

Submission to Senate Select Committee on NBN

NBN Companies Bill 2010

Access Arrangements Bill 2010

Response to Questions on Notice

**Submission by
Communications Experts Group Pty Ltd**



QUESTIONS ON NOTICE

1 Scope of Services offered by NBN – Backhaul

At a NBN Co Presentation on 15 April 2010 in Perth, NBN Co Staff stated that “Access to NBN Co services will be at Points of Presence. It was anticipated that approximately 200 Points of Presence will be established, and the locations of these points of presence are yet to be established”.

On three occasions NBN Co Staff stated that no backhaul services will be provided. They could not comment on the source or cause of this restriction.

The above statements do not explain how Regional ISPs or Retail Service Providers (RSPs) can purchase links of adequate capacity to connect to capital cities or international backhaul services.

CEG have not been able to determine if there are any fibre backhaul services in South Australia, however there are a number of regional microwave radio links.

2 Discounting of Prices

2.1 Background Information

One of the problems of the current Telecom legislative environment is that Carriage Service Providers (CSP) have had difficulty in growing or surviving, due to lack of effective competition on the last-mile and backhaul services. (In the UK there are more than 500 RSPs).

The major benefit of a Structurally Separated Carrier is that all eligible Retail Service Providers can get equivalent access to services. This will allow innovative RSPs to develop and deliver services in competition with larger less nimble RSPs. As the NBN Co increases its coverage the number of RSPs is expected to double (based on UK experience). This will cause a redistribution of End Users amongst them, which in turn will cause some of the current larger Carriers and ISPs to lose market share. All the existing Carriers and ISPs will have to innovate and change products and services to minimise the loss of end users to new RSPs.

As stated by CEG and by Carriers there is a very limited scope for efficiencies of scale to deliver any significant discounts. (This excludes the additional billing costs of managing and auditing discounted prices).

2.2 Incentives to Transfer Customers to the NBN Co

In this context the term “customers” can be confusing, as a customer may be an RSP or an End User.

The only incentive that the NBN Co can offer an RSP is an inducement to move an End User from one type of last mile connection to the NBN Co fibre connection. The difficulty in effectively administering this discount is that it is impossible to determine if a customer was willing to change their last mile connection or whether they required some form of discount or other incentive. Once it becomes known that discounts are on offer, then everyone will want the discount, and the larger RSPs will have a competitive advantage over other RSPs. This is

clearly against the policy statement made at the announcement of the NBN Co that all access seekers will have equivalent access.

The current draft legislation should specifically exclude any form of price and service discounting.

It is also important that any proposal on new access conditions and pricing should be published and open for comment, before being implemented.

It should be noted, that with the exception of the emerging or proposed 40Gbit/s and 100Gbit/s and Passive Optical Network interfaces, the need for SFAAs can be significantly reduced by expanding the range of services offered by the NBN Co.

The combination of the ability to offer retail services plus the opportunity to negotiate better price and conditions provides sufficient legal loopholes to enable the future privately owned NBN Co to become a monopoly supplier with the same competition and structural issues we have today.