

# OVUM COMMENT

David Kennedy, Research Director at Ovum

## Telstra & Government both face dilemmas

“So far, commentary has focussed on how this affects Telstra. But it isn’t great for the Government either.

If Telstra stays out of the process, there are only two possible outcomes to the RFP process. The Minister could reject all of the alternative bids, or he could award funding to a non-Telstra bidder.

The first outcome would mean failure. The second would mean an all-out war between Telstra, the Government, and the alternative operator that would dramatically raise the cost and risk of building a national broadband network.

Telstra can’t be ignored, because the alternative operator needs Telstra copper wiring to build their network. And every bidder needs regulatory changes from the Government to justify their investment.

Whatever the outcome, it is hard to see the network being built without some kind of Telstra involvement, or without regulatory changes that the Government alone can achieve.

This is why the Government and Telstra will remain in dialogue, despite Telstra's proposal being rejected. As angry as they are with each other at this moment, they need each other as well."

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To arrange an interview with Ovum analysts or for further information, please contact:

**Asia-Pacific:**

Tanisha Kuckreja

Tel: +61 3 9601 6723

Email: [tanisha.kuckreja@ovum.com](mailto:tanisha.kuckreja@ovum.com)

**Europe, Middle East and Africa:**

Maria Di Martino

+44 (0)2076757529

Email: [maria.dimartino@ovum.com](mailto:maria.dimartino@ovum.com)

**North America:**

Sara Kaufman

Tel: +1 617-722-4602

Email: [sara.kaufman@ovum.com](mailto:sara.kaufman@ovum.com)

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