

Senate Standing Committee on Environment and Communications

Answers to Senate Estimates Questions on Notice

Budget Estimates Hearings May 2014

Communications Portfolio

Department of Communications

Question No: 545

Program No. 1.1

Hansard Ref: In Writing

Topic: Independent cost-benefit analysis and review of regulation

Senator Urquhart asked:

In reference to the *Independent cost-benefit analysis and review of regulation*:

a. In relation to discount rates, at the hearing Mr Robinson said:

“I am not sure that we have a view. As I recall, the analytical framework suggests you could use a range. The panel has not yet finalised the cost-benefit analysis, so we will see what they, in the end, do. I expect it to be consistent with normal practice for cost-benefit analyses of projects of this type.”

Can the Department provide examples of cost benefit analyses that the Department believes are comparable to the CBA for the NBN? Identify which of these were for projects that cover their own costs from revenues earned? Identify which of these were for communications infrastructure?

Answer:

(a) There are significant similarities in cost-benefit methodologies for all large infrastructure projects, including in terms of estimating costs (for example, construction and ongoing costs), benefits derived from use of the infrastructure and discount rates. However, there are specific issues in every cost-benefit analysis that require consideration of how to apply the methodology to those particular circumstances.

The panel’s ‘Cost-Benefit Analysis of Public Investment in High Speed Broadband Network Infrastructure: An Analytical Framework’ outlined issues applying to a cost-benefit analysis for the NBN. On page 62 this indicates that for discount rates “the most appropriate way to proceed in a CBA is to use a range of discount rates, and to conduct sensitivity analysis”.