

Senate Standing Committee on Environment and Communications

Answers to Senate Estimates Questions on Notice

Additional Estimates Hearings February 2014

Communications Portfolio

NBN Co Limited

Question No: 85

Program No. NBN Co Limited

Hansard Ref: In Writing

Topic: NBN Co Forecasts

Senator Urquhart asked:

At the hearing of the Committee on a number of occasions different approaches to developing forecasts were mentioned. For example on page 40 of Hansard Dr Switkowski said, "What I am saying is that you cannot take one figure and then say therefore the end result is going to be a multiple of that figure at this stage of a project of this magnitude and this complexity. Our forecasts are much more nuanced than that and, I hope, rooted in experience and actual performance than simply a linear extrapolation on the trend over a couple of months."

- a. Is it NBN Co's contention that the previous NBN Co forecasts were simply constructed by multiplying early stage results and extrapolating?
- b. Is it a fact that NBN Co's Corporate Plan was at all times predicated on increasing efficiency over time and hence lowering unit costs?
- c. Is it a fact that the Revised Outlook presented in the Strategic Review is the version that does simply extrapolate current performance over ten years?
- d. To illustrate the point he was making Dr Switkowski demonstrated that extrapolating from the \$7B invested to date to a total expenditure of \$210B was wrong. Is NBN Co aware, as reported on Delimiter on 27 February that on radio 3AW announcer Tom Elliot did just that? Did NBN Co make any effort to speak to this announcer during or after the broadcast to correct him?

Answer:

- a. No.
- b. No. The assumptions differed depending on each category of costs. For example, direct and indirect operational expenses were indexed with escalation factors over time, typically based on contractual arrangements as well as taking into account industry/historic trends.
- c. No. For example, the Revised Outlook considered it likely that Delivery Partners would become more efficient as they are provided with more consistent work flow, experience less interference in the design process and are better managed (Strategic Review, p 63).
- d. NBN Co has neither the resources nor the inclination to contact all those who comment on the NBN, regardless of whether their comments are valid or not.