



28 April 2023

Ms Sarah Proudfoot
Executive General Manager
Infrastructure Division
Australian Competition and Consumer Commission
Level 17, Casselden Place
2 Lonsdale Street
Melbourne VIC 3000

Dear Sarah,

Special Access Undertaking – Follow up on ACCC preliminary view on LTRCM capex and opex for 2021-22

In its preliminary view of 14 December 2022, the ACCC stated that “Provided that NBN Co has appropriately excluded capital expenditures that were funded by grants or other third-party payments, the ACCC does not intend to determine a substitute amount of capital expenditure in accordance with clause 1D.3.2(d) of the SAU or a substitute amount of operating expenditure in accordance with clause 1E.8.2(c) of the SAU.”

nbn has reviewed how capex funded by grants or other third-party payments is treated within the LTRCM and advises as follows.

1. **nbn** receives ‘Other Revenue’ from developer contributions, commercial works charges, and technology changes funded by various parties, including some governments. This ‘Other Revenue’ forms part of the ‘Revenue’ that **nbn** annually reports to the ACCC under the SAU. This ‘Other Revenue’ reduces the extent of **nbn**’s ‘Unrecovered Costs’ (i.e., ABBRR – Revenue) that are capitalised into the ICRA. Within the construct of the LTRCM, this ensures no systematic over or under recovery of costs over time.
2. **nbn** now (from 2021-22) also receives ‘Other Income’ from various government grants. Some of these grants (such as in relation to the fixed wireless upgrade) are specific to (new) capex projects, but others are more in the nature of opex or general operating subsidies (such as in relation to the RBS Levy). Consistent with the LTRCM treatment of ‘Other Revenue’, grants included in ‘Other Income’ will be included within ‘Revenue’ for LTRCM purposes. Within the construct of the LTRCM, this ensures no systematic over or under recovery of costs over time.
 - a. For 2021-22, **nbn** has amended the LTRCM Spreadsheet to include additional amounts in ‘Revenue’ for ‘Other Income’ recognised in relation to grants from the RBS Levy \$33.0m, Strengthening Telecommunications Against Natural Disasters (STAND) \$8.6m, Indigenous Advancement Strategy (IAS) \$0.7m and Alternative Voice Services Trials (AVST) \$0.5m. The total amount added to ‘Revenue’ in respect of 2021-22 is \$43 million¹ (noting that the RBS Levy amount relates to an 18-month initial period).

¹ See the item ‘Other operating income’ for the year ended 30 June 2022 in note B2 of **nbn**’s Annual Report 2022, p.139.



- b. For completeness, we note that for 2022-23, **nbn** will apply the same treatment to government grants, which will also include recognition of approximately \$96 million of the Commonwealth Government's grant towards the fixed wireless upgrade.

As noted in item 2a) above, **nbn** has amended the 'Revenue' input in the LTRCM Spreadsheet. The 'Output Sheet' presents the updated amounts for 'Unrecovered Costs' and closing ICRA balance. Public and confidential versions are provided alongside this letter.

nbn requests that the ACCC base its determination for the 2021-22 financial year on the amended LTRCM Spreadsheet.

Please feel free to contact me if you would like to discuss anything in this letter or the attached information.

Yours sincerely,

Tony Neilson
General Manager, Regulatory Affairs – Access
Legal and Regulatory