

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
ADDITIONAL ESTIMATES 2016-17

Finance Portfolio
28 February 2017

Department/Agency: Finance
Outcome/Program: 2/2.1
Topic: NBN average revenue per user

Senator: McAllister
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Question:

Senator McALLISTER: I want to come back to the NBN from a GBE perspective rather than a budget perspective. Is the Department of Finance aware that, in response to question on notice 145, the NBN has revealed a revised upwards revenue forecast in the 2017 corporate plan and increased the internal rate of return by 0.4 per cent?

Ms Huxtable: Yes. We would be aware of that. We reviewed their corporate plan.

Senator McALLISTER: If these revisions to revenue forecasts had not been made, what would have been the internal rate of return for the NBN?

Mr Jagers: The internal rate of return is presented as a range. It was 2.7 to 3.5 per cent as a range. It has been increased to a range of 3.2 to 3.7 per cent. So the IRR has improved as a result of those higher revenue near term forecasts and as a result of essentially higher data usage than originally anticipated.

Senator McALLISTER: In the half yearly results for 2016, the average revenue per user remained constant at \$43. Is that consistent with the evidence you have just provided? Can you explain the seeming discrepancy between those two pieces of information?

Mr Jagers: I am sorry, but I do not have that piece of information in front of me that you have just referred to.

Ms Huxtable: Senator, I know that NBN representatives are appearing this evening in the communications portfolio. Getting into detailed questions around the rate of return and the assumptions sitting under that is probably better directed to them than us.

Senator McALLISTER: I am conscious that the minister is the shareholder minister for the NBN.

Ms Huxtable: Sure. We can take it as best we can.

Answer:

There is no discrepancy in the information provided. Average Revenue Per User (ARPU) is a point in time measure whereas the Internal Rate of Return (IRR) is a forward looking calculation of projected returns to 2040. Measuring changes in ARPU between periods is not indicative of future growth out to the period 2040. As noted in NBN's 2016-17 Corporate Plan, monthly ARPU is forecast to increase from \$43 in FY16 to \$52 in FY20.