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RUDD'S BROADBAND GAMBLE

Today's National Broadband Network announcement acknowledges the complete failure of the Rudd Government's broadband strategy.

The Rudd Labor Government has wasted 18 months and \$20 million on a failed tender process that has not delivered a single new broadband service to a home and won't for a long time yet.

Mr Rudd has broken his key election commitment to build a fibre to the node broadband network for 98 per cent of the population. He promised to commence building the network by late 2008. After a failed tender process, we now have an "implementation study" to consider how to build a network that will not be completed until at least 2018.

Mr Rudd has now conceded that his election promise was undeliverable. His initial commitment of \$4.7 billion has now blown out to a \$43 billion exposure for the taxpayer.

Labor has also decided to leave rural and regional Australia out of the fibre to the home (FTTH) network.

The key questions are: how much will the network cost families to use? When will it be ready? Will there be enough demand? How will competing technology affect the viability of the network?

Wireless broadband in Australia is moving ahead at a rapid rate. Over the last six months, 108,000 new customers signed up to fixed broadband but 650,000 new customers signed up to wireless broadband.

The Government has not provided any evidence of the economic viability of this project. What return will be needed for the \$43 billion investment? All Mr Rudd has said is that it must be commercial.

According to industry analysts, the venture would need to charge households and businesses at least two to three times the current average cost of broadband services. That is, households may need to pay up to \$200 per month to get access to the network.

No evidence has been provided that there will be sufficient demand for this service at prices that will deliver a commercial return.

This is a case of "build it and (hope) they will come."

No one else in the world has adopted this approach of a majority Government owned common carrier providing broadband services where the taxpayers carry the financial and technological risk.

Mr Rudd is building a second Telstra owned by the Government. With one Telstra having been sold to the public, Labor is now proposing to build a second Telstra to compete with the first.

Mr Rudd owes it to the Australian public to explain why the tender failed, what his detailed business plan is, and what risks the taxpayers will bear.

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