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Office of the Company Secretary

The Manager

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ELECTRONIC LODGEMENT

Dear Sir or Madam

Commonwealth excludes Telstra from National Broadband Network RFP Process

In accordance with the listing rules, attached is a media statement for immediate release to the market.

Regards

A handwritten signature in black ink, appearing to read "C. Mulhern".

Carmel Mulhern
Company Secretary

Commonwealth excludes Telstra from National Broadband Network RFP process

Telstra has been informed that the Commonwealth has excluded it from the National Broadband Network (NBN) request for proposals (RFP) process.

Telstra's Chairman, Mr Donald McGauchie, said: "The decision to exclude us from the RFP is the Commonwealth's decision to make. But Telstra is the only company to have submitted a proposal with a real financial commitment – of \$5 billion. And Telstra is the only company with the existing network, technical know-how, world-leading vendor, skilled workforce, established wholesale systems and proven track record of building world-class networks.

The reasoning given by the Commonwealth for the exclusion is that Telstra did not include a plan for how to involve small and medium enterprises (SMEs) in the building of the NBN when Telstra lodged its NBN proposal on 26 November. Telstra considers it has fully complied with the RFP requirements (which did not require a SME Plan to be lodged as part of the RFP Proposal itself) and that the Commonwealth has used a peripheral issue to exclude Telstra.

"Telstra provided its SME Plan to the Government in early December and, in Telstra's view, in accordance with the RFP," Mr McGauchie said.

"The Commonwealth could hardly have dreamed up a more trivial reason to exclude Telstra from the NBN. This is a process that seemingly excludes bidders on such trivial and legally questionable technicalities but doesn't take any action on material issues such as financing and having the technical capability to build the network.

"What is even stranger is that the Minister has ample powers to accept Telstra's SME Plan under the RFP and have his Expert Panel get on with a process that includes Telstra.

"Telstra has sought to build a world-class NBN since mid-2005 and we have seen a range of government processes come and go, none of which have resulted in any decision to build. Throughout this time, Telstra has successfully pursued its business strategy and has not allowed itself to be distracted."

As well as its ADSL and ADSL2+ services, Telstra will continue to invest in its Next G™ and Hybrid Fibre Coaxial (HFC) cable networks to ensure we deliver Australia's best broadband experience. Telstra's Next G™ network delivers wireless broadband services at 14.4Mbps peak network speeds to 99 per cent of the population, with 21Mbps being deployed at present and available early next year. Telstra's BigPond Cable Extreme is available to more than 1.8 million Sydney and Melbourne homes and businesses at up to 30 Mbps, and up to 17 Mbps in all other parts of Telstra's HFC network.

The NBN is Australia's most critical infrastructure, underpinning future economic prosperity and social cohesion. If future generations bear the costs of a substandard NBN, today's decision will be seen as a turning-point in the nation's history.

This is the largest, most complex NBN build anywhere in the world. Australia now risks being the only country ever to build an NBN without the existing fixed network owner in the most difficult financial climate in decades.

Telstra's national media inquiry line is 1300 769 780 and the Telstra Media Centre is located at:
www.telstra.com.au/abouttelstra/media