



**Australian Government**  
**Department of Communications**

**Drew Clarke**

Secretary

Senator the Hon. Kate Lundy  
Chair  
Senate Select Committee on the National Broadband Network  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Chair

I refer to the recent hearing of the Senate Select Committee on the National Broadband Network (the Committee) on Friday 3 October 2014, at which officers from the Department of Communications appeared as witnesses.

During the course of the hearing, costs related to the recent National Broadband Network (NBN) reviews were discussed. In particular, there were questions regarding expenses relating to the Centre for International Economics (CIE) consultancy since May 2014.

The figures I quoted in the hearing were GST exclusive. To ensure consistency with answers previously provided to members of the Committee (eg in the response to Question on Notice 526 from the May 2014 Budget Estimates Hearings), please find attached to this letter a table of updated expenditure for Vertigan Panel work with GST inclusive figures where applicable. The figures provided represent total costs current as at 30 September 2014 and are close to final given that the Vertigan Panel has now concluded its work. All figures include travel expenses.

I would like to clarify that the breakdown of figures to be paid to CIE provided in Question on Notice 27 from the 5 May 2014 hearing of this Committee was based on estimates provided by CIE of subcontractor amounts, within the overall maximum contract amount of \$765,900.

Since then, the Department has increased the contract with CIE to enable CIE to develop a version of the model of the Cost Benefit Analysis that can be made available for members of the public to run scenarios, and to provide for CIE's attendance at the

Committee. As a result, the total maximum value of the contract with CIE is \$783,225 (GST inclusive). Actual payments to CIE as at 30 September 2014 (attached) are within both the earlier and current quoted maximum amount.

Yours sincerely



Drew Clarke

16 October 2014

<b>RECIPIENT</b>	<b>Services</b>	<b>Expenses (amounts are GST inclusive where GST was payable by the Department)</b>
<b>Vertigan Panel - Cost Benefit Analysis and Review of Regulation</b>		
Mike Vertigan	73 days, 4 hours @ \$1,500 /day + expenses	\$115,815
Henry Ergas	96 days, 30 minutes @ \$1,400 /day + expenses	\$137,947
Alison Deans	42 days, 1 hour @ \$1,400 /day + expenses	\$59,785
Tony Shaw	97 days, 7:28 hours @ \$1,400 /day + expenses	\$142,238
<b>Sub-total for Vertigan Panel</b>		<b>\$455,786</b>
<b>Centre for International Economics (CIE) - advice on Cost Benefit Analysis</b>		
CIE	Principal contractor for cost benefit analysis	\$351,836
Institute for Choice	Subcontractor - cost benefit analysis	\$179,039
Communications Chambers	Subcontractor - cost benefit analysis	\$116,715
Link Economics & Alexis Harden	Subcontractor - cost benefit analysis	\$77,854
<b>Sub-total for CIE</b>		<b>\$725,443</b>
<b>Other advice and services</b>		
Jonathan Pincus	Peer review group	\$8,575
Nicholas Curien	Peer review group	\$11,200
Clifford Winston	Peer review group	\$3,325
Kenneth Flamm	Peer review group	Pro bono
Kevin Morgan	Provided regulatory advice to the Vertigan Panel	\$37,034
Cinden Lester	Editing the cost benefit analysis methodology	\$1,980
Minter Ellison	Engaged a specialist adviser to provide commercial advice services	\$78,000
Griffith University	Specialist consultant to develop cost benefit analysis methodology framework paper	\$43,912
Ovum Consulting	Regulatory advice	\$89,464
<b>Sub-total for other advice</b>		<b>\$273,760</b>
<b>TOTAL</b>		<b>\$1,454,989</b>

*NB all amounts include expenses(eg reimbursement for travel)*