

ACCC REVIEW OF POLICIES AND PROCEDURES RELATING TO THE IDENTIFICATION OF LISTED NBN POINTS OF INTERCONNECT

RESPONSE BY:

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TO THE ATTENTION OF:

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Stakeholder Comments

3 Policies and procedures related to the identification of Listed POIs

(a) Competition criteria and the planning rules

Exetel regards the ACCC competition criteria and planning rules to be a faulty process influenced by the narrow interests of the fibre optic network owners and not in the LTIE.

Specifically, the requirement for only two (2) providers of optic fibre network services for the provision of POI backhaul services. This small count of 'competitors' does not constitute a natural marketplace where normal competitive tension exists to ensure realistic and justified pricing.

In the ACCC model, the pricing that actually presents in the market is 'incumbent minus x%', where the 'x%' is a nominal and perfunctory optical illusion based on the incumbents monopolistic and extortionate rates. Exetel submits that the competition criteria should be changed to a minimum of four (4) providers of optic fibre backhaul network services per POI. I have direct personal experience of this process from my previous employer.

This market distortion due to lack of competitive tension can be clearly seen in the Interstate backhaul transmission market interconnecting Tasmania with Victoria. Despite the ACCC's DTCS pricing, the cost to transmit 1Mbps of data from Hobart or Launceston to Melbourne is fifty (50) to one hundred (100) time more expensive than to transmit the same 1Mbps of data from Brisbane to Perth.

(b) Identifying the location of POIs

Exetel believes that the location of the POIs should remain confidential to ensure network security.

4 Variations to the List in Force

N/A

5 Extent of interconnection at Listed POIs

(a) The Listed POIs where interconnection has occurred

Exetel directly interconnects to the NBN Co Interim POIs in Brisbane, Sydney, Melbourne and Adelaide via a mixture of Dark Fibre and Metro Ethernet transmission services. Exetel has contracted with an NBN Co POI wholesale aggregator to provide national backhaul services to the Long Term POI/CSA that are currently being activated.

Due to the very high cost of direct Ethernet backhaul transmission services to the first few Long Term POIs relative to the existing Exetel customer count in those CSA, Exetel will use the wholesale NBN Co aggregator until POI/CSA are activated in areas where the Exetel customer density and market prices for Ethernet backhaul services make direct POI connection economically viable.

The effect of using a wholesale NBN Co aggregator as opposed to relying solely on the Interim POI for connectivity to the CSA can be seen in Exetel's new retail NBN broadband pricing release to market on the 1st March 2013. Exetel has raised the monthly charge of its NBN broadband services from between \$15.00 to \$50.00 per month. This pricing model makes the NBN broadband services Exetel provides significantly more expensive than the copper based ADSL and PSTN services Exetel provides.

(b) Whether services are being provided from those Listed POIs

Exetel provides NBN broadband Internet and Voice services (via VoIP) via the Listed POIs through a relationship with a wholesale NBN Co aggregator. Exetel does not connect directly to any Listed POIs (that are currently RFS) as the cost per customer is too high based on the minimum backhaul transmission increments offered by the few providers who sell this service.

(c) The type of service that is being provided from those Listed POIs

*Exetel provides broadband internet and voice services -
<http://www.exetel.com.au/residential-fibre-pricing-mainland.php>*

6 Assessment of the approach taken to identify the location of POIs

As noted above in 3 (a), Exetel's view on relying on two (2) competitors with optical fibres within a nominated distance from that location which:

- (i) connect that site to an optical fibre network which is connected to a capital city; and*
- (ii) deliver wholesale transmission services which are suitable for use by service providers who wish to connect to the NBN at that location; and*
- (iii) there is other evidence that the particular route is, or is likely to become, effectively competitive.*

is faulty policy and not in the LTIE.

Exetel believes that residential and SME broadband and telephony services provided via the NBN Co infrastructure will remain a more expensive service in the short and medium term.

Exetel currently provides an ADSL2+ and PSTN bundle for \$39.50 per month, the equivalent 25/5 NBN service retails for \$54.50 plus \$5.00 for a VoIP Voice Service per month, total \$59.50 per month. This makes the NBN based service more than 50% more expensive than the equivalent ADSL2+ and PSTN bundle which Exetel also procures from a national ADSL service network operator/aggregator.

Only in the long term, when all end users in the Customer Serving Area's that are connected to the Long Term POIs are faced with the disconnection of their copper based services and even higher end user prices (due to market consolidation), will the reality of the NBN policy dawn on the end user through increased prices and reduced supplier choice.

However, Exetel, like all sensibly managed companies will endeavour to continue to adhere to our stated objectives – "To provide the highest performance service at the lowest possible cost with the best possible level of service" – and attempt to make a modest return for our shareholders.