



Media Release

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Financial Review Confused on NBN Project Accounting

NBN Co Chief Executive Mike Quigley says Australia's national daily business newspaper has misconstrued the National Broadband Network's financial forecasts and wrongly reported that NBN Co would not recover its costs by 2040.

The company was responding to an article published yesterday on the website of the Australian Financial Review that misrepresented the accounting treatment of the project. ^[1]

"NBN Co continues to expect that it will pay back to the Government the amount spent on the network within the timeframe laid down in the updated Corporate Plan issued in 2012. To suggest otherwise is incorrect and misleading," said Mr Quigley.

"In the Corporate Plan, NBN Co forecast that it would pay back by FY2033 the cash paid out. This forecast has not changed.

"The Australian Financial Review, in quoting from a letter sent to the Australian Competition and Consumer Commission by NBN Co^[2], had instead referred to the Initial Cost Recovery Account or ICRA, which takes the amount spent by NBN Co and capitalises that amount at a regulated rate agreed with the ACCC. Under this calculation, revenue received by NBN Co is counted against the ICRA until it is extinguished. However, this does not affect the revenue assumptions that have been made by NBN Co, nor the returns forecast in the Corporate Plan."

In its letter to the ACCC, NBN Co noted a number of scenarios in which the ICRA would be extinguished before FY2039-40. Other scenarios point out earlier timelines to repay ICRA over the long-term timeframe. The Australian Financial Review however appears to have resorted to an oversimplification by focusing on one scenario only.

"NBN Co appreciates that the regulatory concepts used in its negotiation with the ACCC are complex but it is disappointing that Australia's daily business newspaper has misrepresented the project's underlying financial position," Mr Quigley said.

"The project's financial underpinnings remain robust. NBN Co is on track to deliver a financial return to the Government over the life of the project while providing all Australians with access to high-speed broadband services."

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References:

[1] AFR Article "NBN Co won't recover costs by 2040, defends pricing" ([Link to article](#))

[2] NBN Co response to ACCC Information Request ([Link to letter](#))