



**Australian  
Competition &  
Consumer  
Commission**

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31 January 2012

Ms Caroline Lovell  
Principal, Regulatory Affairs  
NBN Co Limited

*By email: CarolineLovell@nbnco.com.au*

Dear Ms Lovell

**NBN Co Limited applications for authorisation A91290-A91292  
- request for further information**

I refer to the above applications for authorisation lodged with the Australian Competition and Consumer Commission (the ACCC) on 23 January 2012 (the **Applications**).

The purpose of this letter is to request additional information from NBN Co Limited (**NBN Co**) to assist the ACCC in its assessment of the Applications.

I note that the parties have indicated that they will provide the ACCC with additional submissions in support of applications A91290-A91292 to assist the ACCC in its assessment of the Applications. I also note that NBN Co and Optus previously provided submissions to the ACCC in respect of applications A91271-A91273 that are likely to be relevant to the ACCC's assessment of applications A91290-A91292.

The questions below draw on material previously provided by NBN Co, with the purpose of assisting NBN Co to provide specific and targeted information relevant to the assessment of public benefits and detriments under relevant provisions of the *Competition and Consumer Act 2010 (Cth)*.

[REDACTED] The second series of questions arises from responses to previous ACCC questions in relation to A91271-A91273.

So that the ACCC's consideration of the Applications can proceed in a timely manner, the ACCC requests NBN Co provide its response to the questions below, including the provision of requested documents, by 4 pm on **20 February 2012**. Of course, NBN Co is welcome to provide material to the ACCC in tranches in advance of this date.

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**1. NBN Co proposed additional evidence and arguments**

[REDACTED]

1. Please explain [REDACTED] that, in the absence of the HFC Agreement, lower upload speeds and reliability on the HFC network will limit its ability to attract customers in light of NBN Co's demand forecasts as set out in NBN Co's *Corporate Plan 2011-13* (p. 118).

[REDACTED]

2. Please explain [REDACTED] that, in the absence of the HFC Agreement, Optus would not choose to compete against the NBN in the context of the following:
  - a) removal of Telstra copper and HFC networks as alternatives
  - b) the cost advantage of the Optus HFC network compared with accessing the NBN.

[REDACTED]

3. Please explain [REDACTED] that, in the absence of the HFC Agreement, Optus would not reduce prices to attract customers to its Optus HFC product instead of other retail service providers' NBN products.

[REDACTED]

4. Please provide support for [REDACTED] that, in the absence of the HFC Agreement, the benefit to consumers associated with price reductions on the HFC network would be small and in any event less than the submitted cost savings of shutting down the network.

[REDACTED]

5. [REDACTED]

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[REDACTED]

6.

[REDACTED]

[REDACTED]

7.

[REDACTED]

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[REDACTED]

8.

[REDACTED]

[REDACTED]

9.

[REDACTED]

**2. Questions arising from responses to previous ACCC questions in relation to A91271-A91273**

*Take up rates by speed tier*

10. Please detail the assumptions underpinning the estimates of the residential subscriber split by speed tier presented in NBN Co's *Corporate Plan 2011-13* (p. 118). In particular, please provide the following information:

- a) whether the estimates of the take up of the 12/1Mbps service include customers who acquire a voice-only service;
- b) the percentage of potential subscribers within the NBN fibre footprint assumed to not acquire any NBN-based service (i.e. no telephony services at all, wireless only or a service through the Optus HFC network if it were available).

11. Please provide any sensitivity analysis undertaken by NBN Co in compiling the estimates of residential subscriber split by speed tier. If NBN Co has used estimates of residential subscriber split by speed tier different from those in its *Corporate Plan* in any of its modelling, please provide full details of each of those estimates.

12.

[REDACTED]

Please provide estimates of the residential subscriber split by speed tier in the HFC areas over time to 2028. Please detail all the assumptions used in compiling these estimates.

*Take up rates in the initial roll out areas*

13. Please provide data regarding the take up of NBN services in the initial rollout areas; in particular, the number of households physically connected to the NBN, the number of households receiving a service using the NBN and the total number of households that are potentially serviceable by the NBN.
14. Please also provide this take up data separately for the NBN roll out areas that overlap with the Optus HFC network.
15. For the households that have acquired an NBN service to date, please provide a breakdown of the proportion of households acquiring each speed tier.
16. For each of the questions 13-15 above, please provide this data separately for the period before and after NBN Co commenced charging for its services.

*IRR and supporting data*

17.

[REDACTED]

[REDACTED]

[REDACTED] please include NBN Co's estimates of subscriber numbers and average revenue per subscriber for each financial year from 2014 to 2040 both *with* and *without* the HFC Agreement.

18.

[REDACTED]

19.

[REDACTED]

*Effect of the HFC Agreement on regulated prices*

20. In NBN Co's supplementary submission of 6 December 2011, NBN Co indicates that if the HFC Agreement does not go ahead, NBN Co's profitability would be affected and NBN Co may need to raise its national uniform wholesale prices.

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[REDACTED] please provide estimates of the possible effects on NBN Co's regulated prices over time based on the proposed pricing framework in NBN Co's proposed Special Access Undertaking. Please clearly state any assumptions relied on in compiling these estimates.

*Documents in relation to the HFC Agreement*

In relation to Questions 21-23 below, to the extent NBN Co has already provided a relevant document to the ACCC, NBN Co does not need to reproduce that document.

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Representatives of the ACCC would be pleased to meet with NBN Co and its advisors to discuss any questions about this letter or NBN Co's proposed response.

If you wish to discuss any aspect of this matter, please do not hesitate to contact Susan Philp (02 6243 1347) or Luke Griffin (02 6243 1114).

Yours sincerely



David Jones  
Acting General Manager  
Adjudication