



Parliamentary
Budget Office

Response to Questions on Notice

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Commonwealth Financial Statements – Auditor-General's Report No 24 (2017-18)

Parliamentary Budget Office

GENERAL COMMENTS

The Parliamentary Budget Office has prepared this response using publicly available information.

As a general comment, based on our experience with research publications, there is more disaggregated information on the past budget impacts of alternative financing arrangements than there is on the projected future budget impact.

In our experience, entity and departmental annual reports tend to have detailed disaggregated information on a historical basis about the actual budget impacts on equity investments, asset valuations and flows relating to loans.

The forward looking Portfolio Budget Statements that are released as part of the budget papers tend to have less disaggregated information than annual reports. This makes it difficult to identify expected asset values and flows related to the individual entities administered by a government department.

SPECIFIC QUESTIONS ON NOTICE

Question Hansard page 4

Mr HILL: Good; we're not crazy. Could you take on notice—and perhaps, Chair, if you are okay with it, it would be interesting to send the same questions to the Department of Finance and the Auditor-General—two questions. At a point in time right now or the most recent point where data is available, how much equity has been put in and what is the total of government's contributions—so both equity and all the other contributions such as loans or whatever that have been drawn down—and what is the valuation of the NBN? So that's a point-in-time question. And, prospectively, based on what's known, what is the projected draw-down of the loans and contribution of equity—presumably there's a phasing somewhere—and is there any sense of the likely valuation as that occurs?

Response

In relation to the equity injections, as at 30 June 2018, the value of contributed equity into NBN Co by the Commonwealth was \$29,500m¹, and the fair value of NBN Co was \$13,247m².

In relation to the loan, the 2017-18 and 2018-19 budgets stated that the Australian Government has provided NBN Co. Limited (NBN Co) with a loan of up to \$19.5 billion. As the principal is drawn down, interest charges are levied based on the fixed interest rate of 3.96% p.a. and capitalised as part of the principal balance. This loan is available to be drawn down as required and was required to be fully repaid by 30 June 2021. The first drawdown on the loan was on 30 October 2017.³

The 2018-19 Budget included the following table with the expected drawdown and repayment impacts of the loan to NBN Co.⁴

	2017-18 (\$m)	2018-19 (\$m)	2019-20 (\$m)	2020-21 (\$m)	2021-22 (\$m)
NBN loan	-6,682	-8,005	-4,663	19,350	0

Subsequently, the Department of Communications and the Arts Annual Report 2017-18 states that the Commonwealth has agreed to extend the tenor of its loan to NBN Co by three years (from 30 June 2021 to 30 June 2024).⁵

Projections for the valuation of NBN Co and estimates and projections for interest revenue and receipts specific to NBN Co are not available in the Budget Papers or Portfolio Budget Statements. At a whole of portfolio level, the Budgeted Financial Statement Tables (pages 31-43) in the Communications and the Arts Portfolio Budget Statement 2018-19 include estimates and projections of interest revenue and receipts, financial assets, repayments of advances and loans, and advances and loans made over the period 2017-18 to 2021-22 that are administered by the Department of Communications and the Arts on behalf of the Government. However, the share of the estimates and projections that relate to NBN Co are not separately identified.

¹ NBN Co Annual Report 2017-18, page 108.

² Department of Communications and the Arts Annual Report 2017-18, page 138.

³ Page 137 of the Department of Communications and the Arts Annual Report 2017-18 states that 'The Government has provided NBN Co Limited (NBN Co) with a loan of up to \$19.5 billion on commercial terms. The loan commenced in 2017-18 and the full amount of the loan is to be repaid by 30 June 2021. The loan agreement permits NBN Co to drawdown the loan as required. As the principal is drawn down, interest charges are levied based on the fixed interest rate of 3.96% p.a. and capitalised as part of the principal balance. The first drawdown on the loan was on 30 October 2017 with \$5.531 billion drawn down as at 30 June 2018'.

Page 9-39 of 2018-19 Budget Paper no. 1 states that 'The Australian Government has provided a loan to NBN Co on commercial terms of up to \$19.5 billion for the period from 1 July 2017 to 30 June 2021, with drawings available on a monthly basis. The loan has a fixed interest rate of 3.96 per cent, with interest calculated daily and payable monthly over the life of the facility. The full principal amount of the loan is to be repaid by NBN Co on 30 June 2021'.

⁴ Table 7 on page 3-28 of 2018-19 Budget Paper no. 1 provides a reconciliation of general government underlying and headline cash balance estimates and includes the net cash flows from investments in financial assets for policy purposes. The figures in the provided table have been taken from the electronic version of 2018-19 Budget Paper no.1 available at www.budget.gov.au which has been corrected and differs from the table published in the printed version.

⁵ Department of Communications and the Arts Annual Report 2017-18, page 122.