

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: 551

Program No. 1.1

Hansard Ref: In Writing

Topic: NBN Co Corporate Plan 2012-15

Senator Urquhart asked:

The NBN Co Corporate Plan 2012-15 at page 78 states:

“The modelling of the long term funding profile assumes that NBN Co will seek external funding from banks and financial markets without explicit guarantees from the Shareholder Ministers.”

It continued: *“For the purpose of the 2012-15 Corporate Plan, it is assumed that peak Government Equity will be \$30.4 billion.”*

On Page 77 the Plan states: *“Total unlevered funding requirement over the deployment period is forecast to peak at \$40.4 billion by FY2021. In a scenario where NBN Co meets part of its funding requirement by raising debt, external funding costs are projected to add an additional funding requirement over the deployment period, with peak total (levered) funding requirement at \$44.1 billion at the end of FY2021.”*

On the basis that NBN Co is a limited liability company, and that debt financing is assumed to be issued without explicit guarantee, would the Commonwealth face an exposure above \$30.4 billion under the Corporate Plan?

Answer:

The Australian Government has entered into an Equity Funding Agreement with NBN Co. The Agreement formalises the Government’s intention to provide equity to fund the rollout of the National Broadband Network (NBN), with such funding being conditional on the annual appropriation processes.

The \$30.4 billion government equity funding in the 2012-15 Corporate Plan reflected NBN Co’s estimate at the time of funding required to complete the NBN rollout. The Strategic Review of the NBN found that the peak funding requirement to complete the NBN under the previous deployment model of rolling out fibre-to-the-premises to 93 per cent of premises (Revised Outlook) would be \$72.6 billion. The Strategic Review concluded that it was highly unlikely, in the absence of a government guarantee, that debt funding (of over \$42 billion) would be available from a third party financier in the near to mid-term (page 36 refers).