



THE SENATE

SELECT COMMITTEE ON THE NATIONAL BROADBAND NETWORK

Optus - Additional Questions on Notice

Question One

The ONI proposal to roll-in from underserved areas will be welcomed by those who have had their needs neglected in the past. However, how will ONI ensure that it is able to "earn a return on investment" as required by the RFP, if you are focussing on the least commercially viable areas first?

The ONI proposal is a commercial proposal and as such it seeks to generate a reasonable rate of return having regard to long-term utility nature of this infrastructure. Optus believes the NBN should prioritise underserved areas first such as rural and regional areas and metropolitan blackspots before providing even better services to areas which currently have good broadband.

Question Two

What is your customer mix (ie proportion of government, business and residential customers)?

This information is commercial in confidence.

Question Three

Given concerns about regulations lagging behind technological advances, what is the best way of ensuring that redundant regulations can be quickly identified and removed or other aspects of the regulatory regime streamlined on an ongoing basis?

The current concerns across the industry do not relate to ‘regulations lagging behind technology’ rather they reflect the reality that regulations are ineffective at controlling the market dominance of Telstra, one of the most powerful vertically integrated telecommunications carriers in the world.

As outlined in Optus’ submissions to the Senate Inquiry, the NBN represents a once in a generation opportunity to implement regulatory reform to address past policy failings by creating the conditions for a vigorously competitive fixed line market to emerge. In particular, Optus considers that the regulatory framework for the NBN should be built around four key pillars:

- **Structural separation:** The regulatory framework for the NBN should ensure that the owner of the NBN is under strict obligations to provide access to the NBN on terms that are genuinely open and equivalent and not clouded by conflict of interest. To achieve this, the NBN owner must not be a retail provider.
- **Open Access principles:** The NBN should provide all Access Seekers with access to all services on a transparent and equal basis. This will be achieved by requiring the owner of the NBN to provide services on an “Equivalence of Inputs” basis. In this way, all access



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seekers would have the right to receive the same products at the same prices and using the same operational support systems.

- Cost based pricing: Prices for services on the NBN should be set at levels which are sufficient only to recover the efficiently incurred capital and operating costs of providing access to and operating the NBN, plus a reasonable return.
- ACCC oversight: To ensure that the above obligations are enforced and competition and consumer interest are safeguarded the NBN must be subject to oversight by the ACCC.

With this structure in place there will be less need for day-to-day intrusive intervention in the regulatory regime by the ACCC. The opportunity will arise for other aspects of the regulatory framework to be retired [e.g. Retail Price Controls].

Question Four

Industry is required to pay a fee when a complaint is made against them; however, complaints are still at a high level and the nature of complaints are predictable from year to year. What regulatory/legislative changes could be made to remedy this?

The telecommunications industry funds and supports the Telecommunications Industry Ombudsman scheme. The successful operation of the TIO scheme has ensured that customers have access to an independent complaint resolution service, acting as an office of last resort. When complaints are resolved via the TIO process the provider involved pays a fee per complaint according to a scale of fees determined by the TIO. The fees both fund the operations of the Scheme and provide a financial incentive for providers to reduce the level of customer concerns. Optus is a founding member and on-going supporter of the TIO Scheme.

Optus is working constructively with the TIO's Connect.Resolve program, a program designed to address and reduce the number and extent of customer service related complaints in the industry. Communications Alliance has a number of initiatives operating in conjunction with the TIO's initiative.

Telecommunications is an industry on the edge of innovation, constantly bringing new technology, services and products to the market. This is a feature of the level of competition and investment that exists in the industry. The regulatory framework supported by successive Governments involves the promotion of competition for the benefit of consumers.

It is a feature of competitive markets that participants with compete on price, products, innovation, technology and service. It is not clear that it would be efficient or effective for government to seek to intervene and try to impose regulation about the level or nature of complaints. For its part, Optus



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is investing in staff, systems and processes to make its customer service a point of differentiation in the market.

Question Five

How can the Australian Government ensure that whoever operates the NBN is committed, if not compelled, to continue to upgrade and invest in the NBN infrastructure, thus enabling greater innovation and competition among access seekers?

Under the structural separation model proposed by Optus, the owner of the NBN will have strong incentives to encourage as many retailers to access wholesale services on the NBN as possible. In order to make the NBN attractive to these retailers, the NBN builder, on an ongoing basis, will need to continue to invest and thereby maximise the revenue it can generate.

Question Six

A recent survey of business CEOs found that a significant proportion of CEOs did not fully comprehend the positive benefits that broadband could have on their business.

- 1. How should the Government address this lack of awareness? For example, should the provision of awareness training be an integral component of the deployment of the NBN, to ensure that Australia reaps the benefits of the investment of significant public funding?*

Optus would like to draw the inquiry's attention to a recent Australian Industry Group/Deloitte CEO Survey "High speed to broadband: Measuring industry demand for a world class service" which made a number of key findings including the following:

- Over 93% of companies indicated that the internet has had a positive impact on their efficiency/productivity;
- 66% of businesses believe their business will benefit greatly from faster broadband;
- 69.7% of regional firms would see a great benefit from faster broadband;
- Faster broadband is expected to lead to large increases in financial activity for 36% of businesses, with a further 45.1% of companies expecting small increases.
- 73.5% indicated that they were likely to upgrade to high speed broadband, if available.
- Reliability of service was the dominant factor influencing the extent of uptake

This survey demonstrates that business leaders already believe that our country and our economy stand to benefit disproportionately from the deployment of a high speed broadband network.



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Optus believes that with a vibrant competition market structure the NBN is likely to be able to sell itself.

Question Seven

Given the support for the NBN to be operated as a wholesale business only, is there any reason why it could not be owned by government?

- 1. What implications could government ownership of the NBN have for future investment?*
- 2. Could the NBN operate as a government owned utility which is leased or franchised out to various access providers who would act as wholesale suppliers?*

This issue is outside the scope of the current RFP process and Optus has no comment to make on it.

Question Eight

Many submissions have suggested that poor international connectivity will continue to impact on the price, quality and availability of Australian broadband services. Do you believe that there should be complementary investment in overseas fibre links to ensure that the NBN does not just produce a new bottleneck at the international fibre gateways?

Optus does not concur with the sentiments alleged in the question regarding the state of international connectivity.

Question Nine

Given that the NBN will become a critical component of Australia's national infrastructure, how can the Government ensure there is a high level of consultation, collaboration and coordination across the three tiers of governments that will need to cooperate in an infrastructure project of this size and significance?

To meet the Government's roll-out targets some streamlining of the existing planning processes is likely to be required, but this is a matter that will need to be addressed by the Government in selecting its preferred NBN proponent.

Question Ten

It has been argued that the NBN should be treated as a utility in the same way as, for example, the power sector. However, following recent blackouts caused by high demands, criticisms have been raised of the apparent lack of investment for infrastructure upgrades.

- 1. To what extent may structural separation in the power sector have acted as a disincentive to investment?*
- 2. What danger is there that establishing the NBN as a utility in a similar way could have a similar outcome?*



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As noted in response to question five above, Optus considers that under the structural separation model it has proposed, the owner of the NBN will have strong incentives to continue to invest and thereby maximise the revenue it can generate.

Question Eleven

The recent submission by C-Cor states that the expansion and/or upgrading of the existing HFC network would provide a much faster and more economical upgrade of broadband capabilities in urban and regional areas, leaving more funding to provide other technologies to under-serviced areas.

1. What are your views on this suggestion?

Optus does not consider this to be a realistic proposition.

The existing HFC cable footprints are limited in scope – addressing at the most some 2.5 million homes in the major metropolitan areas only. Extending the footprint of these networks will be considerably more costly and risky than an FTTN roll-out (contemplated by the NBN) since it requires cable to be rolled out beyond the node to the home..

Further, connecting customers to the HFC is considerably more complex and costly than cutover to the NBN. Customers can be migrated in batches from the existing PSTN to the NBN by a cutover at the node, which will take a matter of minutes and involve minimal customer inconvenience. In contrast, connection to the HFC has to be done on a customer by customer basis, because each customer premise has to be wired-up to the HFC. In addition, all existing customer equipment (such as modems) will need to be replaced with equipment designed to operate on the HFC.

Question Twelve

What role should the ACCC and ACMA have in an NBN environment? Would there be any advantage in a merging of regulatory bodies to reflect the increasing convergence of NGN technologies?

Optus considers that both the ACCC and ACMA will have an important and ongoing role. In particular, it is vital for the ACCC to be given more effective powers than it has today to regulate access to the NBN.