



THE SENATE

SELECT COMMITTEE ON THE NATIONAL BROADBAND NETWORK

Telstra – Additional Questions on Notice

Telstra notes that many of the questions below have been rendered redundant by the Government's announcement to build a FTTP network. Nevertheless, Telstra has provided answers below where they remain relevant.

Question One

In the Press Club Conference on 24 February, Mr Quilty commented several times on the large costs of deploying FTTP. That is understandable from a competitor's viewpoint, as they would need to cut trenches for laying conduit and fibre across the nation.

- 1. As the major owner of the existing infrastructure, including the pipes and ducts necessary to rollout fibre, and much of the technical expertise in the nation, why has Telstra not taken advantage of this to gain a stronghold as the major fibre infrastructure provider? In what areas do these large costs to deploy fibre lay?**

Telstra is the major provider of fibre infrastructure in Australia. Excluding new housing developments where FTTP has been deployed, there are currently no conduits connected to Australian homes that carry fibre. As such, any builder of a FTTP network would face the higher cost of laying the fibre from the exchange or node to customers' homes. The cost of deploying fibre to the home is much lower in new housing developments where the fibre can be deployed before the roads, footpaths and houses are built.

Question Two

Telstra has suggested that the ACCC's decisions in relation to declaration and price setting should be subject to merit review. Who should conduct such a review and to what extent would it add to the timeframe of what can already be a lengthy process?

Merits reviews could be conducted by the Australian Competition Tribunal, or alternatively a new body could be appointed to provide merits-based oversight of these regulatory decisions. Once the appropriate processes were in place a merits review should not add significantly to the declaration timeframe.

Question Three

In his Press Club speech, Mr Quilty stated that Telstra would not be an "anchor tenant" for any NBN proponent. What implications does this have for any proponent?

The implication for the NBN proponents was that they should not base their business cases on the assumption that Telstra would have used their NBN for its customer traffic.

Question Four

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What is your customer mix (ie proportion of business to residential customers)?

Telstra's financial results for the half year ended 31 December 2008 reported:

5.53 million residential PSTN lines

2.3 million business PSTN lines

Question Five

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?

Telstra recommends that all telecommunications legislation, regulatory instruments and decisions to regulate, which have the effect of imposing regulation be required to have a specified sunset date, with the regulation only being reinstated if a full cost/benefit analysis shows a positive case for its retention.

There should also be automatic mechanisms put in place to enable the update and expansion of exemptions granted from declaration in areas where a competition threshold has been met.

Question Six

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?

Customer service is one way that providers can differentiate and compete and therefore should be left to the market. There is no need for further regulatory intervention in this area.

Question Seven

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?

The best way of ensuring innovation and investment by industry is to ensure an open and fair competitive framework that allows other infrastructure builders to invest and compete on an even footing.

Question Eight

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.



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- 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?**

The business market is highly competitive and education of the potential productivity benefits that broadband can bring should be left to the providers as part of service differentiation in that market.

Question Nine

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?**

The Government would need to ensure that, once its initial investment was made and the network built, there were regular reviews to assess technological advances and appropriate mechanisms were in place for it to make further investment, or encourage subsequent investment by the private sector, to facilitate future upgrades.

- 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?**

Yes.

Question Ten

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?

Any NBN operator will need to ensure it provisions for international gateways to carry its traffic.

Question Eleven

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?

This is a question best put to Government.

Question Twelve



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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?**

While the forms of separation required in electricity are less extensive than those that have been proposed in telecommunications, significant problems of investment co-ordination have occurred:

- transmission network operators are not exposed to the full cost to generation and retail caused by transmission congestion and can be slow to respond to invest in expanded capacity;
- deadlock over investment decisions emerges because transmission network operators will not commit to build new network without a critical mass of generation in an area and conversely, generators will not commit to new plant without assurances about transmission being available.

The response has been to overlay separation with increasingly more complex forms of regulation and bureaucratic workarounds to address the loss of the efficiencies of vertical integration.



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