

To:

Mr Grahame O’Leary, Director ACCC, grahame.oleary@acc.gov.au
Mr Shane Adams, Assistant Director ACCC shane.adams@acc.gov.au

Re: “Review of the NBN SIO RKR & NBN Wholesale Market Indicators Report”

New Street Research welcomes the opportunity to make a submission to the ACCC with respect to the above. By way of background New Street Research is an independent research firm specialising in equity and debt research, primarily in the telecommunications sector. Our work is focussed on fundamentals and valuation. Our clients are institutional investors in Australia and globally.

The NBN Wholesale Market Indicators Report has proven a valued source of information for investors during a time of considerable disruption in the telecommunications sector. “The purpose of the report is *to provide visibility, on a quarterly basis, of the development of the wholesale market for NBN access services.*” (ACCC Review of the National Broadband Network Services in Operation Record Keeping Rules and NBN Wholesale Market Indicators Report, Consultation Paper, June 2017. Section 2.4). Of particular value to investors, is the quarterly time-series of competitive information provided by carrier, by technology type, and by geographic designation.

We support the ACCC’s view that the RKR is extended. We consider that it should be extended through peak NBN rollout at least until completion of the build in 2020, if not beyond until migration is completed in 2022. We also consider there is a case for further granularity of information publically provided.

In particular we think investors would value further detailed information on:

- CVC utilisation by access seeker group, technology type, and location:
 - CVC aggregation is an important driver of actual service speeds experienced by end-users, and the reported lack of provisioning by RSPs has been a continual issue. nbn co changed the way it charged retailers for CVC from 1 June 2017, with the change “intended to ... [support] growth in usage on the nbn™ network... [and] promote competition.” (nbn co Media Release 17 Feb 2017).
 - Aligned with that change in pricing, information should be provided on CVC by AVC by access seeker, technology type, and location. Consistent with nbn co pricing this should be provided by AVC class and CVC class (e.g. relevant CVC TC-4 capacity against relevant AVC TC-4s).
- Threshold for identification of an access seeker group for each network access technology type should be reduced, and information provided by POI:
 - While there are many access seekers in the market for NBN services it may be the case that amongst the second tier carriers there are a number who may - either by technology type, or by geographic location - be considered growing in competitiveness, and of increasing interest to some investors. As the NBN build hits its peak in this coming year it will be critical to see the impact of the build on access seekers beyond the established players. We believe that a reduction in threshold by both technology type, and by POI, would be beneficial to the visible monitoring of competition engendered by the rollout of the NBN.
 - For instance, under the current 5% threshold, by technology type at 31 March 2017 IPStar had a 7.6% share of the satellite market, with 5k SIOs. Meanwhile there are c44k Fibre SIOs considered as “Other” (comprising only c2.5% of fibre SIOs), and nearly 8,000 Wireless SIOs that are attributed to “Other” (c4.4% of wireless), and nearly 4,000 HFC SIOs classified as

“Other” (c6% of HFC). In the case of HFC SIOs we cannot yet see, though can infer, Vocus’ share of that market; but only because it already has more than 5% of the overall market.

- We can also see that there are more 10k SIOs designated as “Other” in Metro POIs, 5,000 in Outer-Metro and more than 100k in Regional. Again while we can infer a certain amount for those access seekers outside the big 4, based on the existing information provided under Satellite and Fixed Wireless (table 4), there is still a discrepancy in terms of visibility.
- We do not have an overall view on whether the threshold should be lowered by SIO count or by share. Rather, we think this should be considered as to what will provide best *“visibility...of the development of the wholesale market.”* It may, for example, be the case that SIO count provides the best visibility by technology type, and that a lower share count per POI provides the best visibility of the development of the market geographically.

Sincerely,

Ian Martin
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New Street Research

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