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Senate Select Committee on the NBN Questions on Notice

QUESTION 1

How does that inform what your expectations are about NBN rollout, even in places where there is a Telstra exchange providing ADSL2+ services to an optimised environment, which would be barely 50 per cent of the services running from that exchange?

ATUG: In general ATUG's experience has been that new investment in more innovative services leads to competitive responses – better prices, higher speeds, innovative services - better outcomes for end users. We would expect NBN investment to drive competitive responses by other carriers – on the basis that where other carriers infrastructure can deliver NBN standard services, NBN will not over-build these assets.

QUESTION 2

10.11 If owners of existing Australian premises will indeed be required to pay for the costs of deployment of the NBN to their premises (and by 'deployment' the committee is encompassing more than just the costs of internal wiring of the home once the fibre is deployed down the street), then significant questions arise as to whether such an arrangement would mean Australians will in effect be paying twice for the network:

ATUG: Our understanding has always been NBN would carry the costs of the lead-in cable and the ONT and that these costs and others incurred by NBN in building their network assets would be passed on to end users through NBN Wholesale prices to achieve a commercial return for Government. Page 216 of the Implementation Study says:

Costs are reduced through capital costs forgone for those premises who choose ultimately not to connect to the fibre network due to wireless substitution or use of competing infrastructure. If the premises were activated when passed with an outside ONT deployed, it is estimated that this would result in additional costs exceeding \$3 billion. If the drop fibre were only made to the premises and no ONT installation occurred (i.e. the fibre was just curled up) then the additional cost would exceed \$1 billion. A policy of pass and

connect further increases the operational leverage of the company making its financial performance more sensitive to take-up rates.

Migration costs will be paid by the end user or absorbed by the retailer.
Page 220-221 from Implementation Study goes to this issue:

The total fixed installation and materials cost (excluding lead-in installation) is estimated to be approximately \$500 per premises. The Verizon experience suggests that this cost can be brought down over time with experience and the adoption of best practices.

Some premises will require rewiring or new CPE within the home. Exhibit 4–22 explains these migration costs, which the end user or the retail service provider would bear. We modelled a migration incentive of \$300 per premises connected, which NBN Co would provide to the service provider to assist with migration and help drive take-up. This is modelled as an offset against the revenue as NBN Co receives from service providers. It is assumed that apart from the one-off migration payment, the service provider will fully absorb migration costs. The amount of equipment and level of service an individual end-user demands will ultimately determine the precise cost of new CPE or rewiring.

QUESTION 3

In Primus's case, the entry level is 45. My understanding is that after a period of time—and I am not sure whether it is in half a year, nine months or a year even—it goes up to 90, which is obviously their profit price for the same service.

ATUG:

Already the market is seeing a range of price point/performance packages. End users will choose what suits – trading off speed, downloads, bundled phone service....for price. End users have the choice of whether to move to NBN services. The difference between the ADSL2+ plans and the NBN plans is around an extra \$20 per month for similar download capacity and faster speeds. The NBN plans quote speeds whereas the ADSL2+ plans describe “superfast broadband” or “fastest speed possible on your line”.

Primus NBN Plans –

<http://www.iprimus.com.au/PrimusWeb/HomeSolutions/FibretotheHome/>

Primus ADSL2+ plans

<http://www.iprimus.com.au/PrimusWeb/HomeSolutions/BroadbandInternet/>

iiNet NBN Plans - <http://www.iinet.net.au/nbn/>

iiNet ADSL2+ plans - <http://www.iinet.net.au/broadband/plans.html>

Internode NBN plans -

http://www.internode.on.net/residential/broadband/fibre_to_the_home/opticomm/plans/

Internode – ADSL2+ plans

<http://www.internode.on.net/residential/broadband/adsl/extreme/pricing/>

Yours sincerely

A handwritten signature in black ink, appearing to read 'RSinclair', written over a thin horizontal line.

Rosemary Sinclair
Managing Director
Australian Telecommunications Users Group (ATUG)