

**Senate Standing Committee on Environment and Communications**

**Answers to Senate Estimates Questions on Notice**

**Additional Estimates Hearings February 2015**

**Communications Portfolio**

**NBN Co Limited**

**Question No: 52**

**Program No. NBN Co**

**Hansard Ref: Written**

**Topic: Cost Per Premises Review**

**Senator Urquhart asked:**

1. In relation to the “cost per premises review” announced by NBN Co at Senate Estimates on Tuesday 24 February 2015, please identify each instance where the accounting practice used in this review to calculate the cost per premises (CPP) has departed from the practice used by NBN Co as at April 2013. For the avoidance of doubt, please list each line item included in the 24 February 2015 review of CPP that was not included in the CPP as at April 2013.
2. In respect of each change in accounting practice—or new line item included in the CPP as of 24 February 2015—identified at 1. above:
  - a) Did NBN Co seek advice from the Department of Finance in relation to this change/additional line item?
  - b) If so, what advice did the Department of Finance provide and when was it provided?
  - c) Did the Department of Finance recommend that NBN Co make this accounting change/include this new line item?
  - d) Why were these accounting changes/inclusion of additional line items agreed to at this stage, when previously it was classified in a different way?
  - e) In particular, why has NBN Co made these accounting changes/included these additional line items at a time when by NBN Co’s own admission, it has no reliable data on the CPP for the technologies that will make up the great majority of the MTM rollout (Hybrid-Fibre Coaxial (HFC), Fibre-to-the-Node (FTTN) and Fibre-to-the-Basement (FTTB))?
  - f) When will NBN Co release cost per premises information for the technologies that will make up the great majority of the MTM rollout (HFC, FTTN and FTTB)?
    - (i) What are NBN Co’s current working assumptions for the cost per premises for the technologies that will make up the great majority of the MTM rollout (HFC, FTTN and FTTB)?
    - (ii) If NBN Co will not provide this information on the basis of it harming NBN Co’s commercial prospects, has NBN Co harmed its commercial prospects for the future brownfields FTTP, greenfields FTTP and fixed wireless rollout by releasing publicly detailed cost per premises information for these access technologies?

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**Answer:**

- 1) There are two line items in brownfields cost per premises (CPP) which were not included in April 2013 CPP. These are Telstra duct leasing and internal labour.

There is no accounting change in how Telstra duct leasing is treated as part of the financial statements. In CPP we have taken the view that these costs are capital in nature and therefore should be included in the reporting.

In April 2013 it was not noted that capitalised labour was not part of the Access Fibre cost per premises, however, it was included in the total estimated capital as project management and design. As these accosts are attributable to the cost of constructing the network we have included them in CPP.

Greenfields temporary infrastructure was included in April 2013 as dollars per metre and dollars per unit rather than as a cost per premises. These are now included as a separate line item in CPP to provide a complete view as to what it has cost to construct the network. There is no change to the accounting treatment for these items.

- 2) a) No  
b) Not applicable  
c) No  
d) There was no clear definition of CPP, and accordingly changes were made to provide a clear definition going forward. The costs incurred to build each technology will be reported in a consistent way going forward. To accurately compare technologies all costs need to be included in CPP reporting and reported consistently.  
e) These line items were included to ensure a complete and clear definition of CPP. Costs are directly related to the build of the network and to compare costs across technologies it is important that all relevant costs are included, and reported consistently.  
f) CPP for other technologies will be made public once construction at scale has commenced.  
i. Working assumptions for future costs per technology are currently being revised as part of the work being performed in preparation for the presentation of the FY15-18 Corporate Plan to the Government in May.  
ii. No harm has been incurred by releasing CPP data as CPP is an average of many area builds and no individual commercial components are referenced.