



# Submission to the Parliamentary Joint Standing Committee on the National Broadband Network.

31 March 2017

## EXECUTIVE SUMMARY

Macquarie Telecom Group (MTG) welcomes the opportunity to contribute to the Joint Standing Committee's deliberations.

MTG is an ASX listed business, founded in Australia in 1992, and is a pioneer of competitive communications services in Australia. It operates through three business divisions, Macquarie Telecom, providing telecommunications services, Macquarie Cloud Services, providing cloud computing services, and Macquarie Government, serving Federal and State governments with secure communications, data centre and cloud computing needs.

MTG has always been focused on the medium sized business and government markets and seeks to match competitive pricing with unparalleled commitment to customer service. The company has pursued constant product and service innovation, driven by the historically underserved needs of medium sized business customers in particular.

MTG's customers operate in a wide variety of industries and the majority have multiple business locations. Many have offices or retail outlets outside CBD and metropolitan areas and into regional locations. The needs of these offices range from simple voice connections to higher bandwidth network connections to head offices and other business locations.

MTG has been a strong supporter of the NBN policy because it is intended to result in the structural separation of the monopoly fixed line access network from competitive retail markets. Telstra's historic ownership of the access network has undermined the development of competition in Australian communications markets, especially in regional areas where the economics of alternative investment is weakest.

However, the slowness of the rollout of the NBN and some of the consequences of the decisions to change the technology deployed have created serious new challenges for competition and restricted choice leading to poor experiences for consumers to date.

There continues to be lack of an effective wholesale market for NBN services. This disproportionately disadvantages smaller, niche and new entrant retail carriers because wholesale services are required to allow them to use the NBN to deliver competitive retail services.

This is especially the case in relation to RSPs focused on corporate and business or regional customers.

The slow and stop-start rollout of the NBN has encouraged a wave of industry consolidation that has effectively removed "pure wholesale" infrastructure from the market. Instead, the infrastructure connecting NBN to national and international networks has become consolidated in the hands of vertically integrated large retailers.

Also at heart of the failure of the wholesale market to develop is the effect of the 121 NBN Points of Interconnection (Pols), NBN's two part pricing construct and NBN's products set. RSPs outside the three or four largest – all of which have their own retail businesses – do not have scale to economically deploy at 121 Pols.

For example, there is no nationally available NBN wholesale product to deliver voice only, or business grade, high quality services. This contrasts with retail markets, where Optus and Telstra are able to provide voice and high speed, business grade links for corporate and business customers as and when NBN replaces the legacy network. Although both Optus and Telstra offer some wholesale NBN "aggregation" services, they do not offer the same features and products they provide to their own retail customers.

As a result, if a business with a branch in a regional area becomes NBN connected at that location, it is very likely that only Telstra and Optus will be providing business grade services to that location. This results in the operators like MTG, who are otherwise highly competitive for the metro and CBD business of that customer, struggling to win or maintain the business if the customer has an important footprint in regional areas.

This is exacerbated because of NBN's CVC pricing construct. It is not until an RSP has a significant number of connections that it can economically purchase CVC in that area and directly connect to the Pol. Through this period of attaining scale, the RSP is reliant on a wholesale aggregation service which, in turn, makes customer acquisition highly problematic and uneconomical.

MTG recommends NBN step in to provide services during this period of market failure, or until such time as the wholesale market has evolved to offer RSPs competitive choice. This would mean delivering NBN services from regional customer premises to CBD hand off locations across the full range of NBN services, but especially for voice only and higher bandwidth, SLA-grade business services.

In addition, MTG is seeing significant issues arising at a practical level in the processes to transfer individual customers from legacy networks onto the NBN.

While these may be no more than teething problems, the addition of other access technologies to the NBN product mix has meant there are more circumstances where they are arising. This is simply because the process of interconnection differ between different "last mile" access technologies connecting customer premises to the NBN.

These connection issues are raising costs and creating delays for RSPs migrating customers and creating frustration and disrupting service continuity for customers themselves. For example, poor communication or lack of clarity about the NBN connection at a specific location means multiple truck rolls by both NBN and RSPs may be required to complete a connection when better awareness by NBN and RSPs of their respective needs and processes could resolve connections in a day.

MTG is happy to present to the Committee examples of how attempting to connect to NBN is failing at a technical level.

Macquarie Telecom looks forward to consulting further with the Parliamentary Joint Committee on the roll out of the NBN as it continues the review and consultation process.

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