

BACKHAUL BLACKSPOTS INITIATIVE
STAKEHOLDER CONSULTATION RESPONSE
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ABIGROUP TELECOMMUNICATIONS, a division of ABIGROUP CONTRACTORS PTY LTD.



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1.0 Introduction.

Abigroup is an enthusiastic supporter of the recently announced National Broadband Network ("NBN"). The NBN network will bring incredible benefits to Australia and improve the quality of life of most Australians.

The NBN will be the driving force behind a new digital economy, driving market efficiencies and productivity and helping create jobs through its creation and for the future.

The NBN will be an enabler that will facilitate major reductions in carbon emissions. For example, smart grid management will allow power generators to make power distribution more efficient and reliable

The NBN will help in most sectors of the economy including aged and health care, education, transport and smart infrastructure and will provide Australians with huge benefits by driving productivity through emerging services and technologies

1.1 Initiative Appreciation

Abigroup is aware of the lower service levels and lack of access to competition in areas where backhaul is not available to ISP's at a competitive metro comparable price.

Blackspots generally come about in areas where the ability to provide metro comparable services is not economically viable. Unfortunately the ability to continue to stimulate the regional economy without new advances in the digital economy can have a negative effect on such areas.

There are many areas of Australia that will be represented as the areas of the greatest need with respect to backhaul blackspots and this information will be submitted as part of a response by wholesale entities that have an interest in network architecture and long term ownership

Abigroup has taken the approach that the best overall blackspot design will be done by others who will want equity in the NBN Company. In line with our core strengths, Abigroup will be a key provider of the professional and hard contracting services required to build this infrastructure, drawing on our vast telecoms experience and one of the largest plant fleets in Australia.

Abigroup has also been involved in many major Government Projects and is keen to explore, along with our structured financing partners, arrangements for the funding of the links and the delivery of the services under an agreed funding structure. The various structured finance options include Public Private Partnerships ("PPP"), Build Own Transfer ("BOT") and Build Own Operate Transfer ("BOOT"). We have concentrated on the PPP model as it has been favoured by the State Governments as a low risk delivery model for high value projects; however we are open to dialogue on all financing structures

2.0 Abigroup

2.1 Introduction

Abigroup Limited is one of Australia's largest and most successful construction contractors. We have earned our reputation as a leading construction company through our commitment to excellence, our years of experience and our dedicated team who are leaders in their respective fields.

Abigroup is a wholly owned subsidiary of Bilfinger Berger Australia Pty Ltd, a subsidiary of Bilfinger Berger AG of Germany - a leading international multi-services organisation and one of the world's top ten construction companies.

Abigroup's vast national experience encompasses the building, civil engineering mining, water and telecommunication sectors. Abigroup understand the challenges presented by large scale projects having participated in complex projects ranging in diversity from Sydney's M7 Westlink Motorway to Telecommunication network deployments across Australia, New Zealand and PNG, to the Partnerships Victoria Schools PPP currently underway.

2.2 Experience

Abigroup have the program and project management expertise to deliver on the planning, construction and commissioning of backhaul infrastructure in line with the objectives of the Backhaul Blackspots initiative.

Our people have delivered projects across the length and breadth of Australia, the technical specialists of our Telecommunications division, combined with our overarching commitment to design and construction excellence; make Abigroup the optimum delivery partner.

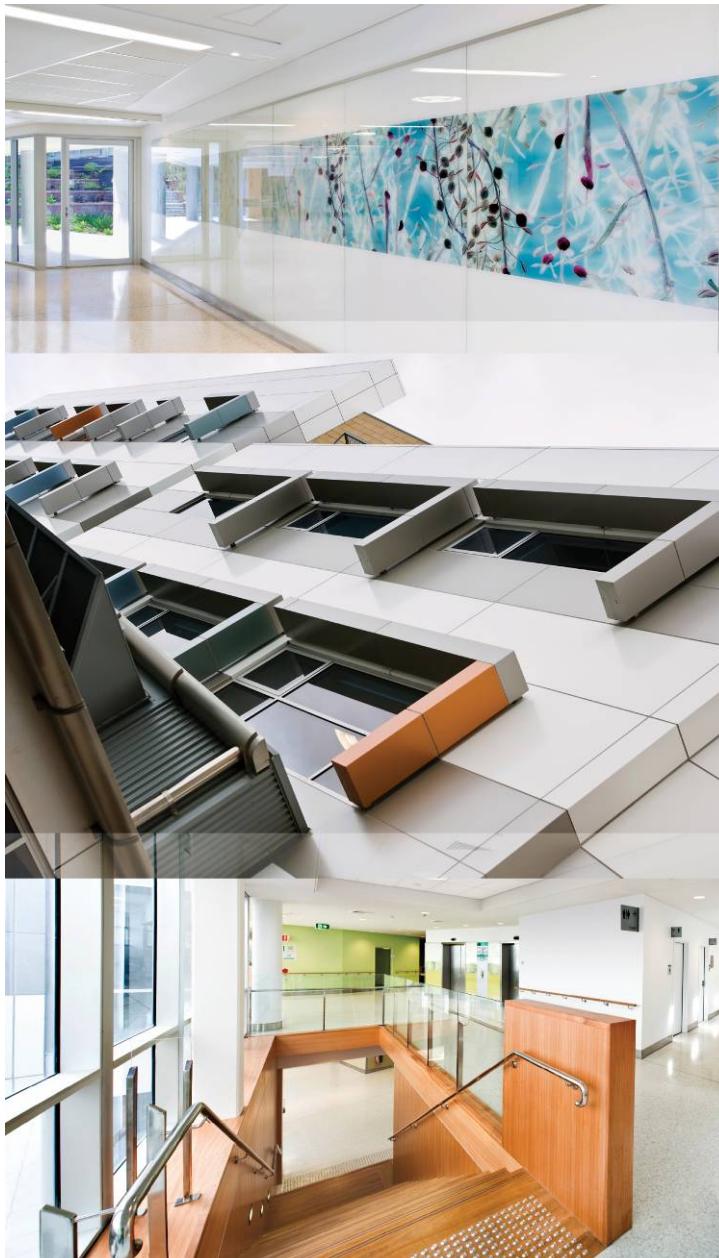
2.2 Regional Economic Growth

Abigroup is committed to train and employ local staff in regional areas to provide economic benefit to the areas (outlined by others in the responses) designated as the optimum areas for this new network initiative. It is imperative that these rural communities have local staff responsible for the operations and maintenance of the NBN infrastructure. Our commitment to providing sustainable growth in regional areas through local employment and training is exemplified by the many regional projects Abigroup has undertaken over the years and its status as a Registered Training Organisation (RTO).

Westlink M7 (Sydney, NSW)	
Description	A 40km two lane dual carriageway motorway linking the M5 to the M4, the M2 and delivered under a PPP model.
Role	Construction was undertaken by Abigroup in a JV with another contractor. Abigroup committed 10% of equity to the project with works completed to a contract value of \$1,564m.
Performance	Contract Duration February 2003 - August 2006 (42 months). Actual Duration February 2003 - Dec 2005 (34 months).
Client reference	Henry Larrea RTA Ph: 0411 258 806 , Greg Humphrey RTA Ph: (02) 8814 2006, Flan Cleary, Westlink Ph: (02) 8882 1613



Mater Calvary Hospital Newcastle (Newcastle NSW)	
Description	\$175m Public Private Partnership project with the private sector responsible for design, construction, financing, maintenance and provision of selected services relating to the redevelopment of the Mater Calvary Hospital Newcastle, a new 96-bed acute mental health facility on site and two extra radiation therapy bunkers and linear accelerators with a concession period of 28 years.
Role	Abigroup was a Consortium Sponsor and the Design and Construction Contractor. The project was delivered under PPP model with Abigroup accepting all risks.
Performance	Construction is well underway having commenced in 2005 with progressive handovers taking place up to August 2009. Feedback to date has been positive with the site being awarded the MBA NSW Site Safety – Commercial Projects \$50,000,001 and over as a joint winner.
Client reference	Colin Osborne, General Manager, Calvary Mater Hospital Newcastle. Phone: (02) 4921 1348



Partnerships Victoria in Schools PPP (Metropolitan Melbourne, VIC)	
Description	<p>The project consists of 11 new schools at Point Cook North, Truganina South, Derrimut, Kororoit Creek, Taylors Hill, Craigieburn West, Mernda Central, Lyndhurst, Casey, Cranbourne North East and Cranbourne East. Comprising eight primary schools, one secondary school, one prep to year 12 school and one prep to year 9 school, under the state's partnerships Victoria policy.</p> <p>Abigroup's objective is to deliver the 11 new schools (on separate greenfield sites) that will provide high quality, flexible, world-class teaching and learning environments to support excellence in educational outcomes. Wherever possible the school sites are co-located within Public Open Space and Community Activity Centres to provide the opportunity for the sharing and enhancement of social infrastructure.</p> <p>The sites comprise, but are not limited to, the construction of teaching buildings incorporating learning centres, administration buildings, amenities; gymnasiums including amenities, food preparation and service and learning centres; external works including site services, car parking, circulation paths including covered ways, hard and soft sporting fields including equipment, facilities stores, outdoor learning areas, decks, seating and landscaping.</p> <p>Construction will be to Green Start 5 Star Education PILOT, with wetlands on all schools. Five schools to be completed in the first year, and six in the second year.</p>
Role	Abigroup is the D&C Contractor for the PPP.
Performance	Works have commenced on this flag ship project and are due for completion by 1 Jan 2011.
Client reference	Anthony Lubofsky, Project Director, Department of Education and Early Childhood Development, (03) 9651 0217 or lubofsky.anthony.d@edumail.vic.gov.au .



TELSTRA 3G 850 BACKHAUL LINK PROJECT

Description	<p>Abigroup was awarded the I&C contract to upgrade Telstra's existing 'Backhaul' network using Longreach and SIAE Digital Radio PDH Technology HSB and SD+HSB. This was to assist Telstra with their new 3G 850 network rollout by expanding the number of 2 Meg tribs to each 3G site. This work was spread over approximately 50 links most involving multiple hops.</p> <p>Abigroup's scope involved the installation of new antenna mount steelwork, Solid 1.8m Andrew Antennas, up to 3.6m GridPak Antennas, all the internal equipment which included new alarm systems, the removal of redundant antennas and mounts after the new link was operational and the traffic had been cutover to the new link. Also, when required, measured the tension on the guy wires on the guyed masts and re-tensioned them to the correct values.</p>
Role	Installation and Commissioning Contractors for Backhaul upgrades in Rural NSW.
Performance	All work was carried out without the loss of any traffic on all links worked on.
Client reference	Kevin Ryan Project Delivery Manager Wireless Phone 02 88512899, Fax 02 88512399



Nokia Optus JV 3G Deployment

Description	<p>The Nokia 3G Phase 1 & 2 Project for the Optus and Vodafone's joint venture saw Abigroup provide turnkey activities with Nokia's partners, including site acquisition, planning and design through to construction.. Our solid project management skills and initiative deployment methodology was the key to delivering high quality and timely milestones over three states during the project, in line with the Joint Venture rollout forecasts.</p> <p>The majority of sites were equipment upgrades from 2G to 3G (447 sites), although there were also 56 Outer Metro Greenfield sites included in the mix across the three regions. Sites ranged from Rooftops to Guyed Masts, Monopoles to High voltage Towers.</p>
Role	Site Acquisition, Environmental Planning and Design and Construction
Performance	Delivered all key elements of the turn key project
Client reference	John Stefanac – (formerly) Nokia VP South East Asia (now President Sth East Asia, Qualcomm) jmstefanac@qualcomm.com + 852 2537 5000



Optus Fibre Works Nationally	
Description	<p>Abigroup Telecommunications is currently engaged in ongoing works with Optus Access Network Engineering installing Fibre Optic Transmission Links to Optus Mobile Base Stations and Customer premises. The works performed to date cover both metropolitan and rural regions of Victoria, South Australia, Queensland and Western Australia.</p> <p>Abigroup is on a panel of preferred suppliers to provide Optical Fibre Construction works to Optus across Australia. Entry to this select panel was via successful tender and is a testament to the strong relationship Abigroup has built with Optus through years of quality and timely work in the wireless space.</p> <p>Our specialist team is in the process of completing 43 sites with positive feedback on the 23 completed to date, and the anticipation of more sites to follow.</p> <p>Scope of works includes:</p> <ul style="list-style-type: none"> Boring, Plough and Trenching Hauling and Overhauling Cable preparation, Enclosure preparation and Splicing Fault Finding, Testing and Commissioning Update to 'as-built' status of design documentation, Handover of commissioned Optical Fibre cable test results.
Role	Design of Optical Fibre cables to both GSM, Hub and Customer sites and Construction of Optical Fibre cables to GSM, Hubs and Customer sites
Performance	Positive feedback to date
Client reference	Brett Pack, Manager – Business and Project Management, Optus Access Networks Ph: 02 8082 3049



Adelaide Desalination plant	
Description	\$1.347 billion Desalination plant to be constructed at Port Stanvac, South Australia has recently announced the preferred bidder status of the Adelaide Aqua consortium of which Abigroup a member. The multi-national consortium also includes Spanish firm Acciona Agua, United Utilities, and McConnell Dowell
Role	D&C
Other	As this project has not commenced yet, it is cited here only as an example of Abigroup's ability to engage with Government to deliver Major infrastructure projects.

2.2 Expertise

Regional Coverage

Abigroup's ability to mobilise staff across Australia is core strength. Our offices in major capital cities are supplemented by project offices and workshops scattered across the country.

Whether sending technicians across Rural NSW to upgrade Telstra's Backhaul or staffing our plant yard in Wodonga, we understand that speed of delivery is crucial and our pre-project planning ensures the most efficient and speedy deployment of experienced resources.

Our status as a Registered Training Organisation (RTO) has proven immensely beneficial when moving into more remote sites. In Geelong, our Engineering team were able to employ local residents, providing new skills and benefitting the local economy.

Plant and Equipment

Abigroup has one of the largest contractor fleets of earthmoving and construction equipment in Australia. Our plant fleet is accessible and available for Major Projects such as the NBN and can be easily mobilised right throughout the country to make a significant impact on any large scale project in a short period of time.

Proven systems and procedures

Abigroup's Integrated Management System has guided the delivery of numerous projects across Australia. Its underlying systems and procedures represent a proven and certified methodology to deliver quality works within a framework that is safe and minimises impact on the environment.

Abigroup endeavours to maintain a superior level of customer satisfaction, a highly trained and skilled workforce and a safe and secure work environment for all its employees.

Our management systems are certified to the following Australian and International standards and we hold accreditation from the Federal Safety Commissioner:

AS/NZS ISO14001:2004 – Environmental management systems – Requirements with guidance for use.

AS/NZS 4801:2001 – Occupational health and safety management systems

AS/NZS ISO9001:2000 – Quality management systems – Requirements

3.0 Structured Finance

3.1 Benefit of PPPs

The introduction of private finance generates a better value outcome for the public sector by creating efficiencies that are not available through traditional procurement and also generates greater certainty of the financial outcome. Efficiencies are driven by incentives and ensuring greater accountability, in turn ensuring services are provided as soon as possible, rather than further down the track when public finance dictates.

Allen Consulting and the University of Melbourne research published during November 2007 (attached¹) shows that PPPs have superior cost efficiency over traditional procurement. Further traditional projects are more likely to have time over-runs compared with PPPs and over-runs are more substantial for large, complex projects. PPPs provide timing certainty and often through incentive schemes, projects are delivered early, which brings forward the value to the community.

Using private finance also overcomes any short term public sector recurrent budget constraints that may exist, by deferring payments over the longer term. This allows the public sector to use available funds for other projects. Private sector financing generates an optimal capital structure by accessing cost effective financing, as well as minimising, where possible, the use of the public sector's balance sheet.

Further, private finance facilitates better life cycle planning by transparently recognising the costs and risks associated with the whole life of the required service. Private finance also allows access to skills, both finance and project skills which will provide economic and social benefits to the community.

¹ *Performance of PPPs and Traditional Procurement in Australia – Allen Consulting & The University of Melbourne*



Research Paper

Private finance facilitates innovation by promoting a competitive tendering process, which also ensures that a rigorous financiers' due diligence process is also undertaken, this ensures that the best financing solution is provided to the State. This also includes ensuring efficient project delivery.

With the private financier driving the optimal outcome for the public sector, it will focus the D&C contractor and operator on providing the lowest fixed cost.

Last, private finance achieves the optimal allocation of risks by allocating risks to those most capable of managing them. This allows the public sector to focus on its core functions.

Other Advantages include:

- Fast, efficient and cost effective delivery of projects;
- Value for money for the taxpayer through optimal risk transfer and risk management;
- Efficiencies from integrating design and construction with financing, operation and maintenance;
- Creation of added value through synergies between public authorities and private sector companies, in particular, through the integration and cross transfer of public and private sector skills, knowledge and expertise;
- Alleviation of capacity constraints and bottlenecks in the economy through higher productivity of labour and capital resources in the delivery of projects;
- Competition and greater construction capacity (including the participation of overseas firms, especially in joint ventures and partnering arrangements);
- Accountability for the provision and delivery of quality public services through an incentivised performance management/regulatory regime; and
- Encourages innovation and diversity in delivery.

3.2 The Commonwealth and PPP

The Commonwealth Department of Finance and Deregulation has a comprehensive PPP policy and delivery framework including a specialist Public Private Partnerships Unit whose primary role is to:

- Provide advice to the Australian Government and government agencies on the use of PPP arrangements;
- Assess specific PPP proposals; and

- Oversee, on behalf of the Australian Government, the application and development of PPP policy.

To date, the three Commonwealth PPPs have been limited to the Defence sector – HQJOC, Single LEAP 1 and Single LEAP 2 (bidding in progress).

More recently at the Commonwealth level Infrastructure Australia has embraced PPPs as a procurement method and has published National Public Private Partnership Policy and Guidelines and Draft Commercial Principles for Economic Infrastructure.

3.3 Current Market Conditions

Whilst there has been a lot of press about the changed landscape for private sector financing due to the global financial crisis, there remains considerable private sector financing available. In addition, the strength of the Commonwealth cashflows to this project, mean that additional funding sources will be available in addition to bank debt, including capital markets and hybrids that are not always available for State projects.

4.0 Issues for Consultation

4.1 Operational and Ownership arrangements

Abigroup and its structured financing partners are interested in a Public Private Partnership funding structure for substantial parts of the NBN network. These network project components would need to be around \$100M or greater to provide the required framework, scale and the risk / reward profile for all interested parties to make this type of structured finance proposal viable. We welcome any further opportunity to engage with you to discuss our proposal and to look at the detail of how we might structure such an acceptable outcome for all parties

5.0 Conclusion

Abigroup is interested in being involved in the Backhaul Blackspots initiative regardless of its finalised structure. Abigroup's strength combined with the integration of a PPP, BOOT or BOT financing model has the potential to deliver significant benefits to the NBN as a whole. By apportioning delivery risk to Abigroup and its structured financing partners both the Government and taxpayers of Australia can expect optimal project outcomes.

We look forward to further engagement with you to discuss our proposal in more detail.

6.0 Key Abigroup Contacts

For further discussion regarding any of the content of this submission, please contact, in the first instance:

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