

## Media Release

### NBN Will Be Monumental Failure: iiNet Warns

**6 November 2008** - The Federal Government's National Broadband Network (NBN) is doomed to be a monumental failure and huge waste of almost \$5 billion of taxpayers money, Australia's third largest Internet Service Provider, iiNet (ASX:IIN) has warned a Senate Committee today.

iiNet Managing Director Michael Malone said the current Government policy and process was so fundamentally flawed, and lacking in customer focus, that not only is there a real risk the network will never built at all, but if it is, customers will end paying more and the majority of Australians will see no benefit at all for the extra cost.

"While the Government's policy was borne from good intent, it is now clear the Government has forgotten about the customers somewhere along the way," Mr Malone said. "They have misunderstood the need for regulatory policy reform and mishandled the process so badly that it is doomed to failure before it's even begun."

"The first priority and only test of the success for the NBN is that customers must be better off from it being built."

Mr Malone said through iiNet's own infrastructure investment, including DSLAMs in more than 300 exchanges, and competitive access to other existing infrastructure we can currently provide ADSL2+ to more than 90 percent of Australians living in metropolitan areas - with average speeds well in excess of the 12Mb/s promised by the NBN.

"If customers end up paying more for a slower product than they are receiving today why is the Government wasting almost \$5 billion of taxpayers' money?"

iiNet also told the Senate Select Committee on the National Broadband Network that Telstra's operational separation has not worked, failing to provide equivalence in a range of areas.

iiNet's Chief Regulatory Officer, Mr Steve Dalby, said it was critical that the NBN be owned and operated by a separate legal entity, structurally separate from any retail operator with a revised regulatory regime that guaranteed accountability and strong competition.

"The Government's failure to prescribe this under the current tender process has resulted in the small number of tender bidders and the uncertainty means existing carriers are under investing in the current environment," he said.

He said it was also essential that NBN delivers a truly open access national broadband service availability.

Mr Malone said the NBN must fix the existing "blackspots" and be built from the "outside in" to ensure regions currently not serviced by broadband are the first priority.

"The simple reality is that if metro areas are done first, then the regions will never be done. In five years, after overbuilding all of its competitors, Telstra will have a series of financial, technical or operational reason and will not proceed into the regions, or will do so at a snail's pace. The only way to ensure this doesn't happen is to start with underserved areas first and work inwards to the more lucrative, but already well served, metropolitan areas."

“This is a once in a life time opportunity to get it right. The NBN must be about delivering better outcomes for Australian consumers and a truly competitive, innovative environment. If it doesn’t deliver that it should not be built.”

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## About iiNet

iiNet was established in 1993 and listed on the ASX in 1999, growing from a small Perth business into the third largest Internet Service Provider in Australia. The Company now supports over half a million dial up, broadband and telephony services nationwide, with revenues of over \$375m, and proudly employs more than 1400 people in Perth, Sydney, Auckland and Cape Town.

iiNet’s goal is to lead the market with the best Internet access products and then differentiate with genuine, plain speaking customer service. The company has its own high speed ADSL2+ network reaching around 4 million households across Australia, the largest Voice over IP network in the country, and is delighted to have led yet again with Naked DSL, recognized by PC User Magazine as the 2007 Product of the Year.

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