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Dear Sir,

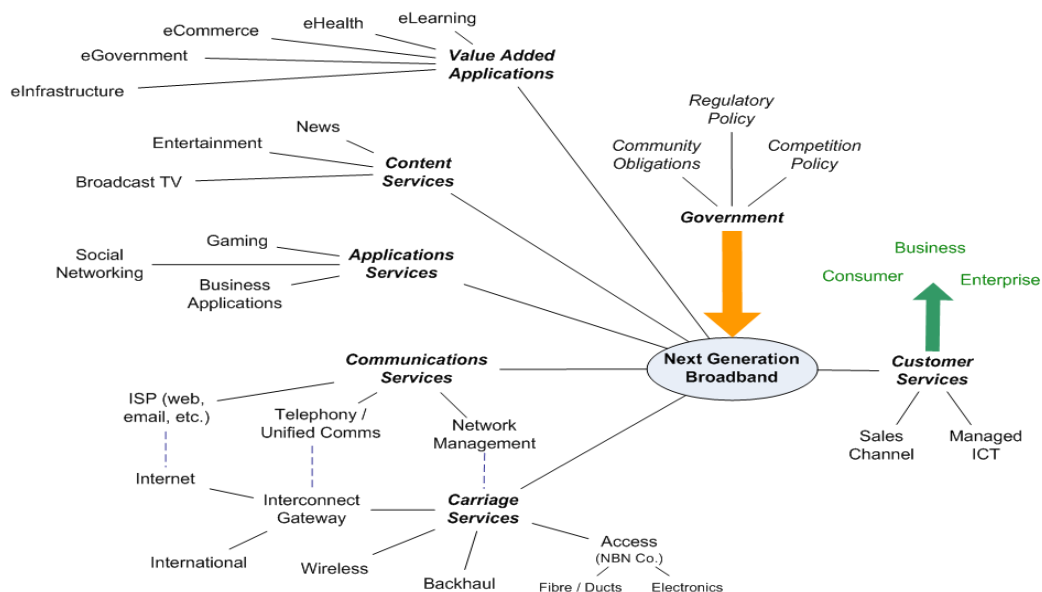
I find it disappointing the ACCC should allow itself to be drawn into a debate about the Points of Interconnect for fibre services as initiated by NBN Co. Points of Interconnect, by definition, are points where two or more competitor's networks connect together. This definition holds even in this case despite the fact one of the networks is a government-owned monopoly and therefore have no competitor in their market – the “last mile” access network.

The more significant issues the ACCC should be addressing are:

- What is the market structure for communications in an NBN-enabled world?
- What is the Universal Service Obligation, and how is it applied?

### Competition Framework

There has been a notable lack of leadership to discuss the nature of competition in an NBN-enabled world, and arguably this is the fault of the ACCC. The following diagram attempts to show the range and nature of organisations that will want to offer their services in an NBN-enabled world.



The purpose of this diagram is to show that there are many types of services seeking to be offered in an “NBN” world, of which the access network is only a small component.

This is the real meaning of service convergence – all services are trying to deliver “packets of data”, but they all have different roles and requirements. This leads to discussion of the requirements for Points of Interconnect between all types of services (e.g. VoIP, TV, managed services, as well as backhaul and access network architectures).

The fundamental issue is what are the Points of Interconnect between different services? For example, should Free-to-Air television be available directly from one of the ONT ports?

As your paper suggests, there are a plethora of issues to be addressed:

- Market positioning – different providers will have different views depending on their current service offering and how that will change to be “All-IP”.
- Location and business rules for interconnection
- Commercial terms and the need for ACCC oversight / regulation
- Future-proofing the points of interconnect, and how to modify them

The outcome of resolving this issue will be a competition framework – agreement on what services are offered and how they interconnect. This is going to be contentious, but is absolutely fundamental to the future operation of the communications market. Failure to agree on a competition framework is not an option.

But at the moment there is no vehicle to channel the discussion. It is time the ACCC stepped up to the challenge and accepted its role in framing the completion model for the future NBN-enabled world.

Failure to tackle this issue by the ACCC only leaves only one option – NBN Co. will continue to address “connectivity” issues, and continue to see the need to expand its role beyond its original remit of the access network.

### *Universal Service Obligation*

The second and related issue is the nature and structure of the Universal Service Obligation in an NBN-enabled world. Again there appears to be lack of leadership by the ACCC. It took direct negotiation between the Government and Telstra to recognise the need to create a separate company to support this obligation in the transition to an NBN-enabled world.

The issue of *Uniform National Wholesale Pricing* is a part of the USO discussion. Obviously the Government is raising the bar from the current USO which relates purely to the type and quality of the telephone service and not its price. Nevertheless, there are fundamental issues to be addressed to determine the nature (e.g. is it voice, broadband, TV, and at what speeds and quality, etc.), and the structure (transfer funding, levied on what services, provide by who, etc.?) of the USO in an NBN-enabled world.

If you assume that the cost per service in each FSA is largely the same (the difference being mainly attributable to the impact of density variations), then the issue is to set a common price for backhaul regardless of location of the FSA.

This can be achieved by a monopoly averaging the cost over all FSAs (NBN Co.'s preferred strategy), or through a regulated service pricing mechanism with a USO-type cost transfer mechanism. For example, USO Co could buy all backhaul from wholesale providers at a regulated price reflecting the cost to deliver the service, and then sell it to RSPs at a nationally-averaged price as set by the ACCC. Or it could set up a transfer mechanism where wholesale providers bill it for under-payment by RSPs, and it bills wholesale providers for over-payment by RSPs (an under- / over- balancing mechanism similar to the oil industry to manage distribution costs).

These alternative solutions are integral to the structure and nature of the competition framework, and cannot be debated independently. For instance, are voice, internet and TV services all to be the same uniform wholesale price nationally? What about different speeds and Quality? And who is responsible for managing the uniform price, NBN Co.?, ACCC?, USO Co?

### *Conclusion*

Until all the issues are on the table, I don't see how a sensible decision can be made about Points of Interconnect for fibre services only. But one thing I am certain about is the NBN Co.'s preference for 14 PoIs nationally almost certainly the worst outcome for competition in Australia.

Yours Faithfully

Ross Lowrey