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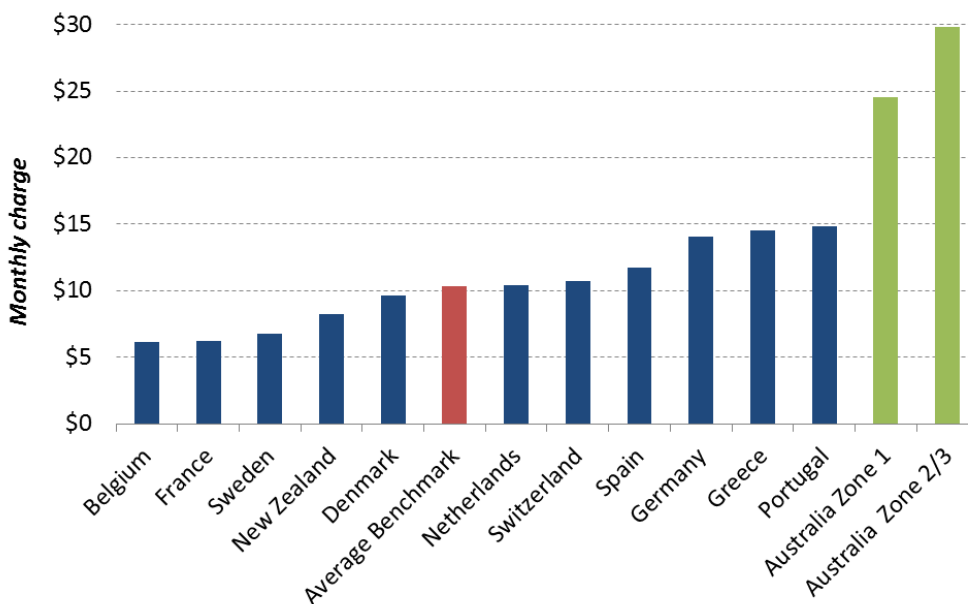
Dear Robert

**Additional information on comparable wholesale ADSL rates in Europe & New Zealand**

Further to Optus’ comments in its submission in response to the Public Inquiry to make a final access determination for the Wholesale ADSL Service Draft Report (**the Draft Report**), Optus has made further inquiries as to the rates offered by incumbent fixed-line operators in Europe for wholesale ADSL services.<sup>1</sup>

Optus supports the use of the FLSM to estimate the cost to Telstra of providing Wholesale ADSL services. However, as set out in Optus’ submission it is important for the ACCC to ensure that only *efficient* costs are included within the RAB and hence recovered from access seekers. The use of benchmarking provides a useful check as to whether the output prices from the ACCC’s modelling reflect efficient ADSL costs. Benchmarking is particularly helpful for the ADSL port charge, as this includes only equipment cost, which should not vary significantly between countries. The table below provides benchmarks from a number of European markets and New Zealand.

FIGURE 1: WHOLESAL ADSL BENCHMARK PRICES



<sup>1</sup> Known as the Wholesale Bitstream Access (WBA) Service (EC Market 5).

The wholesale ADSL product in Europe ranges from a monthly charge of \$6.16 to \$14.81.<sup>2</sup> The average monthly price for the benchmark set, inclusive of New Zealand, is \$10.30. In comparison, the zone 1 wholesale ADSL rate in the ACCC's Draft Report is \$25.40, which is 147% higher than the average European rate and 72% above the highest European rate.

Such a wide difference does not appear to be reasonable, given that wholesale ADSL port charge reflects only equipment prices at the exchange.<sup>3</sup> This implies that the cost figures put forward by Telstra are significantly above the efficient cost of supply.

Optus also noted in its submission that claims by Telstra that naked wholesale ADSL is not technically possible is driven by the desire to defend legacy monopoly revenue rather than to promote the long-term interest of end-users. To this end, Optus notes that the markets in the above benchmark all allow naked wholesale ADSL. The fact that naked wholesale ADSL is a standard offer across Europe and New Zealand demonstrates that Telstra is wrong. Telstra's alleged network problems have clearly not prevented the use of naked wholesale ADSL in other markets. Optus encourages the ACCC to re-examine Telstra's claims in light of international experience.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'AS', with a long horizontal line extending to the right.

Andrew Sheridan  
Head of Interconnect & Economic Regulation

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<sup>2</sup> Converted using 50% PPP and 50% 10 year average forex.

<sup>3</sup> Indeed, the EU and NZ rates should be seen as including more cost components as it includes transport back to handover points, typically the parent node. Whereas in Australia all transmission costs are covered by the AGVC price.

TABLE 1 EUROPEAN AND NEW ZEALAND COMPARISON RATES

Market	AUD	Local Currency	Original Currency	ULL	WBA	Cost Method	Source
Belgium	6.16	3.7	EUR	8.03	11.73	Cost orientation	NZCC, 2012, UBA Price review Draft Decision.
Denmark	9.66	47.5	DKK	34.17	81.67	LRAIC	NZCC, 2012, UBA Price review Draft Decision.
Netherlands	10.42	6.16	EUR	6.84	13	FAC	<a href="http://www.kpn-wholesale.com/media/342124/wba_annex-4_pricing_zm_ethernet_on_nwaps_v3.9.5_voorlopig_.pdf">http://www.kpn-wholesale.com/media/342124/wba_annex-4_pricing_zm_ethernet_on_nwaps_v3.9.5_voorlopig_.pdf</a>
Spain	11.76	6.5	EUR	8.6	15.1	FAC	See Cullen WE Europe Telecom Update February 27 3013
Sweden	6.77	39.67	SEK	88.33	128	LRIC	NZCC, 2012, UBA Price review Draft Decision.
Switzerland	10.73	10	CHF	15.8	25.8	LRIC	<a href="http://www.swisscom.com/dam/swisscom/de/ws/documents/D_FMG-Dokumente/BSA/BSA_Handbuch-Preise_V1-5.pdf">http://www.swisscom.com/dam/swisscom/de/ws/documents/D_FMG-Dokumente/BSA/BSA_Handbuch-Preise_V1-5.pdf</a> PT Rede ADSL PT Descrição de Serviço, p.52.
Portugal	14.81	7.76	EUR			Cost orientation	<a href="http://ptwholesale.telecom.pt/GSW/PT/Canais/ProdutosServicos/OfertasReferencia/RedeADSL/adslpt.htm">http://ptwholesale.telecom.pt/GSW/PT/Canais/ProdutosServicos/OfertasReferencia/RedeADSL/adslpt.htm</a>
France	6.24	3.75	EUR	8.8	12.55	LRIC	<a href="http://www.echosdunet.net/dossiers/dossier_8777_l+arcep+baisse+prix+gros+france+telecom.html">http://www.echosdunet.net/dossiers/dossier_8777_l+arcep+baisse+prix+gros+france+telecom.html</a>
Germany	14.04	8.12	EUR	10.08	18.2		Cullen International and discussions with German operators
Greece	14.56	8	EUR			LRIC, plus cost mark up	EC decision concerning EL/2010/1130 and OTE ARYS Price list effective 1/1/2012. Cost mark up increases WBA so that access seekers are indifferent between WBA and ULL service in metro areas. EC criticised this approach.
New Zealand	8.21	8.93	NZD			Benchmarking	NZCC, 2012, UBA Price review Draft Decision.

Notes: Where original price includes ULL component, regulated ULL rate is removed. Where naked WBA is quoted as a separate element, the separate element is quoted. Local currency converted to AUD using 50% PPP and 50% 10 year average forex. PPP conversion source: <http://data.worldbank.org/indicator/PA.NUS.PPP>. 10 year average forex source <http://www.oanda.com/currency/historical-rates/>. Other information sourced from Cullen International.