

Senate Estimates on the National Broadband Network

Answers to Questions on Notice

Public Hearing 20 November 2014

Communications Portfolio

Department of Communications

Question No: 219

Program No. NBN Co

Hansard Ref: In writing

Topic: CBA – Page 73

Senator Urquhart asked:

Chart 6.14 (on page 73) explains that consumer willingness to pay is made up of the sum of the two areas marked A and B. Put simply, the net benefit is the area under the demand curve from zero percent penetration to the actual market penetration. Is this correct?

- (a) This analysis first requires the derivation of demand curves, which the documentation says have been derived using the Communications Chambers “technical” analysis, the choice modelling work and the actual current take-up. Is that correct?
- (b) Is the output of this work a collection of demand curves for the various speed tiers for each of the years used in the analysis?
- (c) If so, where in the report are these demand curves found?
- (d) If these demand curves were not used, how was the benefit derived?
- (e) For what speed tiers were demand curves derived?
- (f) Were the 250, 500 and 1,000mbps speed tiers used in the FTTP scenario? If not, why not?
- (g) For what years were demand curves derived? Was a new demand curve derived for each year?
- (h) What retail prices were used for future speed tiers to determine from the demand curves the proportion of take-up?
- (i) If this information is not in the report, how was it derived?

Answered by the Department of Communications (Program 1.1):

- (a) The CBA models uses the Choice modelling as the basis of determining marginal willingness to pay.
- (b) Yes.
- (c) The report provides a summary of the willingness to pay modelling in Section 6 pages 59-83.
- (d) See above.
- (e) Speeds up to 100 Mbps.
- (f) As above. The Choice modelling indicated that the marginal benefits from increased speeds significantly decrease.
- (g) Refer to page 77 of the CBA, the ‘CBA results presented here use a 2 per cent per year growth in willingness to pay. The sensitivity analysis used a log normal distribution with a mean of 2 per cent and a range from simulations of 0.1 per cent to 33.1 per cent.

Senate Estimates on the National Broadband Network

Answers to Questions on Notice

Public Hearing 20 November 2014

Communications Portfolio

Department of Communications

- (h) CBA used three methods to determine consumer willingness to pay – the price that a consumer is willing to pay for a specific service offering – as described in section 6.
- (i) As above.