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NBN worth \$29b less than it costs, PwC says

David Ramli

The national broadband network will be worth \$27 billion when it is complete – less than half what it will cost, PwC says.

Infrastructure Australia yesterday called for the NBN to be sold in coming years, arguing that doing so would boost productivity. As part of its work the government agency hired PwC to model its recommendations.

The financial services firm said selling and privatising Australia's biggest infrastructure project would

likely lead to a 5 per cent increase in productivity.

The network, which was initiated by the Rudd Labor government and overseen by then communications minister Stephen Conroy, will cost up to \$56 billion to build and \$29.5 billion will come from taxpayers. The network will be worth \$27 billion by 2024-25, PwC estimates.

At the moment, the NBN's costs do not count against the budget because it is meant to provide an eventual profit to taxpayers, making it an investment rather than an expense.

If the NBN is sold at too low a price and without enough profits then it will have made a loss – potentially pushing the budget billions of dollars further into deficit.

PwC came to its valuation by taking a forecast from an independent government-commissioned review of earnings before, interest, taxation, depreciation and amortisation (EBITDA) of \$4.5 billion in 2024-25 and multiplying it by six.

The network is meant to be completed by 2020. This means that by 2025 it will have been the monopoly-

provider of Australia's fixed-line phone and internet services for several years.

Multiplying an asset's earnings is a common way of working out how much it would be worth to potential buyers. Page 17 of the 2013 NBN strategic review valued the project using the same formula, but with a different end date.

"The NBN 2013 Strategic Review uses an EBITDA multiple of 6.0," the PwC report said. "Recent articles have suggested the NBN could be privatised at a valuation 'as low as \$20 billion', indicating the value may be higher

than that and hence \$27 billion seems plausible in this context."

"The privatisation of the NBN is estimated to generate gross domestic product per annum of \$119 million in 2031 and \$126 million in 2040."

Both Labor and the Coalition have pledged to sell the network without committing to a firm date.

However, a document from the Treasury issued in 2011 noted plans to privatise the NBN within five years of its completion.

NBN directors and analysts have

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