



February 9 2016

Ms Christine McDonald
Committee Secretary
Senate Standing Committee on Environment and Communications
Parliament House
Canberra

Dear Ms McDonald

At the hearing of the Senate Environment and Communications Legislative Committee Inquiry into Telecommunications Amendment (Access regime and NBN Companies) Bill 2015 on Friday February 5, Macquarie Telecom was asked to information about any pilots or trials it was involved with.

In relation to NBN, Macquarie Telecom intends to be a participant in a proposed alternative pricing trial for the CVC (Connectivity Virtual Circuit) service, which aggregates groups of ACVs (Access Virtual Circuits) connecting directly to premises and brings them to NBN Points of Interconnection.

Macquarie Telecom has been an active participant in discussions about the level of CVC prices and also how those prices can be structured to encourage greater take up of higher bandwidth broadband services.

NBN has said it will in April initiate a trial for a period of 24 months of a new pricing structure. Macquarie Telecom has participated in consultation processes with NBN for about 18 months, including providing input to the trial arrangements put forward by NBN in November 2015. These proposals were intended to better align the trial with the stated objectives.

Macquarie Telecom is unaware of whether NBN has finalised the terms of the trial but will participate if and when NBN proceeds.

Macquarie Telecom submits that this is an example of the present arrangements operating successfully, albeit slowly. The pace of the trial rollout has been a matter within the exclusive control of NBN.

Further, this is precisely the type of pilot or trial that, if offered on anything other than a non-discriminatory basis, would cause deep and profound harm to competition and competitors.

All retailers must spread the cost of the CVC service across their customer base, and the existing pricing structures mean costs per user have risen dramatically as download volumes have risen.

However, if, for example, if it was possible for NBN to discriminate between retailers, NBN and Telstra could have the incentive and would have the ability to reach an exclusive arrangements under which Telstra promised to migrate its customers more quickly, and NBN in exchange reduced CVC costs to Telstra as it did so.

It is precisely this type of arrangement that the non discrimination rules identified as an unacceptable risk to competition and the long term welfare of consumers.

In addition to and separately from this trial, Macquarie Telecom is presently investing heavily on internally designing trials of completely new, innovative technologies that we believe have the potential to transform corporate customer network services.

The opportunity to deploy these technologies nationally is in large measure facilitated by the prospect of the wholesale-only, non-discriminatory NBN access services.

These trials, if successful, hold out the promise of a new generation of technologies that would increase flexibility and agility for enterprises in the management and co-ordination of their communications networks. They should remove cost and complexity, create the ability to quickly re-configure business networks and dramatically speed and simplify business network expansion into regional locations.

However, as noted above, this planning and trial development process is predicated on the availability of NBN on an equal access basis to the in many locations that are presently served by inadequate access technologies, or served by technologies that are not available to Macquarie Telecom and other competitors on a level competitive playing field.

To facilitate this trial and effectively test the commercial prospects of these technologies nationally, Macquarie Telecom requires only that NBN make its existing proposed access product set available and that it does not discriminate on price, availability or the basic features and interconnection arrangements by offering different products or arrangements to other carriers.

That is, Macquarie experts NBN to offer as close to a basic “vanilla” access services as possible, leaving the maximum space for competitive innovation to participants in downstream, contested markets.

These new technologies will likely be highly disruptive to incumbent carriers and service providers, giving them a strong incentive to contain and constrain new entrants without existing revenues to protect. Incumbents have an incentive to capture maximum market share themselves and to delay the availability of these technologies by selectively rolling out them out to “block” new entrants.

This is exactly the type of conduct that has been witnessed in Australian communications markets time and again, from ADSL broadband to regional mobile.

A wholesale only NBN as access provider that cannot discriminate between retailers is the greatest security Macquarie Telecom can have that it will not be prevented from bringing these disruptive technologies to the market.

However, if it was possible for NBN to discriminate between its customers, Telstra would have a very powerful incentive to reach an exclusive agreement with NBN to ensure it had

first mover advantage into emerging technologies in order to “manage” their impact on existing high-margin technologies.

Macquarie Telecom would be pleased to provide further information at the committee’s request.

Yours Sincerely

Matt Healy
National Executive, Industry & Policy
Macquarie Telecom