

Standing Committee on Finance and Public Administration

ANSWER TO QUESTION ON NOTICE

Budget Estimates Hearing – May 2009

Department of Finance and Deregulation

Finance and Deregulation Portfolio

Outcome 1, Output 1.1

Topic: National Broadband Network

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Senator Coonan asked:

Okay. Can you run us through the breakdown of the \$43 billion?

Answer:

As indicated at the time of the Government's announcement on April 7 2009, the cost estimates provided are preliminary. A key role of the Implementation Study, which formed part of the announcement, is to undertake a detailed review of the costs involved in rolling out the network.

The preliminary estimate of \$43 billion prior to the Implementation Study comprised costings for the following capital expenditure elements:

- backhaul for the mainland states and territories;
- early implementation of a network in Tasmania;
- FTTH network-fibre past premises or distribution component;
- FTTH network-connection to customer premises component;
- wireless networks and satellite services;
- overheads of the company to build the network; and
- a contingency component.

It is likely that as a result of that detailed review there will be changes to these estimates, with some likely to reduce and others possibly increasing. Following the detailed review it may be appropriate to reduce the current contingency, given the greater certainty that will apply to the estimates. With the Implementation Study about to commence the provision of detailed breakdowns of the preliminary estimates is potentially misleading.

Releasing details of the components of the overall cost at this stage of the process has the potential to prejudice the Commonwealth's commercial interests in securing the best possible pricing for roll-out of the network. While individual elements may of themselves seem innocuous, each additional piece of information can be accumulated by interested parties to position their pricing to what they consider the Commonwealth is prepared to pay rather than the best possible commercial pricing. This situation could apply to existing operators interested in vending assets, equipment vendors, service providers and other utility owners where access to infrastructure may be beneficial.