

Senate Standing Committee on Environment and Communications

Answers to Senate Estimates Questions on Notice

Supplementary Budget Estimates Hearings November 2014

Communications Portfolio

NBN Co Limited

Question No: 102

Program No. NBN Co

Hansard Ref: Page 19 + 20

Topic: Fixed Wireless and Satellite IT

Senator Conroy asked:

That is what I am trying to unpack at the moment.

Mr Rue: When you look at 2014 and 2015 in total and you take away the timing of payments on the equity funding, it is essentially the same spend between the corporate plan and the strategic plan.

Senator CONROY: On the surface, it does not look like that.

Mr Rue: I understand.

Senator CONROY: It looks substantially less.

Mr Rue: The reason I can answer your question is that I noticed that myself, and I obviously had a look to see why it was.

Senator CONROY: If you could just take on notice to just give us a written explanation—

Mr Rue: Sure.

Senator CONROY: along the lines, with the extra bits that I would not expect you to readily have at hand. If you could just give us a more detailed explanation of that, that would be very helpful.

Mr Rue: Did you understand my answer, to need that?

Senator CONROY: I would probably like to see it in writing so I could take some advice on it as well. I have lived through the very discussions myself in the past, so I just want to be able to have a look at, if you could break the fixed wireless—

Mr Rue: I am getting a nod from the back, so we will.

Senator CONROY: Break down the fixed wireless and satellite IT spend and just show us what the timing issues were.

Mr Rue: I have to just point out that there are some difficulties in the analysis because of the more detail in our budget than there necessarily was in the strategic review, so—

Senator CONROY: I am sure, with a little bit more time, your written answer can break that out, but hopefully you have all access to the methodology of Mr Rousselot's mind. He does still work there occasionally. Good luck with that one. So working capital is deferred capital expenditure—we agree?

Mr Rue: It is the fact that the timing of payments on construction build is different from the actual construction build, and obviously, as the build grows, the working capital grows. I think there were differences in assumptions between the strategic plan and what it is actually happening. In other words, we are not spending the cash as quickly—which is a good thing.

Senator CONROY: I am not being critical, but I am just trying to understand the difference—what that timing issue has become. If you could give us a breakdown of what those timing differences are rather than simply saying, 'It is just a timing difference'—if you could give us a written explanation of that.

We have had some lengthy discussion previously over what is known as the Melton 10 trial. Mr Adcock indicated there was a peer review process underway. Is that completed?

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Answer:

The funding requirement for Financial Year (FY) 2014 and FY2015 between the Strategic Review and the Corporate Plan was different by \$1.9 billion, the Corporate Plan being lower. This primarily reflects timing differences between years and relates to assumption in the movements of working capital and associated cash holdings. Between the preparations of the two documents, arrangements with the Commonwealth changed such that equity funding is now provided for two months forward net expenditure, rather than six months at the time of the Strategic Review. This led to less cash on hand at year end of \$1,022 million than originally anticipated. Further in the corporate plan, spend against activity was \$1,003 million lower as there was a favourable difference of \$1 billion working capital usage. This total difference of \$2,025 million was offset by a \$135 million movement in net Operational Expenditure (opex) and Capital Expenditure (capex) expenditure.

IT Capex was broadly in line for both FY14 and FY15 compared to the Strategic Review with \$3 million less spent against the Strategic Review in FY14, and \$16 million greater spend than the Strategic Review forecast for FY15. The differences primarily relate to the reprioritisation of projects.

The Fixed Wireless and Satellite program has had movements in the Satellite milestone payments and Fixed Wireless build capex that shifted between years as against the Strategic Review, meaning that \$209 million less was spent in FY14 and \$102 million more was anticipated to be spent in FY15 compared to the Strategic Review.