

**Senate Standing Committee on the  
Environment, Communications and the Arts**  
ANSWERS TO ESTIMATES QUESTIONS ON NOTICE  
**Broadband, Communications and the Digital Economy portfolio**  
**Department of Broadband, Communications and the Digital Economy**  
Supplementary Estimates Hearings October 2008

**Question: 4**

**Topic: NBN construction costs and GDP impact**

**Senator Birmingham asked:**

What is the estimated cost for each month of delay on the construction of the NBN to the economic benefits that you like to talk about?

*Senator Conroy: I am happy to take that on notice. I am not sure that we have ever claimed a monthly cost.*

Has the government undertaken any assessment of the GDP benefits of NBN?

**Answer:**

The Government itself has not undertaken a formal assessment of the GDP benefits of the NBN. Among the multitude of reports that seek to calculate the economic impact of broadband, there is a consistent 'bottom line' result – that broadband will deliver significant economic and social benefits to Australia.

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**Question: 9**

**Topic: Measuring coverage of NBN proposals**

**Senator Birmingham asked:**

At least one of the bidders, in giving evidence to the select committee, indicated that they have corresponded with the government with concerns, seeking clarification about how the 98 per cent will be calculated and what modelling will be used. Has the government provided such clarification to all prospective bidders?

*Mr Lyons: That goes to the heart of the management and running of the RFP process-bilaterals, clarifications with proponents. So I would prefer to take that on notice rather than provide an answer that might raise a probity issue.*

**Answer:**

Proponents have been informed of the Commonwealth's approach to assessing the premises coverage of National Broadband Network proposals.

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**Question: 10**

**Topic: Australian premises datasets**

**Senator Fisher asked:**

Mr Lyons, your department said in response, I think to Senator Birmingham that there were a variety of models that were available in terms of determining the 98 per cent and I think in passing indicated they are not particularly new. Are they on the public records somewhere, if they are not new?

...different methodologies, different data sets.

My supplementary question is: to the extent that they are on the public record, can you please indicate what they are and where you can access them?

**Answer:**

At the 2008-09 Supplementary Budget Estimates hearing on 20 October 2008, Mr Mason, on behalf of the Department of Broadband, Communications and the Digital Economy indicated:

In relation to the publication of the approaches that are used, the results are frequently published but I do not believe the methodologies have generally been published. But I think they are fairly well known to people who work in the field.<sup>1</sup>

The assessment of network coverage is a subset of geospatial analysis using premises data. There is extensive literature published on this topic, as will be found by a literature or online search. As there are a range of subject experts and commercial firms involved in geospatial analysis, the Department's preference is not to nominate any single source.

Generally speaking, the extent of network coverage is established by comparing the reach of a network to geospatial data on the location of premises.

In relation to the National Broadband Network (NBN), clause 1.5.4 of the NBN Request for Proposals (RFP) indicates that in assessing the proposed coverage of a network, the Commonwealth will consider Proponents' estimates of the total number of premises in Australia and the number of premises Proponents consider their networks will cover.

Furthermore, in section 1.2 of schedule 2 of the RFP, Proponents are asked to provide a range of detailed information in relation to the proposed coverage of their network.

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<sup>1</sup> Commonwealth of Australia, Proof Committee Hansard, Senate Standing Committee on Environment, Communications and the Arts Estimates (Supplementary Budget Estimates), Monday, 20 October 2008, p.38

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As Mr Mason indicated at the 2008-09 Supplementary Budget Estimates hearing on 20 October 2008 :

The RFP in schedule 2 ... asks proponents to provide a wide range of detailed information. One of the areas in which we ask for a large amount of information is obviously coverage. There, for example, proponents are asked not only to indicate what extent their coverage will be but also the methodology by which they have come to that number themselves. All that information, including the methodology that they have employed, will be assessed and the Commonwealth will also use the information available to it to assess those claims of coverage.<sup>2</sup>

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<sup>2</sup> Ibid, p.35

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**Question: 12**

**Topic: National Broadband Network Funding**

**Senator Minchin asked:**

Can you just indicate at what point the government actually made this decision to change its method of funding of the NBN, because clearly there was a decision at some point not to rely on the sale of the Future Fund shareholding but indeed to grab a slice of the T3 second instalments? I just want to know when that decision was made, why it was made and who made it.

**Answer:**

The method of funding for the National Broadband Network is set out in the 2008-09 Budget Papers. Budget Paper No. 2 page 99 documents the expense measure setting aside a provision in the Contingency Reserve pending the determination of the successful proponent from the Request for Proposals process.

Budget Paper No. 1 at pages 1-27, 6-30, and 6-7 sets out the Government's decision taken in the budget process that the \$4.7 billion will be sourced from the closure of the Communications Fund and \$2.7 billion from the Telstra 3 sale process with those monies to be transferred to the Building Australia Fund, following its establishment.

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**Question: 14**

**Topic: National Broadband Network**

**Senator Birmingham asked:**

What discussions are you aware of that have been undertaken between Mr McGauchie and the Prime Minister?

*Senator Conroy: I do not know whether a meeting that was proposed took place or not.*

**Answer:**

Neither the Department of Broadband, Communications and the Digital Economy, nor the Minister for Broadband, Communications and the Digital Economy are aware of discussions between Mr Donald McGauchie and the Prime Minister.

Questions about meetings involving the Prime Minister should be directed to the Minister representing the Prime Minister in the Senate or the Department of the Prime Minister and Cabinet.

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**Question: 20**

**Topic: National Broadband Network Funding**

**Senator Minchin asked:**

The Government has previously stated that it will spend up to \$4.7 billion of taxpayer money on a National Broadband Network, does this figure still represent the Government's absolute maximum contribution?

**Answer:**

The Government has consistently stated that it will provide up to \$4.7 billion to facilitate the roll-out and operation of a National Broadband Network.

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**Question: 22**

**Topic: National Broadband Network**

**Senator Birmingham asked:**

How much have members of the NBN Expert Panel been paid to date? What total payments to members of the Expert Panel have been budgeted for?

**Answer:**

As at 31 October 2008, the members of the Panel of Experts, who are non-Government employees, have been paid \$227,543.14 (GST exclusive).

The budget for Panel Committee expenses for 2007-08 and 2008-09 is \$621,519.00 (GST exclusive).



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**Question: 23**

**Topic: National Broadband Network**

**Senator Birmingham asked:**

What consultants have been engaged by the Department in relation to the NBN bid? How much has been paid to such consultants to date, broken down by contractor? What total payments to consultants have been budgeted for, broken down by contractor?

**Answer:**

The Department has appointed the following consultants as specialist advisers to the National Broadband Network project:

- KPMG Corporate Finance (Aust) Pty Ltd as the Investment, Financial and Commercial Adviser
- Gibson Quai-AAS Pty Ltd as the Technical Adviser
- Corrs Chambers Westgarth as the Legal Adviser
- Frontier Economics Pty Ltd as the Economic Regulatory Adviser
- The Australian Government Solicitor (AGS) as Probity Adivser

As at 31 October 2008, the following amounts have been paid to the consultants:

- KPMG Corporate Finance (Aust) Pty Ltd: \$943,978.53
- Gibson Quai-AAS Pty Ltd: \$448,520.80
- Corrs Chambers Westgarth: \$1,215,077.38
- Frontier Economics Pty Ltd: \$502,063.99
- Australian Government Solicitor (AGS): \$946,595.27

As at 31 October 2008, the following amounts have been budgeted for the consultants across 2007-08 and 2008-09:

- KPMG Corporate Finance (Aust) Pty Ltd: \$1,334,887.52
- Gibson Quai-AAS Pty Ltd: \$792,000.00
- Corrs Chambers Westgarth: \$2,849,933.05
- Frontier Economics Pty Ltd: \$720,000.00
- Australian Government Solicitor (AGS): \$2,033,634.91

All dollar values are exclusive of GST.