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10 August 2012

Ms Jane van Beelen  
Executive Director, Regulatory Affairs  
Public Policy and Communications  
Telstra Corporation Limited  
Level 11, 400 George Street  
SYDNEY NSW 2000

By email:

[Jane.vanBeelen@team.telstra.com](mailto:Jane.vanBeelen@team.telstra.com)

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Dear Ms van Beelen

**Re: Wholesale ADSL FAD inquiry—Request for information**

In its *Public inquiry to make a final access determination for the wholesale ADSL service: Issues paper*, released on 6 July 2012, the ACCC stated that it would seek specific information regarding costs, demand forecasts and other relevant parameters from Telstra in order to progress its consideration of the appropriate price terms and price method for the wholesale ADSL FAD. The ACCC is considering both a retail minus retail cost and a cost-based price methodology.

A list of questions is attached seeking this information. The ACCC also requests clarification of some aspects of the data provided by Telstra which was used in the retail minus retail cost model for the wholesale ADSL interim access determination. The ACCC intends to publish this information request on its website.

Telstra should identify any information for which it wishes to make a claim of confidentiality and provide the reason for such claim.

I would appreciate your response **by close of business 7 September 2012**.

Yours sincerely

A handwritten signature in blue ink that reads "R. Wright".

Robert Wright  
General Manager  
Access Operations and Pricing Branch, Communications Group

## **ATTACHMENT 1: REQUESTED INFORMATION**

### **Retail minus retail cost model**

1. Please provide an updated list of retail ADSL plans, including the price and number of SIOs for each plan. Please provide this information in Excel in the same format as the retail minus retail cost model previously provided to the ACCC, with any issues identified in Attachment 2 to this letter clarified. In addition, where plans include additional services—such as voice services, T-Box or FOXTEL—please identify (by product name) the other services included, where possible.
2. Please provide any internal models or documentation used by Telstra to set prices for its retail ADSL plans. Please explain how a plan's included features influence the retail price. Are the differences in retail prices for different plans due only to the differences in data included? Or do other costs in the price change with the different plans? For example, does the retail price contain a fixed charge for access that is the same for all plans, or does it vary?
3. At the time that the first TEM report is submitted to the ACCC, please also provide a spreadsheet with detailed information on each cost pool in the TEM similar to the worksheet 'ADSL2+ Reference Price Documentation - Appendix A 2011 09 09 v2.xlsx' provided to the ACCC on 9 September 2011. Please also provide a reconciliation of the retail cost pools for ADSL in the TEM with the cost categories in the RAF.
4. Please provide:
  - a. 'Average Network Utilisation (Telstra Retail Mbps)'—which is used in worksheet 5 of the retail minus retail cost model—as at 30 June 2012.
  - b. Forecast 'Average Network Utilisation (Telstra Retail Mbps)' as at 30 June for each of the following years: 2013, 2014, 2015 and 2016.

### **Building Block Model**

#### **RAB**

5. Please provide the financial asset register for asset classes, and assets, relevant to wholesale ADSL (both internally- and externally-provided wholesale ADSL) as at 30 June 2009. The asset register should record only asset classes that contain assets that have a remaining value as at 30 June 2009, and should also show the historic cost and accumulated depreciation by vintage (i.e., financial year in which the assets were purchased). For clarity, the ACCC requests that Telstra provide the information in a format similar to that provided in the spreadsheet titled 'Telstra Confidential – (D)IHC calculation.xls' sent to the ACCC on 22 October 2010 in response to the ACCC's September 2010 Draft Report, but this information should relate to wholesale ADSL only.
6. Please provide a spreadsheet detailing the value of network and non-network assets used to supply the wholesale ADSL service as at 30 June 2009. This spreadsheet should include the relevant RAF asset classes and the nominal sum of written down values for each asset. The full list of assets used in the financial asset register (i.e., the information requested in (5) above) should be included in this spreadsheet. For clarity, the ACCC requests that Telstra provides the information in a format similar to Schedule 2 of Telstra's 22 November 2010

response to the ACCC's information request, but only including assets used to supply wholesale ADSL. Please provide as much detail as possible about each asset within this spreadsheet. Please also list the relevant FLSM asset class to which each asset is assigned.

#### *Tax asset values*

7. Please provide depreciated tax asset values for assets relevant to wholesale ADSL as at 30 June 2009—these should be the same assets as requested in (5) above. Please provide this data reconciled to each asset class in the Fixed Line Services Model (FLSM). For tax asset values that cannot be reconciled to the FLSM asset classes, please use Regulatory Accounting Framework (RAF) categories.

#### *Capital expenditure and operating expenditure*

8. Please provide actual capital expenditure and operating expenditure for assets used to provide wholesale ADSL for the following financial years: 2009–10, 2010–11 and 2011–12. Please provide this data with the assets/expenditure reconciled to FLSM asset classes; for assets/expenditure that cannot be reconciled to the FLSM asset classes, please use RAF categories. Please provide this data either in real terms (with the base year specified), or in nominal terms.
9. Please provide forecasts for capital expenditure and operating expenditure for assets used to provide wholesale ADSL for each of the following financial years: 2012–13, 2013–14, 2014–15 and 2015–16. Please provide this data with the assets/expenditure reconciled to FLSM asset classes; for assets/expenditure that cannot be reconciled to the FLSM asset classes, please use RAF categories. Please provide this data either in real terms (with the base year specified), or in nominal terms (with the inflation assumptions used). Please describe the drivers of capital expenditure and operating forecasts.
10. The following questions relate to network capacity and congestion:
  - a. How does Telstra measure network capacity and utilisation? The ACCC understands that the number of (kilo or mega) bits per second is one measure. Are multiple metrics used to assess congestion and utilisation? Please provide historical data showing capacity utilisation and describe any differences in utilisation across different services, different types of users (for example, business, residential and wholesale customers), different geographic areas and differences over time.
  - b. What proportion of capital expenditure will be used to augment network capacity to ease congestion problems? How is network capacity augmented (for example, what assets do you invest in)?
  - c. Where will capacity-augmenting investment be focused? Have particular areas been identified (for example, a specific exchange), or is investment planned on a more widespread basis (for example, most metropolitan areas)? How do you prioritise the geographic areas, and assets, that you invest in?
  - d. Are there any differences in costs incurred in expanding capacity to exchange-based DSLAMs relative to DSLAMs closer to the customer ('CAN-based DSLAMs', such as Top Hats)? Are there any other barriers

to expanding DSLAM capacity, and, if yes, do they differ between exchange- and CAN-based DSLAMs (for example, physical space)? What other factors influence the decision to add or upgrade a DSLAM? Is a customer's potential connection speed a factor in the decision?

- e. What parts of Telstra's ADSL network are shared with internet services provided to end-users using other technologies—for example, Telstra HFC, mobile broadband, BigPond Velocity? Is traffic from end-users using other technologies processed by a Broadband Remote Access Server (BRAS) and/or ISP Gateway Router (IGR)? Are any of the transmission links used by ADSL services shared with transmission links for the other services (especially HFC)?
- f. How does the amount of AGVC or VLAN purchased by (wholesale ADSL-based) ISPs affect congestion on the ADSL network? Does the amount of AGVC/VLAN purchased by one wholesale ADSL-based ISP affect the performance of end-users served by BigPond and other wholesale ADSL-based ISPs?

#### *Demand*

- 11. Please provide actual wholesale ADSL demand, that is, the number of services in operation (SIOs), for each of the following financial years: 2009–10, 2010–11 and 2011–12. The ACCC requests that Telstra provides demand figures in two separate ways: by zone (that is, Telstra's current wholesale ADSL zone structure), and by ULLS band.
- 12. Please provide forecast wholesale ADSL demand, that is, the number of SIOs, for each of the following financial years: 2012–13, 2013–14, 2014–15 and 2015–16. The ACCC requests that Telstra provides the forecasts in two separate ways: by zone (that is, Telstra's current wholesale ADSL zone structure), and by ULLS band.
- 13. Please provide total AGVC and VLAN usage for all access seekers, in Mbps, as at 30 June of each of the following financial years: 2009–10, 2010–11 and 2011–12.
- 14. Please provide forecast total AGVC and VLAN usage for all access seekers, in Mbps, as at 30 June of each of the following financial years: 2012–13, 2013–14, 2014–15 and 2015–16.

## **ATTACHMENT 2: CLARIFYING QUESTIONS IN RELATION TO RETAIL MINUS RETAIL COST MODEL**

This attachment seeks clarification of a number of issues identified in the retail minus retail cost model previously provided by Telstra to the ACCC on 17 November 2011. The following questions relate to the '3. Retail Plans' worksheet in the model. The first section seeks to clarify information in the model. The second section also seeks clarifying information but may also require additional information.

### **Clarifying questions**

15. Some plans do not appear to be in Telstra's 'Our Customer Terms' documents available on Telstra's website (including Our Customer Terms for both currently available plans and plans no longer available for new sales), but they appear in the '3. Retail Plans' worksheet. These are the Pre-Rocky standalone plans, and the 'Home 25GB Bundle' and the 'Home TV 25GB Bundle'. Please explain why the two sources of data do not match, and please provide some information on these services (for example, when they were offered to customers).
16. There may be an error in some of the numbers for the 'Telstra Complete Home' and 'Telstra Complete Home TV' bundles. The values in the 'Standalone other products' column do not change for any of the five bundles, even though the included voice service with each of the bundles is different. If this is an error, please correct it when you provide the updated data to the ACCC. If the numbers provided previously are correct, please explain why.
17. Bundles containing Telstra's HomeLine Reach plans appear to include a value for the voice service, in the 'Standalone other products', of \$49.95. The value of the HomeLine Reach voice service also appears to be \$49.95 for TV bundles. However, the ACCC notes that HomeLine Reach is currently priced at \$49.90. Was HomeLine Reach previously priced at \$49.95, or is the correct value \$49.90?
18. The prices of standalone components seem to have changed over time. For example, the 'Standalone other products' value for older bundles with HomeLine Budget voice services is \$20.95 per month, whereas the current price of HomeLine Budget is \$22.95. Did this price change (and any other price changes) occur at the same time as the 'Telstra Complete Home' bundles were introduced?
19. For 'Business Broadband ADSL Bundled HS' and 'Business Broadband ADSL Standalone HS' plans, the dates in the spreadsheet (February, July, August and September) do not match the dates in Our Customer Terms (May and October). Please explain: (a) why the dates don't match; (b) why there are some plans offered at prices that do not appear in Our Customer Terms (for example, 'Business Broadband ADSL Standalone HS 50GB \$63.63 AUG10', priced at \$70); and (c) whether these plans were generally available or were only offered to selected customers.

### **Clarifying questions potentially requiring additional data**

20. Some plans in the Our Customer Terms document do not appear to be in the '3. Retail Plans' worksheet. For example, the 'Bus Bband Starter High Speed N06' plans are available for a range of different Gigabytes. However, the 5GB plan appears in 'Table 1 - Charges if you signed up to Business Broadband Starter prior to 29 February 2008' on page 23 of the Our Customer Terms document but does

not appear to be in the model. Please explain why this plan is not included in the model, and please identify (and include) any other plans that were not included.

21. Some of the business broadband products do not appear to have consistency in the treatment of GST and/or bundling. For example, the 'Bus Bband Starter High Speed 10GB N06' has a price of \$110 in the '3. Retail Plans' worksheet. The price listed in 'Table 1 - Charges if you signed up to Business Broadband Starter prior to 29 February 2008' on page 22 of Our Customer Terms is \$109.95 GST-exclusive or \$99.95 GST-exclusive under Multi-service pricing. Please explain:
- whether the \$110 price is inclusive of GST
  - whether the \$110 price includes the Multi-service pricing discount (and if not, why there are no plans in the business broadband section that take into account Multi-service pricing), and
  - why the numbers for this plan and other plans do not match the numbers in Our Customer Terms (for example 'Bus Bband Starter High Speed 1GB N06' is \$80.30, but this does not match any of the numbers in Our Customer Terms).

If plans on the multi-service pricing discount in point (b) above are not currently included in the spreadsheet, please provide data on the number of SIOs for each multi-service plan when you provide the updated data to the ACCC.

22. The '3. Retail Plans' worksheet does not appear to include any business broadband plans on lower speeds. Is this because there are no customers remaining on grandfathered plans with lower speeds? If not, please provide all plans and prices—including lower speed plans—and the number of SIOs on each plan when you provide the updated data to the ACCC.
23. The Our Customer Terms document for ADSL lists a number of grandfathered plans (Plans no longer available for new BigPond ADSL connections): for example, there are Turbo and Elite plans available between 29 November 2009 and before 25 July 2010. However, these plans do not appear in standalone home broadband section of the '3. Retail Plans' worksheet. Have all customers on these plans moved to newer plans? If not, please provide details of all plans available (including all grandfathered plans), and the number of SIOs still on each plan, when you provide the updated data to the ACCC.
24. Please provide a list of all welcome credits/rebates/discounts offered by Telstra to ADSL retail customers (both currently and in the past), and, if possible, please explain how many customers received such bonuses. For example, Telstra offers a \$120 'Welcome Credit' on Telstra Business Broadband ADSL services.<sup>1</sup> Please explain how any such rebates/discounts in your list are taken into account in the '3. Retail Plans' worksheet.
25. Please explain the methodology used by Telstra to calculate 'Average fixed broadband retail revenue per SIO per month (excl hardware) (\$'s)' on page 15 of Telstra's 2011 annual report. Please provide the underlying data used for the annual report calculations—for example, revenues, discounts and SIOs—and please provide this data separately for ADSL and HFC services.

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<sup>1</sup> <http://www.telstra.com.au/business-enterprise/download/document/business-tbb-online-welcome-credit-terms-conditions.pdf>.