Parliamentary Budget Office

Boost Fibre and Fast-Track the NBN Repair Job	
Party:	Australian Labor Party
Summary of proposal: The proposal would expand full-fibre National Broadband Network (NBN) access to 1.5 million premises by 2025. The proposal has a start date of 1 July 2022.	

Costing overview

The Parliamentary Budget Office (PBO) has determined that the financial impact of this proposal is unquantifiable due to the uncertainty in the financing mechanism to be developed in consultation with the NBN Co.

The financial impact of this proposal on the budget could vary significantly depending upon the method of financing chosen. Financing methods range from fully commercial borrowings (with no impact on the budget), through concessional loans from the Australian Government to an equity injection. The potential financing methods impact differently on the budget and involve different levels of expense and risk for the Australian Government.

The proposal would have an impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications over the period to 2032-33 is provided at Attachment A.

Consistent with *PBO Guidance 02/2015*, public debt interest expense impacts have been included in this costing. This is because the financing methods such as equity injections and concessional loans in this proposal would involve financial asset transactions.

Table 1: Financial implications ($m)

	2022-23	2023-24	2024-25	2025-26	**Total to 2025-26**
Fiscal balance	*	*	*	*	*
Underlying cash balance	*	*	*	*	*
Headline cash balance	*	*	*	*	*

* Unquantifiable.

Attachment A – Boost Fibre and Fast-Track the NBN Repair Job – financial implications

Table A1: Boost Fibre and Fast-Track the NBN Repair Job – Fiscal balance ($m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	**Total to 2025-26**	**Total to 2032-33**
Total (excluding PDI)	*	*	*	*	*	*	*	*	*	*	*	*	*
PDI impacts	*	*	*	*	*	*	*	*	*	*	*	*	*
Total (including PDI)	*	*	*	*	*	*	*	*	*	*	*	*	*

* Unquantifiable impact.

Table A2: Boost Fibre and Fast-Track the NBN Repair Job – Underlying cash balance ($m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	**Total to 2025-26**	**Total to 2032-33**
Total (excluding PDI)	*	*	*	*	*	*	*	*	*	*	*	*	*
PDI impacts	*	*	*	*	*	*	*	*	*	*	*	*	*
Total (including PDI)	*	*	*	*	*	*	*	*	*	*	*	*	*

* Unquantifiable impact.

Table A3: Boost Fibre and Fast-Track the NBN Repair Job – Headline cash balance ($m)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	**Total to 2025-26**	**Total to 2032-33**
Total (excluding PDI)	*	*	*	*	*	*	*	*	*	*	*	*	*
PDI impacts	*	*	*	*	*	*	*	*	*	*	*	*	*
Total (including PDI)	*	*	*	*	*	*	*	*	*	*	*	*	*

* Unquantifiable impact.

Attachment B – Accounting treatment of concessional loans

A concessional loan is a loan provided on more favourable terms than the borrower could obtain in the financial market. The most common concession is a below-market interest rate, but concessions can also include favourable repayment conditions. The income contingent loans available through the Higher Education Loan Program are an example of concessional loans offered by the Australian Government.

Budget impact[1]

The accounting treatment of concessional loans differs across each budget aggregate. The underlying cash balance only captures actual flows of interest related to the loans. The headline cash balance captures actual flows of principal as well as interest. The fiscal balance captures accrued interest, the value of the concession and any write-offs related to the loans. The interest cost of financing these loans is captured in all budget aggregates, and is separately identified by the PBO.[2] Table B1 provides information about the detail provided in a costing. The provision of concessional loans decreases the Australian Government's net worth if the liabilities issued (the value of Australian Government Securities issued to finance the loans) are greater than the assets created (measured at their 'fair value' or price at which the loans could be sold).

Treatment of debt not expected to be repaid

All budget aggregates take into account estimates of the share of loans not expected to be repaid when calculating interest flows and estimating the value of the concession that is being provided. None of the measures capture the direct impact on net worth of the loans not expected to be repaid. If a portion of loans are not expected to be repaid, estimates of the 'fair value' of the loans outstanding will be reduced. Such reductions, both when loans are issued and if loans are subsequently re-valued, are recorded in the budget under 'other economic flows' which are reflected in net worth but not in the budget aggregates.

Table B1: Components of concessional loan financial impacts in costing proposals

Budget item	Appears in	Comments
Interest accrued or received	All budget aggregates	Captures the interest accrued or expected to be received on the fair value of the debt. (The budget cannot include interest income on a debt that is not expected to be repaid.)
Concessional loan discount expense and unwinding revenue	Fiscal balance	The net present value of the concession (based on the difference between the market and concessional interest rates) is captured as an expense in the fiscal balance. As loans are repaid, the remaining value of the concession reduces, so this expense is 'unwound' with a positive impact on the fiscal balance. The concessional discount and its unwinding are not recognised in cash balances as there is no cash inflow or outflow.
Write-offs	Fiscal balance	Debt forgiveness, also known as mutually agreed write-downs (for example in the case of the death of the borrower of a HELP loan) are expensed when they occur, reducing the fiscal balance. These transactions do not affect the cash balances as no cash flows occur.
Initial loan; principal repayments	Headline cash balance	Higher estimates of loans not expected to be repaid lowers principal repayments. These transactions are not included in the fiscal balance or underlying cash balance as they involve the exchange of one financial asset (loan) for another (cash).
Public debt interest (PDI)	All budget aggregates	The PDI impact is the cost of the change in the government's borrowing requirements to fund the loans. The net headline cash balance impact excluding PDI is used to estimate the proposal's impact on PDI payments.

[1] The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.

[2] This is in accordance with *PBO Guidance 02/2015* and the Charter of Budget Honesty Policy Costing Guidelines which specify that costings of proposals that 'involve transactions of financial assets' need to take into account the impact on PDI payments.