN Co can require the other to provide a financial security of an amount determined under the IID, to support its performance of obligations under the ISA (or the interim access arrangements described above) and the SA, if the other fails to maintain a credit rating that reflects an acceptable investment grade credit risk as specified in the IID. Reflecting the fact that, from execution of the agreements, Telstra will be the beneficiary of the Commonwealth Guarantee, Telstra is also only permitted to call for a financial security from NBN Co after that guarantee (and any replacement of it) has terminated.
Dispute resolution	The dispute resolution process which applies to each of the IID, SA, ISA and the AD comprises: • escalation within Telstra and NBN Co (ultimately to each Chief Executive Officer); • provision for disputes to be resolved by technical or financial experts (on an expedited basis in certain circumstances); and • ultimately, litigation.
Change of control of NBN Co	Commonwealth legislation allows NBN Co to be privatised at a future date, subject to compliance with a number of conditions including a declaration from the Communications Minister that the NBN should be treated as built and fully operational. Telstra may terminate the SA, the ISA and the AD if there is a change of control of NBN Co which results in a provider of retail telecommunications services in Australia controlling 15% or more of NBN Co, except where that provider has only a small market share in Australia based on a revenue threshold.
Permanent cessation of rollout or rollout is very slow	A permanent cessation of rollout occurs if there is a binding decision by NBN Co or the Commonwealth to cease rollout of the NBN. Consequences of a permanent cessation of rollout occurring are set out in the SA and ISA. A very slow rollout occurs if, after NBN Co has passed 20% of its expected fibre footprint, the pace of rollout is such that it falls below certain thresholds (measured over either a 12 month period or a 36 month period). The SA and ISA also set out consequences for a very slow rollout.

Illegality and change of law	If performance of any terms of the SA, the ISA or the AD becomes illegal, the IID contains a process under which these documents can be varied to make performance legal. This is a binding process involving resolution by agreement of the parties or by a determination made by a panel of experts appointed by the parties. In addition, the parties have agreed to a separate process to enable them to renegotiate one or more of the SA, the ISA and the AD in the event of certain changes in law which materially impact at least one of the parties and which relate to: • the NBN or Telstra infrastructure made available under the ISA; • disconnection from Telstra's copper and HFC networks or migration to the NBN; or • land access or occupational health and safety. If the parties are unable to agree on changes to those documents, then ultimately, they will have the right to terminate one or all of them.

Subscriber Agreement (SA)

Topic	Summary
Purpose	The SA deals with the disconnection by Telstra of copper-based Customer Access Network services and broadband services on its HFC cable network (but not Pay TV services on the HFC) that are provided to premises in the NBN fibre footprint as the NBN is rolled out, and the maintenance of the parties' structural and network alignment during that process.
Disconnect standard copper-based Customer Access Network services and HFC cable broadband services on HFC cable network (but not Pay TV services)	As NBN Co rolls out the NBN to each rollout region (approximately 3,000 premises per region), Telstra will disconnect standard copper-based Customer Access Network services and broadband services on its HFC cable network (but not Pay TV services on the HFC) that are provided to premises in the NBN fibre footprint in that rollout region. In broad terms, the disconnection must be completed within 18 months of NBN Co declaring that rollout region to be ready for service (which cannot happen until at least 90% of the premises in that rollout region are passed by NBN Co fibre). A separate regime (with a different time frame for disconnection) applies to disconnection of special services provided over the copper Customer Access Network. Disconnection protocols have been agreed to govern this.
Not reconnect	Telstra must not use those disconnected networks again to provide services (nor allow anyone to do so) except in very limited circumstances (set out below). To support this obligation, there are restrictions on Telstra's ability to dispose of the networks.
Limited temporary reconnection	Telstra may temporarily reconnect services in the event of a "material NBN unavailability" where the NBN is unable to be used to provide any services in the entirety of a region for a specified period.
Limited permanent reconnection	Telstra may permanently reconnect copper-based Customer Access Network services and broadband services on its HFC cable network provided to premises that have previously been disconnected if NBN Co is insolvent or the NBN permanently ceases ongoing operation.
Fixed line network preference for 20 years	For 20 years from the Commencement Date, Telstra must exclusively use the NBN as the fixed line connection to premises in the NBN fibre footprint. There are a number of exceptions to the network preference, including: • where Telstra provides point to point fibre services using Telstra fibre in operation, or fibre installed by Telstra in accordance with a right of first refusal process with NBN Co; • where Telstra provides interim fibre services including in respect of areas covered by the Commonwealth's greenfields policy. Generally speaking, these "interim fibre services" are subject to the same disconnection obligations as Telstra's copper-based Customer Access Network services and broadband services on its HFC cable network; and • fixed line connections between Telstra network elements. However, Telstra has agreed that certain types of wireless "femtocells" supplied for use primarily in residential premises or buildings will not be considered Telstra network elements. This means that, subject to any other applicable exceptions, the network preference for the NBN

	will apply to fixed line connections to those "femtocells" in the NBN fibre footprint. After the 20 year period Telstra is no longer required to preference the NBN Co fibre network as the connection to premises in the NBN fibre footprint.
Wireless as a substitute for fibre services	Telstra may not promote wireless services as a substitute for fibre based services for 20 years from the Commencement Date, but otherwise remains free to compete in the market for the supply of wireless services.
Not build any Passive Optical Network	Other than in limited, interim circumstances, Telstra must not build or operate Passive Optical Network infrastructure as the fixed line connection to premises for 20 years from the Commencement Date.
Payments Telstra will receive	Telstra is entitled to payment for disconnecting premises in the NBN fibre footprint in rollout regions as the NBN rolls out to those regions. This is based on various criteria, including the number of lines to the premises disconnected, whether or not commercial services were provided on those lines (and if so, the types of service provided on those lines), the time at which the disconnection occurs, and in some cases, whether or not the premises have connected to the NBN.
NBN rollout forecasts	NBN Co has absolute discretion as to when and where it will roll out the NBN. However, it will provide Telstra with a non-binding 12 month and 3 month forecasts before it declares a rollout region as ready for service (and Telstra understands that NBN Co intends to provide these to industry in parallel to the time it is provided to Telstra).
Compensation to Telstra if rollout permanently ceases or is very slow	If a permanent cessation of rollout or very slow rollout occurs (as described in the IID summary) NBN Co will, subject to limited exceptions, compensate Telstra for Telstra being left with a geographically dispersed network. This compensation is on a sliding scale from a maximum of $500 million (if the event occurs when NBN Co's fibre rollout has reached 20% of NBN Co's current coverage target of 93% of premises in Australia) reducing to zero (if the event occurs when NBN Co's rollout has reached that current coverage target). Compensation is not payable if the event occurs before the rollout has reached that 20% threshold. Telstra believes that, in addition to any compensation which might be paid to it as described above, in the event of permanent cessation or a very slow rollout, its commercial interests will be further protected. This will be through the cash flows Telstra expects to receive from the ongoing operation of its copper Customer Access Network and HFC cable broadband networks in those areas where the NBN rollout has not occurred, and any ongoing payments it will receive from NBN Co under the terms of the ISA (see the ISA summary for further detail). On a permanent cessation of rollout, Telstra's network preference and disconnection obligations shrink to the NBN fibre footprint that exists at the time of the cessation. For a very slow rollout event, while compensation may be payable to Telstra (as described above), the parties' rights and obligations under the SA will otherwise generally be unchanged.
Non-alignment	Telstra or NBN Co may invoke a process which will result in an amendment to the SA if the other party engages in activities which have the effect of

dispute mechanism	substantially affecting the business of the affected party in particular markets. For Telstra, the markets are for mobiles or for the supply of retail services to consumers, businesses or governments in Australia. For NBN Co, the market is for provision of carriage services to premises. There are provisions which allow the parties to engage in certain activities in particular markets or by exercising particular rights, without triggering the amendment process.
Pay TV service	The disconnection obligations in relation to the Telstra HFC cable broadband network do not require Telstra to stop the use of the Telstra HFC cable for the supply of Pay TV services (such as by Foxtel).
Termination	Termination rights arise under the SA if: • a party demonstrates an intention not to be bound by the SA or to fulfil its obligations only in a manner substantially inconsistent with its obligations under the SA; • a party breaches the SA such that the other party is deprived of the substantial benefit of that agreement; • an insolvency event occurs in relation to the party; or • a party breaches its obligation not to assign or novate rights or obligations under the SA without the other party's consent. NBN Co and Telstra view the SA and the ISA as a package. Accordingly, if a party terminates the SA on one of the grounds described above (which apply equally in the ISA – see the summary below), that party may also terminate the ISA. If NBN Co terminates the SA or it is terminated through the change of law process under the IID, Telstra must not reconnect copper-based Customer Access Network services or broadband services on its HFC cable network provided to premises which it has been paid to disconnect, and will remain bound by its network non-disposal obligations in respect of those premises. However, Telstra will cease to be bound by the network preference and wireless promotion restrictions.

Infrastructure Services Agreement (ISA)

Topic	Summary
Purpose	The ISA contains the detailed terms for the long-term provision of access to three types of infrastructure and related services by Telstra to NBN Co: dark fibre links, rack spaces in exchanges, ducts and associated duct infrastructure (pits and manholes). Telstra retains property in all the infrastructure except for those Lead in Conduits ("LICs") used by NBN Co, which become NBN Co's property once used.

Term	The ISA has an initial term of a minimum of 35 years, with two options, each exercisable at NBN Co's option, of 10 more years each. The minimum 35 year initial term might extend to 40 years, depending on a number of factors including NBN Co's rollout schedule. Access to particular infrastructure units and payments for such use will commence progressively reflecting the progressive rollout of the NBN. This is expected to result in access payments for use of infrastructure over an average 30 year period, subject to a range of dependencies and assumptions over the life of the Agreement.
Infrastructure Included	Provisional specified lists of infrastructure and indicative rollout schedules for the initial build phases have been included in the ISA in relation to exchange rack spaces and dark fibre links. Finalising these lists into an initial rollout plan is a condition precedent to commencement (as described in the IID summary) of the DAs. Variations for those infrastructure types are permitted based on a range of factors and the party seeking the variation typically is responsible for the associated costs. Specified lists of ducts and LICs required by NBN Co are not included in the ISA, but are utilised on a rollout region basis and NBN Co will update Telstra periodically of its future infrastructure requirements for rollout. A brief description of each type of infrastructure is set out below.
Dark Fibre Access Services	Telstra agrees to provide NBN Co with the right to access and use dark fibre links. Telstra is responsible for the provision and remediation of existing dark fibre links to be used by NBN Co up to agreed fitness standards. Telstra must also provide ongoing maintenance and repair of those links used by NBN Co in accordance with agreed service levels.
Exchange Access Services	Telstra agrees to provide NBN Co with the right to access, occupy and use rack spaces in Telstra exchange buildings. NBN Co has the right to sub-licence these exchange spaces to access seekers to enable them to interconnect with the NBN. Telstra is responsible for the provision and remediation of a specified list of exchange spaces and associated exchange buildings to be used by NBN Co up to agreed fitness standards. Telstra must also provide ongoing maintenance and repair of those buildings.
Duct Access Services	Telstra agrees to provide NBN Co with the right to access, occupy and use duct sections and associated duct infrastructure (e.g. pits and manholes). Telstra is responsible for the remediation of that infrastructure up to agreed fitness standards and within agreed timeframes in each area as the NBN is rolled out. Telstra must also provide ongoing maintenance and repair of the ducts and associated duct infrastructure in accordance with agreed service levels.
Lead-in conduits (LICs)	Telstra initially agrees to provide NBN Co with the right to access, occupy and use LICs. Upon installation of a lead-in fibre in the LIC, NBN Co takes ownership of that LIC. Telstra has no remediation or service level obligations for LICs. Various

	mechanisms have been agreed to enable NBN Co to maximise use of Telstra LICs, including, in appropriate circumstances, the existing copper wire in the LIC being able to be connected to the new lead-in fibre and then used to "pull through" the new lead-in fibre. Once a LIC is transferred to NBN Co, NBN Co agrees to provide Telstra with the right to access, occupy and use the LIC at no cost to Telstra (e.g. for HFC cable used to provide Pay TV services).
Transit Network	Around 60% of the exchange spaces and all of the dark fibre links (which are required by NBN Co for its transit network) will be made available progressively over the first 3.5 years from execution of the DAs. This infrastructure will be delivered in a series of releases which will enable NBN Co to establish a series of interconnected fibre transmission rings.
Infrastructure Quantities	NBN Co has committed to pay for, and Telstra has committed to make available, certain minimum quantities of infrastructure which meets the agreed fitness standards. These minimum quantities reflect large volume levels of usage and availability and large scale access to each infrastructure type. The quantities can be reduced under specified circumstances. The payment and availability commitments are based on mechanisms known as "Provide or Pay" (or "PoP") and "Take or Pay" (or "ToP"). The PoP is an incentive mechanism to encourage Telstra to maximise the amount of infrastructure it makes available to NBN Co up to the agreed minimum quantities. Telstra will undertake remediation of infrastructure in order to maximise availability. The ToP is a mechanism to encourage NBN Co to maximise the use of the infrastructure that Telstra makes available. TOP/POP may result in a price adjustment during several key points during rollout. In the case of transit network infrastructure, there is no ToP because there is a committed order for that infrastructure. The PoP mechanism (and payments based on that mechanism) for transit network infrastructure is assessed at the end of December 2014. For the other infrastructure types, the ToP/PoP (and payments based on that mechanism) is assessed when NBN Co reaches rollout completion (i.e. 93% of premises have been passed by NBN or are otherwise adequately served), and is assessed and pro-rated if the rollout to premises ceases early based on the level of NBN Co rollout at the relevant time (see below on early cessation of rollout).
Timing of Delivery of Infrastructure	NBN Co retains full discretion over its rollout in terms of when premises are passed and when certain infrastructure is orderedand required to be delivered. However, on signing of the Definitive Agreements, NBN Co will have provisionally ordered its core transit network. Those orders are confirmed before Commencement (as part of the initial rollout plan which is a condition precedent) with each dark fibre link and transit related exchange space (i.e. that supports transit rings connecting a series of Rollout Regions) being finished no later than the end of December 2014. Telstra is obliged to complete each dark fibre ring and associated exchange rack spaces in accordance with the agreed transit rollout plan and in any event by the end of December 2014. This transit milestone date is subject to extensions of time for events such as force majeure. For non-transit related exchange rack spaces and ducts, delivery is scheduled, LICs may be used, and payment by NBN Co commences, to

	match the pace of NBN Co's geographic rollout.
Early cessation of rollout	Different infrastructure types are treated differently in the event of early cessation of rollout by NBN Co, and the cause of early cessation also gives rise to different outcomes. There are also consequences under the ISA if there is a very slow rollout by NBN Co (as further described in the IID summary). 1. Permanent cessation of rollout (other than for a Government change of policy) If a permanent cessation of rollout occurs other than as a result of a Government change of policy: • NBN Co remains contractually committed to pay for all transit related infrastructure (dark fibre links and certain exchange spaces), and is entitled to use that infrastructure if it chooses to do so, for the full 35-40 year initial term; • NBN Co remains contractually committed to all non-transit related infrastructure (certain exchange spaces, ducts and LICs) that are used or for which a firm order has been placed, but Telstra is generally not required to accept and NBN Co is not incented to place any new orders; and • If more than 20% of the expected number of premises are passed at the time of permanent cessation of rollout, ToP/PoP is brought forward to the permanent cessation date and the minimum quantities for the non-transit related infrastructure (and therefore the assessment for the ToP/PoP) are pro-rated based on NBN Co's level of rollout to premises at that relevant time. This will reduce the volumes of infrastructure services for which Telstra will earn revenue (compared with what would have occurred had the rollout reached 93% of the premises), but Telstra retains the benefit of operating its copper network in areas outside NBN Co's fibre footprint at it exists at the permanent cessation date (see Subscriber Agreement summary). 2. Permanent cessation of rollout – Government change of policy If there is a change of Government policy in relation to the NBN that results in a permanent cessation of rollout, then the same consequences apply as set out in 1 above, except that NBN Co may cancel dark fibre links and transit related exchange rack spaces that form part of a transit ring that has not yet been completed without penalty. There are some restrictions on this cancellation right – for example, NBN Co may not cancel dark fibre links and associated exchange spaces they have already started carrying live traffic. 3. Very slow rollout If there is a very slow rollout by NBN Co (as further described in the IID summary): • there is no early ToP/PoP assessment so NBN Co remains incented to place new orders, and Telstra remains generally obliged to accept them; • Telstra's timing obligations to remediate infrastructure, to bring it up to the agreed fitness standards, are lessened; and • if NBN Co subsequently plans to accelerate its rollout back up to an

	agreed rate, Telstra's original timing obligations for remediation are gradually re-introduced over time.
Consequences of non-performance	There are service levels specified for dark fibre links, exchange spaces and ducts in respect of faults and repair times. The service levels depend on the nature of the infrastructure type and the nature of the fault, as do the consequences that flow from the relevant service level not being met. There are also consequences if there is any delay in making infrastructure available, primarily monetary compensation (including damages), and cancellation rights which impact what infrastructure is counted as having been made available by Telstra for the ToP/PoP assessment. NBN Co can also cancel infrastructure units for certain Telstra breaches other than delay, and in the event of certain "shared risk" events such as prolonged force majeure.
Changes to underlying infrastructure	There are mechanisms agreed, depending on the circumstances, for Telstra to decommission, relocate, or dispose of the underlying infrastructure. In general terms, NBN Co has a range of protective rights to ensure that this does not occur without its knowledge and consent, including a rationalisation regime and potential participation in any asset disposal process of underlying infrastructure, depending on the circumstances and the extent to which its interests are affected.
Termination and expiry of the ISA	Termination provisions, which are replicated in the other agreements, arise if: • a party demonstrates an intention not to be bound by the ISA, or to fulfil its obligations only in a manner substantially inconsistent with its obligations under the ISA; • a party breaches the ISA such that the other party is deprived of the substantial benefit of that agreement; • an insolvency event occurs in relation to the party; or • a party has breached its obligations not to assign or novate rights or obligations under the ISA without the other party's consent. NBN Co and Telstra view the ISA and the SA as a package. Accordingly, if a party terminates the SA on one of the grounds described above (which apply equally in the ISA), that party may also terminate the ISA (and vice versa). Telstra may also terminate the ISA where NBN Co seeks a regulated outcome on any of the infrastructure during the term of the agreement, subject to some limited exceptions. Because NBN Co's infrastructure cannot easily be removed from Telstra's infrastructure, and ongoing operation of the NBN Co may be necessary post-termination, the consequence of termination is not the removal of NBN Co's plant and equipment, but the entry into a further access agreement. The terms of that agreement will be either the terms of the ISA (as appropriately modified to reflect it only applies to existing infrastructure accessed at the time of termination) or on market based terms (at the discretion of the innocent party). Where Telstra terminates due to NBN Co seeking regulated access, the terms will be based on a combination of regulated terms and market based terms. Similarly, on expiry of the ISA or the further access agreement, provision is made for NBN Co to continue to use the Telstra infrastructure which is at that

	time being accessed by it. NBN Co can choose to seek regulated access or to use that Telstra infrastructure on market terms.

Access Deed (AD)

Topic	Summary
Purpose	The AD documents the high-level commitments made by NBN Co to Telstra in respect of the terms of supply for NBN Co's Basic Service Offering (**BSO**) and the charging for certain wholesale supply services. As NBN Co's product and service offering remains under development, and will be subject to industry consultation, the complete terms of supply are not yet able to be agreed and documented. Nothing in the AD prevents NBN Co from complying with its legislative obligations not to discriminate between access seekers.
Commitment term	The commitments given by NBN Co under the AD will commence on the Commencement Date (being the date on which all CPs are satisfied or waived under the IID), and will continue for 5 years.
NBN Co to offer to supply BSO to Telstra	Once NBN Co commences the supply of wholesale products to Telstra, it must offer to supply the BSO to Telstra in respect of premises in the fibre footprint which are serviceable by NBN Co.
BSO components	The BSO will comprise specific product components and product features (various technical details are set out in the AD), including speeds of 12 Mbps downlink and 1 Mbps uplink at peak information rates (that is, best efforts internet with no quality of service commitments).
BSO price	NBN Co must not, in respect of the BSO: (a) charge Telstra more than $24 plus applicable taxes per month per SIO; or (b) make any submission to the ACCC seeking, or include in a Special Access Undertaking (**SAU**), a price that is more than the BSO price referred to above. However, if certain regulatory related events occur (including if the regulated price is increased), then NBN Co may increase the price of the BSO in a manner consistent with those events. Under the IID, there is an obligation on NBN Co to seek a price for the BSO in its submissions to the ACCC that is no more than the BSO price referred to above. This applies at all times before the Commencement Date.
Commitments not to levy charges for standard installations	In connection with the BSO and certain other product offerings: (a) NBN Co has committed not to levy charges on Telstra for "standard installations"; and (b) if an installation is not standard, NBN Co may only charge the additional costs above those incurred for a standard installation (and only if NBN Co has obtained the consent of Telstra or the end user to those charges).
Non-discrimination in terms of supply	If NBN Co makes any wholesale product available on terms more favourable than these terms then, in complying with its non-discrimination obligations, NBN Co will offer to Telstra the opportunity to vary the terms of supply so as to be non-discriminatory.

Termination	The AD will automatically terminate upon the expiry of 5 years from the Commencement Date. Termination rights arise under the AD if: • a party demonstrates an intention not to be bound by the AD or to fulfil its obligations only in a manner substantially inconsistent with its obligations under the AD; • a party breaches the AD such that the other party is deprived of the substantial benefit of the AD; • an insolvency event occurs in relation to a party; or • a party breaches its obligation not to assign or novate rights or obligations under the AD without the other party's consent. NBN Co may also terminate the AD if: • NBN Co validly terminates the SA or ISA (other than through the change of law process under the IID); or • Telstra commits (and fails to cure) a material breach of NBN Co's terms of supply.