

Joint Committee on the National Broadband Network
Answers to Questions on Notice
Public Hearing 30 October 2012
Broadband, Communications and the Digital Economy Portfolio
NBN Co Limited

Question No: 12

Hansard ref: In writing

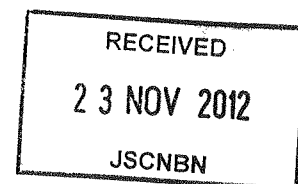
Topic: NBN Co Financial Result

The Committee asked:

Why do you expect the NBN Co to be in a state of experiencing an operating loss until 2019/2020?

Answer:

NBN Co's projected cash flows are typical of large-scale infrastructure projects that require upfront capital and operating expenditure to design and construct the network in order to generate revenue streams in future periods. NBN Co's revenue streams are gradually projected to build up as the network is rolled out and service providers develop their customer base of end-user premises onto the Fibre, Fixed Wireless and Satellite networks. As revenue streams gradually build up, these are projected to exceed Operating Expenditure in FY2019.



@5.46 pm

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Question No: 13

Hansard ref: In writing

Topic: Greenfields

The Committee asked:

On page 42 of the Corporate Plan the interim connectivity arrangements for Greenfields is outlined.

- a) Was the cost and need of the temporary infrastructure anticipated, if not, why not?
- b) What will be the cost in dismantling this infrastructure?

Answer:

- a) The 2012-15 Corporate Plan incorporates the latest assessment of the full impact of implementing Fibre in New Developments policy announced in December 2010 and revised in June 2011.
- b) NBN Co has designed the architecture to ensure that passive and active assets can be fully utilised in the permanent network. The vast majority of the upfront financial costs are associated with the deployment of the Temporary Transit Fibre Network (TTFN) as well as extensions of the Distribution Network (DN) ahead of the NBN Fibre network being deployed in these geographically disperse and relatively small areas. These TTFN and DN fibre routes will remain in place and will become part of the fibre network as the Brownfields deployment occurs. As the transit network is deployed, all active electronic components in the T-FANs are expected to be re-used in other FAN sites. The cost associated with this re-use will be mainly labour costs.

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Question No: 42

Hansard ref: In writing

Topic: Fixed Wireless Network

The Committee asked:

Has NBN Co acquired the necessary spectrum to complete the fixed wireless network, if not when will this occur?

Answer:

NBN Co acquired fixed wireless spectrum through the AUSTAR transaction in February 2011 and further licences at a spectrum auction held by the Australian Communications and Media Authority in July 2011. This spectrum covers the majority of the planned fixed wireless deployment. However, the fixed wireless network also augments the fibre to the premises network and as such the final footprint is unlikely to be known for some time.

NBN Co's 2012-15 Corporate Plan (page 39) states that the fixed wireless rollout plan takes into account the availability of spectrum. NBN Co expects construction of fixed wireless to be accelerated so as to have the network completed by 2015¹.

It is anticipated that additional spectrum may assist with future coverage and capacity requirements and NBN Co will continue to monitor the market to secure access to further licences as and when the opportunity arises.

¹ NBN Co's *Rollout FAQs*, 21 November 2012, available at <http://www.nbnco.com.au/rollout/about-the-rollout/faq.html>

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Question No: 57

Hansard ref: In writing

Topic: Private Equity Funding

The Committee asked:

Noting that this matter has been discussed at previous public hearings and in previous Committee reports, do you have any additional comments to make about when and how private equity might be engaged in funding the NBN wholesale platform, and on whether a timeframe for private equity engagement in funding the NBN might be brought forward during the construction phase?

- a) In the Government response to the Committee's Third Report (October 2012, p. 12), it was noted that '[f]ollowing completion of the rollout, the government will consider the optimum capital structure for the Company'—do you have any comments to make on this matter?

Answer:

NBN Co has no further comments to add to those already on the public record.

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Question No: 58

Hansard ref: In writing

Topic: Private Equity Funding

The Committee asked:

Given the current projected timeframe for debt financing to start in 2015 (NBN Co Corporate Plan 2012- 15), has NBN Co commenced discussions on this matter with interested parties?

Answer:

NBN Co has included an assumption of external debt funding in its Corporate Plan in line with the Shareholders' expectations that NBN Co will seek to raise debt on its own behalf at an appropriate time. In this context, NBN Co has sought advice and has held discussions with a range of external third parties.

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Question No: 59

Hansard ref: In writing

Topic: Private Equity Funding

The Committee asked:

NBN Co's Corporate Plan 2011- 13 referred to an estimate of \$13.4 billion of debt funding, over the period to June 2021. The new Corporate Plan 2012- 15 refers to an estimate of \$13.7 billion of debt funding, over the period to June 2021.

Can you comment on this increase?

Answer:

Debt funding estimates have been assessed in the context of the overall capital structure for NBN Co, expectations around the level of debt that can be raised, and the profile of forecast cash flows over time. The 2012-15 Corporate Plan reflects NBN Co's latest assessment of the level of external debt which could be raised over the period to June 2021. It is worth noting that the level of debt funding as a percentage of the total funding has remained at approximately one third of total funding in both Corporate Plans.

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Question No: 60

Hansard ref: In writing

Topic: Private Equity Funding

The Committee asked:

Given that the commencement of debt financing arrangements will be subject to market conditions and the opinions of debt investors on NBN Co's track record (NBN Co Corporate Plan), do you have any comments to make in this regard in terms of the current projected timeframe for debt financing of 2015?

Answer:

NBN Co stands by its projected timeframe for debt financing commencing in FY2015. As stated previously should market conditions or shareholder expectations change, then NBN Co would review its projected capital structure accordingly.