

**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: 189**

**Program No. NBN Co**

**Hansard Ref: In Writing**

**Topic: Cost Benefit Analysis panel**

**Senator Urquhart asked:**

The Cost Benefit Analysis panel indicated that they had found “errors” in the models underpinning the Strategic Review. Mr Ergas said at a public hearing on 3 October 2014 that: “...there were some minor anomalies that we identified in the details of the spreadsheets. For instance, without being able to go into the details of the calculations, there were situations which looked rather similar in terms of the activities that they were costing, but where the cost estimates diverged very markedly. In those occasions it emerged that effectively there had been errors made in completing the spreadsheets.”

- (a) Has NBN Co sought details from the panel on these errors in its models underpinning the Strategic Review?
- (b) If so, when did this take place?
- (c) Which “cost estimates diverged very markedly”?
- (d) Which scenarios were affected?
- (e) Given that the panel has noted that “cost estimates diverged very markedly,” has NBN Co corrected these errors in the Strategic Review?
- (f) If so, when were they corrected?
- (g) If not, why not?

**Answer:**

(a) to (g).

The matters identified by the panel were communicated to and briefly discussed with NBN Co as part of our engagement with the panel during the course of its work. NBN Co does not necessarily agree with the characterisation of these matters as “errors”. Some of these matters are more appropriately described as reasonable and explicable differences of opinion between NBN Co and the panel as to the most appropriate way to estimate the relevant cost inputs.

Professor Ergas also went on to say at the hearing that “...we do not think those errors were enormous in terms of their impacts. In any event, they certainly did not alter the overall results. As you will know and as we document in the report, a very broad range of sensitivity tests were undertaken and it did not alter our results materially, whether you use the initial estimates as prepared by the Strategic Review or the estimates that we came to in the light of working through the modelling that had been done”.

NBN Co also refers to the description of the panel’s work in Appendix F to the panel’s cost benefit analysis report in which the panel identifies the particular matters presumably being referred to by Senator Urquhart and Professor Ergas. In that context, the panel describes what it did as having made ‘refinements’ to the modelling, rather than correcting ‘errors’ (noting that the panel also made a small number of what it referred to as minor corrections to ‘minor audit matters’ and that those changes had a relatively minor impact on the results of the model). (See

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pages 138-139 of the cost benefit analysis report). Where relevant, the 'minor audit matters' have been made known to those undertaking modelling utilising the Strategic Review and where relevant, they have also been made aware of the discussion in Appendix F.