2. FTTN Network cost estimates

Key point

Telstra and G9 estimate that the net present value (NPV) of FTTN build to approx 4 million premises would be [redacted]

ACCC-commissioned research

- The ACCC has commissioned two independent reports which sought to estimate of the cost of a similar FTTN rollout. [redacted]

[redacted]

FTTN Cost estimates

- The following table summarises Telstra's FTTN cost estimate, and the estimates received from ACCC-commissioned research.

	(a) Telstra	(b) G9	(b) Analysys	(c) Ovum
Premises served	4 million (approx)	4 million (approx)	5.6 million	4.5 million
Nodes required	[redacted]		17,734 + 2989 (existing) upgrade	23,437
Cost (NPV)			$2.5 billion	$1.4 billion

- Telstra's **confidential** cost estimates, disclosed to the ACCC in private discussions in 2006, included approximately [redacted]

- The Analysys report was prepared in early 2006. It focused on the incremental cost of deploying a FTTN network in the five major cities of Australia, focusing mainly on ULLS Bands 1 and 2. Its estimate was around $2.5 billion, inclusive of an amount of $500 million for assumed civil works costs (primarily for new ducts where it was not possible to blow the new fibre down existing ducts). [redacted]

- The Ovum report was commissioned in mid 2007. It focused on the comparative incremental costs of deploying a FTTN and FTTH network to 60% of ULLS Band 2 households (4.5 million premises). A key assumption in this report is that it does not include 'civil works' costs. Its base case estimate was $1.4 billion for FTTN.
- The Ovum estimate for FTTH network was between $2.2 and $4 billion dollars. The lower estimate rests on an assumption of significant reductions in the cost of deploying fibre as work crews became more experienced.
- All of the above cost estimates suggest that (when civil works costs are assumed away) the installation and maintenance of the cabinets ('nodes') account for vast majority of the costs associated with a FTTN network, perhaps as much as 90%. This equipment is network specific, in that it cannot be re-used in a hypothetical future FTTH network. In this sense, a FTTN network is not so much a stepping stone towards a future FTTH network as a distinct network alternative.