

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: 193

Program No. NBN Co

Hansard Ref: In Writing

Topic: Cost Per Premise

Senator Urquhart asked:

NBN Co has identified that “The cost per premise passed previously reported only took into account the external capital expenditure associated with the LNDN network components. NBN Co is currently undertaking a major review to ensure that the fully allocated costs of each component of the project is captured and accurately reflected in the cost per premises figure.”

- (a) What is this review called?
- (b) When did the review begin?
- (c) Has it been completed? If not, when is it scheduled to be completed?
- (d) Has an external provider(s) been contracted to conduct the review? If so, which provider(s)?
- (e) What is the cost of the review?
- (f) Does the word “external” in the following sentence—“cost per premise passed previously reported only took into account the external capital expenditure associated with the LNDN network components”—mean the contracted cost of building the LNDN? (i.e. payments to NBN Co’s delivery partners)?
- (g) In its answer to Question on Notice 22 from the 11 July hearing of the Senate Select Committee, NBN Co states “each node services hundreds of premises, so the node electricity cost on a per premises basis is very small relative to the cost of extending fibre to each premises.”
 - (i) What does NBN Co understand to be the difference between capital expenditure and operational expenditure?
 - (ii) Why has NBN Co compared the operational costs of running a node on a per premises basis to the capital costs of building FTTP?
- (h) Are operational costs being considered as part of the scope of the review?
- (i) What access technologies are the focus of this review?
- (j) Does NBN Co have “fully allocated” costs for the access technologies being introduced as part of the multi-technology mix—FTTN, FTTB and HFC?
- (k) If not, will the outcomes of the review apply to these access technologies?
- (l) Will the outcomes of the review be made public?
- (m) Did the NBN Co Board initiate the review?
- (n) Did a shareholder Minister, or a shareholder Minister’s office, request that NBN Co conduct this review?

Answer:

- (a) The review was initiated by the Chief Financial Officer (CFO) and has no name.
- (b) The review began during the first half of this financial year.
- (c) The review has been completed for FTTP and Fixed Wireless.

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(d) Yes, PWC were engaged under an Agreed Upon Procedures arrangement to review the work performed by the company.

(e) \$82,000

(f) Yes

(g) (i)

Capital expenditure is the cost of building the asset, which will be depreciated over the asset's useful life. This includes infrastructure accounted for under long term finance leases and capitalised to the NBN Co balance sheet. Operational expenditure is the NBN Co costs incurred on a per annum basis, where no benefit is derived beyond that period.

(ii)

Note the quote referenced was in response to Question on Notice No. 19 not No.22 from the 11 July hearing. The answer is not seeking to provide a 'Cost Per Premises'(CPP) in the usual sense, it is merely referring to the question raised by Senator Ludlum, who asked "at what point will you be able to provide us with an order of magnitude cost per dwelling".

h) No, operational costs are not included in CPP.

i) The review covered Brownfields FTTP, Greenfields FTTP and Fixed Wireless.

j) The company is currently working on the Corporate Plan that will be provided to shareholders in May. Fully allocated CPP for all technologies is a key input into this plan.

k) The same principles will be applied to all technologies.

l) The result and CPP for FTTP and Fixed Wireless will be included in the NBN Co half yearly report.

m) No, the review was initiated by the CFO.

n) No, the review was initiated by the CFO.