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HD **Telstra wins again with NBN deal**

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A revamped deal between the NBN Co, Telstra and Optus covering the rollout of the government's hybrid broadband network is a milepost in a long journey, but an important one.

Cabinet was set to consider the new deal on Tuesday. Telstra's board and Optus's parent, Singtel, were in the wings, ready to approve it once cabinet agreed. Announcements are expected as soon as Sunday, and contracts as thick as old Telstra telephone directories should be signed before Christmas.

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The Australian Competition and Consumer Commission will take months more to review the contacts, but agreement on co-operation and terms is a breakthrough.

As part of the deal, NBN Co will acquire the hybrid fibre coaxial (HFC) cable networks that Telstra and Optus rolled out in the mid-90s with their pay TV offers. It will upgrade and **merge** them, fill gaps in their coverage, and use the HFC to accelerate its broadband rollout.

The government's hybrid broadband plan replaces Labor's national fibre to the home network, and patches together fibre to the home, fibre to the neighbourhood node and the Telstra and Optus cable.

It is significantly different architecture to Labor's but Telstra's demand that it be "kept whole" on its original $11.2 **billion** deal with Labor and the NBN Co is going to be met, and then some.

Telstra's original deal was valued at $11.2 **billion** on a net present value basis that discounted payments that were to flow over decades. Actual payments over 55 years were estimated at $98 **billion**. The new deal should lock that value in and add to it, because Telstra will also be paid as an adviser to the rollout and construction overseer.

The government for its part can seize on the announcement that a deal has been struck to argue that it is making things happen. Its next big challenge however is to demonstrate that its revised rollout is on budget.

The hybrid fibre network was costed at a maximum of $41 **billion** a year ago, but in its 2014-2017 corporate plan last month, NBN Co said there were too many unknowns including the incomplete negotiations with Telstra and Optus for it to make forecasts for the final two years of the plan "with a reasonable level of confidence".

With the Telstra and Optus negotiations finalised, it remains on course for what Communications Minister Malcolm Turnbull and Finance Minister Mathias Cormann say will be a more detailed corporate plan next year, covering 2015, 2016 and 2017.

Whether they arrive then or earlier, more complete projections are certainly going to be interesting.

One question is whether the hybrid project's revenue trajectory will hold up despite its exclusion of higher-speed, higher-price services that were to be available on Labor's fibre to the home network. The very early takeup of the fastest, highest price option on Labor's NBN was 23 per cent.

The good **oil** story

Another slide in the **oil** price sent the sharemarket into another nosedive yesterday, but the case remains that a lower **oil** price creates winners as well as losers.

As I mentioned last week, **oil**'s 40 per cent price plunge since the middle of this year does create risks, for those who sell **oil** and those who finance them.

**Oil company** earnings are tumbling, and companies that have heavy debt loads including ones operating in the US shale **oil** sector are exposed. **Oil** producing countries with weak balance sheets are, too. Russia is the standout there.

After analysing what it says is basically a transfer of income from **oil** exporting countries to **oil** importing countries, BNP Paribas finds more national winners than losers, however.

A fall in the **oil** price of $US10 a barrel should boost US GDP by about 0.3 per cent, it says. The same price decline could boost the Eurozone's GDP by about 0.4 per cent, although the European Central Bank might still ease monetary policy as it struggles to fend off deflation.

Australia's GDP should rise by about 0.1 per cent as a result of a $10 a barrel price drop, BNP says. It also says that a $10 price drop should deliver an across-the-board growth boost to Australia's most important trading region, Asia, including a growth boost of 0.2 per cent for **China**.

There are losers, of course. A $10 a barrel cut costs Russia 0.5 per cent of GDP on BNP's **oil** price ready reckoner, and costs Canada and Norway 0.2 per cent of GDP. Most of the world is on the right side of BNP's long-term **oil** price slide ledger however. That's something worth keeping in mind as the markets whipsaw.

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