



Launtel Public response to ACCC SBAS Enquiry 3 (Nov 2023)

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Summary:

- We support the benchmarking of the speed tier prices to NBN's.
- We believe that the 100/20 speed tier should be included in the regulated pricing.
- We agree with benchmarking the NNI prices to NBN's.
- We believe that providers should not be able to charge for state-based-aggregation.
- We are disappointed that there are no congestion / packet loss etc service standards in the proposal.

Thank you for inviting us to give a submission to this final stage of your enquiry into SBAS for non-NBN access providers.

Overall we see the results of this enquiry so far in a very positive light, we certainly very much welcome the matching of the connection charge to NBN as this has been the source of significant revenue gouging by one access provider in particular. While we have always campaigned to see this drop to back to \$0 on NBN and others because of our particular business model, we can work with the \$5 that is now in place.

We agree with the two tiered approach suggesting access providers either duplicate NBN's complex floor-and-ceiling approach or alternatively just use NBN's average combined charge for those speed tiers. We fully expect all access providers to choose the second method because it is much simpler, we note that Uniti has already chosen this path, and even NBN will be doing away with usage charges in a few years anyway.

However we are concerned that the ACCC has chosen not to include the 100/20 speed tier in its list of regulated prices, even though it sets the ceiling of NBN's price model.

We believe that the 100/20 is now very much a standard product these days. While it is still not the most popular we believe this will change very fast, particularly now that the price of

the 50/20 is so close to that of 100/20 in NBN's pricing and more people get access to technologies (FTTP in particular) that can easily support it. Technology limitations we believe has been the main limiting factor here. It is worth noting that most of the smaller access providers generally all use FTTP anyway, because many are active in the greenfields build market.

Given this regulation is set to last for several years, it seems very unrealistic to believe that 100/20 (and probably 100/40) will not become an important speed tier during that time.

NNI and state-based-aggregation

We broadly support the matching of NNI charges against NBN's pricing, while we note that NBN's NNI charges are still not regulated, we trust that NBN as a very public entity will not take advantage of this.

However we are still very concerned about state-based-aggregation charges. It is completely unregulated and amounts to a significant loophole that an access provider can use to add an extra tariff onto the monthly access charge. We note that Uniti unilaterally increased this charge relatively recently with some hand-wavy statement about increased costs. We strongly believe that this should not be allowed to continue under the SBAS, otherwise providers could make a mockery of the whole price regulation.

We recognise that smaller access providers generally provide a state based aggregation point whereas NBN does not (NBN uses its POIs). However we think this is reasonable market forces in play. An access provider has to provide an interconnection point where an access seeker can get access to a reasonable number of potential customers otherwise it is not worth the access seeker interconnecting to the access provider at this location. We note that while Uniti is charging the state-based-aggregation charge, they do not offer any alternative connection point that avoids it (e.g. such that seeker could use their own backhaul) - so effectively they have no competition in this space, they can charge what they like. There are no alternate backhaul providers using the equivalent of a vNNI to provide that competitive pressure. This is not a hypothetical issue, with a smaller provider we are contemplated connecting directly to a remote building to decrease latency, because we happen to backhaul in the vicinity - we would do this regardless of any price reduction in the monthly charge.

The other main reason that small providers do state-based-aggregation is that smaller seekers will use services such as Megaport or IX Australia for their interconnect (these are only available in the datacentres of capital cities) that are cheaper to setup and operate for both sides for relatively low volumes of traffic (under 5Gb). We believe this is again the proper market forces at play.

We believe attempting to equate a fixed NNI charge from NBN versus a charge per service (as Uniti do with their state-based-aggregation), would not only be very complex but the resulting cost per service would vary wildly with each RSP. As an RSP you need to start at a 10Gb NNI before you can offer 1Gb services, but then you end up with a very expensive connection for relatively few services. This is why all but the largest RSP just use Megaport et al for their interconnection, which simply charge a relatively low bandwidth charge (less

than 20c/Mb) and in multiples of 100Mb for a connection between datacentres in a metro area.

In other words physical NNIs are not often used for interconnection between seekers and non-NBN access providers, so the issue is not as pressing as it is for NBN. However benchmarking the NNI price at the NBN one seems reasonable. We do however recommend abolishing the state-based-aggregation charge and just allow providers to provide backhaul (at their cost) to a site that allows them to be attractive to access seekers.

Not worse off than NBN

We note the ACCC's opening comment expressing the desire "that retailers and their end customers will not be worse off than if they were supplied broadband services by the NBN". We strongly support this, because for many end users, particularly renters, they were not involved in choosing their access provider - the decision was made long ago by the developers of the site.

We therefore want to point out that it is extremely unfortunate that the ACCC have not chosen to have some level of regulation about the quality of the network provided. We see significant congestion in some provider's networks for example, this leads to significant extra service costs for the RSP, dealing with customer complaints etc (that they can do little about).

It is important to note that once an access provider builds a network into a building or an estate, they are pretty much assured that they will become a monopoly provider. This is why there is a strong incentive for providers and developers to come up with cheap deals (including free to the developer), because the developer doesn't have to deal with the long term costs of any decision. The provider's incentive is to then run those buildings/estates as cheaply as possible, for example providing as little backhaul (resulting in congestion) or support staff, as they can get away with, and let the RSPs deal with the TIO issues (the TIO have no power over access providers of course).

Unfortunately at Launtel we have to supply our services on some access providers at a premium over NBN, because of these attendant support costs. Not only does this cost end users more, but they get a poorer service for it! This fails the "no worse off" test.

We recognise that service standards can be hard to regulate. Though NBN have done it for the last few years - required its RSPs to have no more than 95% utilisation on the CVC for more than 1 hour per day. An alternate first step may be to force the providers to publish details of the utilisation in various parts of their network - presumably the backhaul to particular buildings / estates.

We therefore strongly believe that in order to pass this "no worse off" test, service standards have to be included.

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