



JOINT STANDING COMMITTEE ON THE NATIONAL BROADBAND NETWORK

Public hearing on Thursday 14 June 2018 (Brisbane)
Questions on Notice—Department of Finance

Number	Question	Page no.	Response
	<p>Senator KETTER: Have you undertaken, or have you had undertaken on your behalf, any discounted cash flow valuations of the NBN, or any form of valuation work?</p> <p>Mr Jagers: Every year there's a valuation of NBN, which is a requirement for the accounts of the department of communications. So there is a valuation. It's not done on a discounted cash flow basis. It's on a net assets basis, and that's published each year in the department's annual report.</p> <p>Senator KETTER: Did you say it's a valuation on a net assets basis?</p> <p>Mr Jagers: Yes. My understanding is that it's the fair value net assets valuation process, which conforms with accounting standards, and it's normal practice to use that methodology for a growing business where revenue streams are not 100 per cent certain and set, as the company is in growth rate. That's the usual basis for a valuation in this kind of period. When a company's more established, through having revenue streams that are well predictable over a number of years past experience, then you might look to have a discounted cash flow methodology.</p> <p>Senator KETTER: A discounted cash flow valuation method gives a better picture of the value of the enterprise, doesn't it?</p> <p>Mr Jagers: I think all of those valuation methodologies are appropriate in accordance with the accounting standards. The one that is selected by the department of communications is the appropriate one and is in accordance with the accounting standards. A business, after it's completed, say, its rollout or in-growth stage, might move to a discounted cash flow methodology at that point.</p>	40	<p>It would not be appropriate to speculate as to a suitable discount rate for any future discounted cash flow valuation of NBN. An appropriate rate would be determined at the time of the valuation and would depend on market and business conditions at that time.</p>

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	<p>Senator KETTER: Do you have a view as to what an appropriate discount rate is for such a valuation?</p> <p>Mr Jaggers: I don't off the top of my head, no.</p> <p>Senator KETTER: Could you take that on notice?</p> <p>Mr Jaggers: Yes, I can take that on notice. But I would just say that the valuations that are updated are subject to audit by the Auditor-General, and that obviously happens with respect to the accounts of each of the agencies, including the department of communications. But I'll take on notice your specific question about what discounted cash flow rate—discount rate—might be appropriate.</p>		
2	<p>Senator KETTER: Moving to a different issue, when was the Department of Finance first notified that the HFC rollout might have to be halted?</p> <p>Mr Jaggers: I'll have to take that on notice, although I do think we may have answered that question in another forum before. If you'll just give me one moment I'll see if I can find the answer for you. I might have to take that on notice, but if I can come back to you before the end of the session then I'll do so.</p> <p>Senator KETTER: Would that have been raised at estimates perhaps?</p> <p>Mr Jaggers: I believe it has been raised in estimates and we have provided an answer on notice, but I'm just trying to locate it, sorry.</p>	40–41	The Department of Finance received a copy of NBN's Section 91 notification to Shareholder Ministers under the <i>Public Governance, Performance and Accountability Act 2013</i> , informing Ministers of the HFC pause, on 22 November 2017.
3	<p>Senator KETTER: When you were first notified about the HFC halt, did the department receive any financial advice from the NBN about what the financial impact would be?</p> <p>Mr Jaggers: The department received information from NBN to assist it to provide advice to the minister, and that information was provided, I think, on two occasions. There was an initial notification and then there was further supplementary information that was provided by NBN, and that dealt with the impacts and the information about the decision itself.</p> <p>Senator KETTER: Can you tell me when that information about the financial impact was provided?</p> <p>Mr Jaggers: I'll take the exact date on notice, but certainly my recollection is that there was a notification under the legislation provided by NBN, and then subsequently further information was provided by the company. I've got some of those details now. I think that the notification was on 22 November and then the department received additional information on 22 November from NBN. I should say: I think the Department of Finance received information through the</p>	41	The Department of Finance received a copy of the Section 91 notification to Shareholder Ministers on 22 November 2017 and received further information from NBN on 23 November 2017.

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	<p>department of communications on 22 November, and then on 23 November further information was provided by NBN to the department of communications and was subsequently provided to the Department of Finance.</p> <p>Senator KETTER: So when did Finance get it?</p> <p>Mr Jaggers: I understand on 22 and 23 November, but I will check the record and come back to you if that is incorrect.</p>		
4	<p>Senator KETTER: I'm asking: have there been any formal or informal representations made to NBN Co on this matter, to bring the project in by \$47 billion? It's a pretty straight question.</p> <p>Mr Jaggers: I'll have to take that specific question on notice. What I can say now is that the government provides a statement of expectations to NBN that outlines its view about rolling out the network and creating an asset at reasonable cost. I might just refer to what the ministers have told NBN. What they've asked for is for it to be completed as soon as possible at affordable prices and at least cost to taxpayers. In that sense, there's been a fairly direct communication around expectations from ministers.</p>	41	Finance is not aware of any representations to NBN regarding delivery of the NBN for \$47 billion.
5	<p>Senator KETTER: What do you believe the NBN is worth if it were to be sold?</p> <p>Mr Jaggers: I wouldn't even make a start at answering that. It's not something I'm in a position to answer.</p> <p>Senator KETTER: Can you take it on notice?</p> <p>Mr Jaggers: I suspect that it would be the same answer, but I can take it on notice and see if there's any information we can provide.</p>	45	Finance has not undertaken any valuations of NBN for the purposes of privatisation.