

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
ADDITIONAL ESTIMATES 2014-15

Finance Portfolio

Department/Agency: Department of Finance

Outcome/Program: 2/2.1

Topic: NBN Accounting Change

Senator: Wong

Question reference number: F81

Type of question: Written

Date set by the committee for the return of answer: Friday, 10 April 2015

Number of pages: 2

Question:

1. In relation to the “cost per premises review” announced by NBN Co at Senate Estimates on Tuesday 24 February 2015, please identify each instance where the accounting practice used in this review to calculate the cost per premises has departed from the practice used by NBN Co as at April 2013 to calculate cost per premise. For the avoidance of doubt, please list each line item included in the 24 February 2015 review of cost per premises that was not included in the cost per premise as at April 2013.
2. In respect of each change in accounting practice – or new line item included in the cost per premises as of 24 February 2015 - identified at part 1:
 - a) Did NBN Co seek advice from the Department of Finance in relation to this change/additional line item? If so, what advice did the Department of Finance provide and when was it provided?
 - b) Did the Department of Communications seek advice from Finance in relation to this change/additional line item? If so, what advice did the Department of Finance provide and when was it provided?
 - c) Did the Department of Finance recommend that NBN Co make this accounting change/include this new line item?
 - d) Did the Department of Finance recommend against making this accounting change/including this new line item?
 - e) Does the Department of Finance support this accounting change/inclusion of new line item?
 - f) Why was the accounting change/additional line item agreed to at this stage, when previously it was classified in a different way?

Answer:

1. In the case of brownfields, there are two line items in cost per premises which were not included in the April 2013 cost per premises estimates: ‘Telstra duct leasing’; and ‘capitalised internal labour’. There is no accounting change in how these are treated as part of NBN Co’s financial statements.

NBN Co has now taken the view that Telstra duct leases are capital in nature and should therefore be included in cost per premises reporting. Internal labour costs are attributable to the cost of constructing the network and, therefore, these are now also included in cost per premises estimates.

In the case of greenfields, temporary infrastructure was included in the April 2013 report as \$/metre and \$/unit rather than as a cost per premises line item. These costs are now included as a separate line in cost per premises as a means of providing a complete view as to the cost of constructing the network. There is no change to the accounting treatment for these items.

2.

- a) No. The cost per premises review was conducted by NBN Co and reviewed externally by PricewaterhouseCoopers. NBN Co did not seek advice from the Department of Finance (Finance) on the cost per premises review.
- b) No. The Department of Communications did not seek advice from Finance regarding the cost per premises review.
- c) Finance did not make any recommendations to NBN Co regarding its cost per premises review. NBN Co's accounting practices are a matter for the company, in accordance with Australian Accounting Standards.
- d) See answer to 2 c) above.
- e) Finance accepts that the inclusion of the additional line items provides an accurate and complete estimate of the cost involved in building the network and allows for comparison across technology types.
- f) NBN Co has flexibility to determine which line items are attributable to cost per premises. Finance understands from NBN Co that the additional line items were included to ensure a complete and clear definition of cost per premises.