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Australian Competition and Consumer Commission

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Fixed Services Review - Request for Market Information

Your Reference 50124

Our Reference IP 101302

I refer to your letter of 9 October 2013 in which the Australian Competition and Consumer Commission (“**ACCC**”) has requested Macquarie Telecom Pty Limited (“**Macquarie**”) to provide market information relating to the ACCC’s Fixed Services Review. Macquarie has responded to the ACCC’s questions / information requests as are relevant to its role as an access seeker. This means that Macquarie has responded to questions / information requests 1 to 6 only.

Responses to questions / information requests

For ease of reference the ACCC’s question / information request is reproduced in a shaded text box which is then followed by Macquarie’s response.

1. In CBD Areas, do you supply fixed line services to retail customers only, wholesale customers only, or both retail and wholesale customers?

In CBD areas, Macquarie is a supplier of fixed-line services to retail customers only. That is, Macquarie does not supply fixed-line services to wholesale customers.

2. (a) List SIOs by each ESA

The following table shows fixed-line services provided by Macquarie to retail customers from CBD exchanges. This information has been constructed from invoices received by Macquarie from its suppliers, i.e., Telstra and [CiC] . It should be noted that Telstra’s invoices do not identify the exchange at which the service is provided. This is a practical limitation of the terms on which Telstra supplies wholesale services to access seekers.

In Table 1, the ESA has been identified by reference to the number range of the service. This approach is accurate if the service ID is a geographic number allocated to Telstra. As

such, where the service ID is not a geographic number such as ISDN 10 / 20 / 30 services supplied via [CiC] this approach does not work. Macquarie estimates that there are an additional [CiC] ISDN 10 / 20 / 30 services which while being provided in CBD areas to end-users cannot be readily identified to a specific ESA.

Table 1: SIOs by CBD Exchange

Exchange Name	Exchange Code	SIOs
BATMAN	BATM	[CiC]
BULWER	BWER	[CiC]
CHARLOTTE	CHLT	[CiC]
CITY SOUTH	CYSH	[CiC]
DALLEY	DALL	[CiC]
EDISON	EDSN	[CiC]
EXHIBITION	EXHN	[CiC]
FLINDERS	FLNF	[CiC]
HAYMARKET	HMKT	[CiC]
KENT	KNST	[CiC]
LONSDALE	LONS	[CiC]
PIER	PIER	[CiC]
PITT	PITT	[CiC]
SPRING HILL	SGHL	[CiC]
WAYMOUTH	WAYM	[CiC]
WELLINGTON	WLTE	[CiC]
Total		[CiC]

2. (b) Breakdown SIOs by residential, corporate and government customers.

All services are provided by Macquarie to corporate customers.

2. (c) Breakdown SIOs by technology platform.

Table 2: SIOs by Technology Platform

Technology Platform	SIOs
WLR	[CiC]
Unknown	[CiC]
ISDN 2	[CiC]
VPN	[CiC]
Total	[CiC]

Note that due to the absence of detail in Telstra's invoices the technology platform for [CiC]

2. (d) Are there any services required by your retail customers that can only be supplied over the copper network? Please list these services.

Macquarie's fixed-line retail customers are typically [CiC]. They have a fundamental requirement for voice services provided over the copper line. These services are used for telephony, facsimile, security alarms, point of sale equipment, emergency elevator telephones and back-up telephones. The copper line provides end-users with a highly reliable service at an appropriate price point. That is, such customers do not wish to upgrade to a high speed alternative to the copper-based service and especially not if it might be less reliable and costs more.

2. (e) Please outline whether your retail customers require a minimum level of service standard (for example, fault rectification within a certain timeframe). Describe the nature of these customers and comment on how significant such minimum service requirements are. In order to meet these customers' needs, do you have to purchase particular wholesale services (such as wholesale line rental (WLR) services provided by Telstra)?

As per its response to the previous question, the needs of Macquarie's fixed-line retail customers are satisfied by the supply of voice services over the copper line. Telstra provides one standard of service for the supply of the WLR service in CBD areas which provides for fault rectification by the end of the next working day. This is evidently satisfactory for retail customers.

2. (f) Do you supply voice-only retail products (that is, fixed line voice products that are not bundled with broadband services or other services)? If so, do you place any conditions on the supply of these products, such as the minimum number of lines per premises purchased? Please specify the conditions placed on supplying these voice-only retail products.

Macquarie provides voice-only services to its retail customers which are not bundled with broadband or any other services. Indeed this is the normal course of business activity rather than the exception.

Macquarie does not place any conditions on the supply of voice-only services such as a minimum number of lines per premise.

[CiC]

3. In CBD Areas, do you supply retail fixed line services by purchasing an ULLS from Telstra and using your own DSLAMS and/or MSANs? If so, please provide a list of the ESAs in which you have installed DSLAMS/MSANs. For each of these ESAs, please state the number of DSLAMS/MSANs and how many of those DSLAMS contain voice ports.

Macquarie does supply retail fixed-line services in CBD areas by purchasing an ULLS from Telstra and using its own DSLAMS.

[CiC]

Macquarie acquires in total, i.e., across all exchanges approximately [CiC] ULLS services from Telstra.

4. In CBD Areas, do you supply retail fixed line services (including voice services, data services or bundled services) by reselling wholesale services (including wholesale line rental (WLR), local carriage service (LCS), public switched telephone network originating access (PSTN OA) services, Wholesale ADSL services, or any equivalent services)?

Macquarie supplies retail fixed-line voice and data services in CBD areas by reselling wholesale WLR, LCS and PSTN OA services. Note that Macquarie does not specifically acquire the PSTN OA service. Rather the PSTN OA service forms part of a range of input services that Macquarie acquires from both Telstra and [CiC].

4. (Continued) If so, please provide a list of the ESAs in which you purchase resale services. Please outline the charges you pay for purchasing these services, any rebates against these charges and the conditions that must be met to receive any rebates.

For each ESA please list:

- *the number and type of resale services purchased;*
- *the name of the supplier of those services.*

The following table shows the number of WLR services acquired by Macquarie in CBD areas by exchange.

Table 3: WLR SIOs by CBD Exchange

Exchange Name	Exchange Code	WLR SIOs
BATMAN	BATM	[CiC]
BULWER	BWER	[CiC]
CHARLOTTE	CHLT	[CiC]
CITY SOUTH	CYSH	[CiC]
DALLEY	DALL	[CiC]
EDISON	EDSN	[CiC]
EXHIBITION	EXHN	[CiC]
FLINDERS	FLNF	[CiC]
HAYMARKET	HMKT	[CiC]
KENT	KNST	[CiC]
LONSDALE	LONS	[CiC]
PIER	PIER	[CiC]
PITT	PITT	[CiC]
SPRING HILL	SGHL	[CiC]
WAYMOUTH	WAYM	[CiC]
WELLINGTON	WLTE	[CiC]
	Total	[CiC]

The following table shows the resale services that Macquarie acquires in CBD areas together with the charges that it pays to its suppliers.

Table 4: WLR and LCS Charges by Supplier

Resale Service	Supplier	Charge
WLR	Telstra	[CiC] per month
	[CiC]	[CiC] per month
LCS	Telstra	[CiC] cents per call
	[CiC]	[CiC] cents per call

Note that Macquarie acquires WLR services from both Telstra and [CiC]. However, the number of WLR services acquired from

[CiC]

5. Please comment on the significance of pair gains systems in your decision to purchase resale services instead of purchasing an ULLS from Telstra and using your own DSLAMS/MSANs.

Macquarie notes that there is a wide range of factors impacting on an access seeker's decision to purchase resale services, i.e., WLR and LCS, instead of purchasing ULLS and using its own DSLAMS/MSANs in order to meet end-user requirements. These include:

- the limited nature of end-user demand for services, i.e., the demand for voice-only services will be fully satisfied with WLR and LCS resale services;
- the capacity of Telstra being the dominant market player to use its market power to circumvent competition via predatory retail conduct;

- the emergence of the NBN which would replace and therefore strand any access seeker investment in DSLAMs/MSANs;
- current and expected retail market prices;
- the capital and operating cost of investing and maintaining DSLAMs/MSANs; and
- whether there is physical capacity at given Telstra exchanges to accommodate DSLAMs/MSANs.

In this context, whether pair gains systems exist or not is an important consideration in deciding to invest in DSLAMs/MSANs among many other considerations. In the extreme, if every copper line for a given exchange was affected by pair gains systems then the precondition for the supply of a ULL would not be met and an investment in DSLAMs/MSANs would be pointless. Accordingly, such investment would be ruled out solely on that basis.

It is Macquarie's experience that up to 10 *per cent* of its requests for ULL are rejected on the basis of the presence of pair gains systems. However, while this is evident in respect of CBD exchanges this is not as prevalent as it is with non-CBD exchanges. Relevant factors that explain this include the relatively shorter line-lengths and the relatively better condition of the copper network in CBD areas. That is, pair gains systems are used less extensively in CBD areas compared to other areas.

Other

Macquarie has previously made representations to the ACCC that it is unable to source WLR and LCS other than from Telstra.¹ Macquarie has recently confirmed that neither [CiC] can supply an equivalent service to Telstra's WLR and LCS in CBD areas. Please refer to the correspondence in the Attachment to this letter.

Should you have any queries in relation to this matter please feel free to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read "Chris Zull".

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¹ For example, Macquarie's submission to the ACCC's Inquiry into varying the exemption provisions in the final access determinations for the WLR, LCS and PSTN OA services, (reference RG 101102 14 October 2011), page 9

ATTACHMENT

This attachment provides confirmation that neither [CiC] are able to supply Macquarie with an alternative to Telstra's WLR and LCS services. Reproduced below are emails from [CiC] respectively which respond to Macquarie's request for WLR and LCS services in CBD areas.

Correspondence with [CiC]

Correspondence with [CiC]