

**Senate Standing Committee on Environment and Communications**

**Answers to Senate Estimates Questions on Notice**

**Supplementary Budget Estimates Hearings November 2013**

**Communications Portfolio**

**Department of Communications**

**Question No: 516**

**Program No. 1.1**

**Hansard Ref: In Writing**

**Topic: Review of broadband quality and availability**

**Senator Urquhart asked:**

**Senator Urquhart:** The concept is peak funding. Can you explain what is meant by 'unlevered peak funding' or 'peak funding all equity'?

**Mr Robinson:** Peak funding is the maximum amount of money required from the Commonwealth for the project.

**Senator Urquhart:** So the maximum amount for the project?

**Mr Robinson:** Yes.

**Senator Urquhart:** So, just to be clear, the planning assumptions about revenue earned will make an impact on the unlevered peak funding. Is that correct?

**Mr Robinson:** I think I would have to take that question on notice.

**Mr Clarke:** I think that is correct. But we will double-check and confirm if that is not the case

**Answer:**

Unlevered peak funding refers to the maximum amount of funding required to cover project costs assuming no debt is issued from private sector providers and associated debt financing costs are not incurred. In the context of the NBN, unlevered peak funding is equivalent to the peak funding (all equity) metric provided in the Strategic Review.

In terms of the impact of revenues, the project costs needing to be covered through funding are net of revenues earned. Therefore, increases or decreases in revenues will have a consequential impact on the amount of funding required for the project, including for unlevered peak funding.

The Strategic Review (pg17) estimated a peak funding (all equity) requirement of approximately \$39 billion under Scenario 6 (Optimised Multi-Technology Mix) compared to approximately \$63 billion under Scenario 1 (Revised Outlook).

As outlined in the Australian Government's Statement of Expectations provided to NBN Co on 8 April 2014, the Equity Funding Agreement entered into between NBN Co and the Commonwealth caps equity funding to \$29.5 billion. Any funding required above this cap will need to be sourced through private sector debt.