

Malcolm Turnbull's \$20 billion NBN bailout



Prime Minister Malcolm Turnbull. Picture: Ray Strange

[Joe Kelly](#), [Supratim Adhikari](#), The Australian, 12:00AM November 19, 2016

The Turnbull government will borrow almost another \$20 billion to shore-up the rollout of the National Broadband Network despite repeated assurances it would not exceed the Coalition's \$29.5bn investment cap.

Labor immediately accused the government of a broken promise and warned the surprise provision of a \$19.5bn loan to NBN Co would substantially increase the federal government's financial exposure to the project because of the failure to source private debt funding.

Finance Minister Mathias Cormann and Communications Minister Mitch Fifield yesterday issued a statement revealing the government had decided to provide the remaining \$19.5bn for the broadband rollout through a government loan on commercial terms.

Malcolm Turnbull told the Business Council of Australia on Thursday night it could take "about 20 years" before the NBN was privatised. "It might be sooner than that but it will be a while," the Prime Minister said. "Mathias Cormann would not complain if it was sooner of course."

Senator Cormann told The Weekend Australian that "no decision" had been made on timing for the future NBN privatisation.



[More: Canberra plugs NBN hole](#)



[More: NBN Co lifeline 'secures' rollout](#)

Conceived by the Rudd government in 2009 to deliver a fibre- to-the-premises network to 93 per cent of homes, the NBN has been criticised for failing to meet targets because of delays caused by negotiations with Telstra and construction problems.

Almost 1.5 million premises across Australia have an active NBN service and more than 3 million premises are ready to receive a service, with the company due to complete its rollout early next - decade.

The \$19.5bn loan will increase gross debt in the short term, though it will be reflected as a budget saving by the government.

Yesterday's decision heightened suspicions the NBN was unable to raise private finance because of the risks associated with the nation's largest infrastructure project. The loan starts in 2017-18 and will be drawn down gradually on a monthly basis, as required, to be repaid in full by 2020-21. The government yesterday argued it was the most "cost-effective" way to finish the project. "A government loan on commercial terms represents the most cost effective way to raise the debt and secure funding to complete the rollout ... the government's equity contribution of \$29.5bn to NBN Co is expected to be fully used in the current financial year," Senators Cormann and Fifield said.

Senator Cormann told The Weekend Australian the loan would not negatively affect the budget and would leave the nation's finances stronger. He said the government loan was consistent with arrangements that would apply if NBN had raised the debt from private markets. "The net effect of additional public debt interest paid (on government borrowings) and the interest payments received from NBN is a positive impact on the underlying cash balance," he said.

Opposition communications spokeswoman Michelle Rowland said: "The Australian people deserve to know what has led Turnbull to backflip on this position. "Was the government advised that private lenders were lacking confidence in the Coalition's NBN and the long-term liability of using copper?" Chief executive Bill Morrow said the NBN had been advised of the government loan covering the total \$49bn peak funding base case and argued it was in the "best interest of the Australian taxpayer". "With security of funding in place, we are focused on the job at hand of building the network and providing fast broadband access and universal connectivity to all Australians by 2020." he said.

Ovum Research telecom analyst Craig Skinner said the NBN "started off as an election promise and the economic rationale and challenges just weren't laid out to the public in a clear way. "Delivering fast, cheap broadband to all households was going to be very difficult but the rhetoric suggested that you could have it all."

Michael Sparksman, managing director of OPENetworks, a commercial private alternative to the NBN, warned the government loan was an admission the project was too risky to have raised the - finance by going to the markets. "No one will refinance a fibre-building company that is making operational losses as well as capital losses and never meets its projections unless the government is prepared to write-off the substantial capital debt of \$30bn that the taxpayer has already invested," he said.