

Senate Standing Committee on Environment and Communications

Answers to Senate Estimates Questions on Notice

Budget Estimates Hearings May 2014

Communications Portfolio

Department of Communications

Question No: 522

Program No. 1.1

Hansard Ref: Page 47 (29/5/2014)

Topic: Equity funding

Senator Urquhart asked:

Senator URQUHART: But it was also in the minister's press release. They were the numbers. All I am asking you to do is to justify a number in the minister's press release, which is what it is there. If you use those numbers that were in that press release, it is 58 per cent, not 80 per cent.

Mr Clarke: The analysis as presented in the strategic review clearly indicates that the maximum increase is up to 80 per cent.

Senator URQUHART: But I am talking about the numbers that are in the minister's press release.

Senator Fifield: If you are seeking a further and more detailed explanation of the numbers in the minister's press release, we will take that on notice.

Senator URQUHART: Thanks, Minister. So, in other words, the claimed 50 to 80 per cent increase in prices was on NBN Co's wholesale prices, not retail prices. Is that correct?

Mr Robinson: Well, my reading of this is that it is retail prices.

Senator URQUHART: Okay. That is fine.

Mr Robinson: But we will confirm if that is not correct.

Answer:

The Strategic Review noted that the minimum price increases needed to deliver a 7.1 per cent internal rate of return, would be in the order of 50-80 per cent (Page 106).

The Strategic Review only modelled the revenue that NBN Co would receive under the various scenarios. It did not undertake detailed modelling of the likely offering that a retail service provider would make available to end users and by extension, the revenue that a retail provider would require. The discussion of increases in pricing required to meet a 7.1 per cent internal rate of return only considered where a retail service provider passed price increases through dollar-for-dollar without adding any margin. Prices made available to end users are a commercial decision for retail providers.