

CEDA discussion forum

Regulatory changes in an NBN environment



Australian
Competition &
Consumer
Commission

Ed Willett
Commissioner
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State of competition

- ACCC's annual telco report :
 - competition continues to emerge unevenly
 - more developed in urban than regional areas
 - more extensive in mobiles
- Competition has not emerged to the extent anticipated since 1997



Broadband in Tasmania

- **2008: 39%** of Tasmanian households had broadband - most other states had **51-55%**
- ACT highest (**68%**)
- Lack of competitively priced backhaul services linking Tasmania and the mainland
- Basslink now providing alternative backhaul service



Competition is important

- Most effective means of ensuring high quality services at affordable, sustainable prices by the most efficient providers
- Aim of access regulation:
 - Mimic competitive markets outcomes for bottleneck services
 - Promote competition in dependent contestable markets
- Leads to investment
 - Not just in the NBN access network
 - But more importantly in competitive service offers using that network
- ...and innovation
 - Eg naked DSL, the range of broadband offers
- Broader economy-wide benefits



- ‘Patchy’ competition due to underlying industry structure
- Fixed line – industry remains highly integrated
- Highly dependant on Telstra’s copper network
- Opportunity for more effective competition in future



The National Broadband Network (NBN)

- Wholesale only, open access network
- Will not provide retail services
- NBN structural framework to address competition issues
- Other countries also addressing industry structure issues
 - Singapore
 - United Kingdom
 - New Zealand



Construction of the NBN

- Began in Tasmania in September
- Joint undertaking between state/federal governments and Aurora Energy
- Stage 1 - Smithton, Midway Point and Scottsdale - services expected mid-2010
- Open consultation on transition important



Regulation in an NBN environment

- Access regulation will still be needed
- Layer 2 bitstream product?
- Maximise access seekers' ability to compete
- Proposed regulatory reforms to promote competition in transitional period & beyond



Current regulatory regime

- High number of access disputes (38)
- Broad range of issues
- Take longer to resolve, impose greater costs
- More than 30 access undertakings submitted, only 5 accepted



Proposed reforms

- Upfront setting of access terms & conditions
 - Probably introducing a conventional Regulated Asset Base (RAB) approach
- Price and non-price matters
- Parties still free to negotiate commercially
- More streamlined approach - more timely access and greater certainty



Looking forward

- Responsive regulation in changing environment
- **Long term**, the structure and design of the NBN critical for competition
- Measures should lead to positive outcomes for consumers
- All eyes will be on Tasmania in the meantime



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