



**Australian
Competition &
Consumer
Commission**

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31 January 2012

Ms Georgina Foster
Partner
Baker & McKenzie

By email: Georgina.Foster@bakermckenzie.com

Dear Ms Foster

**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 SingTel Optus Pty Ltd and other Optus entities (**Optus**) to assist the ACCC in its assessment of the Applications.

The questions below draw on material previously provided to the ACCC in its consideration of applications A91271-A91273, with the purpose of assisting Optus 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]

[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 Optus provide its response to the questions below, including the provision of requested documents, by 4 pm on **20 February 2012**.

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Proposed additional evidence and arguments

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[REDACTED]

1.

[REDACTED]

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[REDACTED]

2.

[REDACTED]

[REDACTED]

3. The ACCC seeks Optus' view on cost savings that may be achieved from the coordinated migration of its HFC customers to the NBN. Where applicable, please provide the analysis that underpins identified cost savings, including an explanation of the nature and magnitude of these cost savings and any assumptions made.

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

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[REDACTED]

4.

[REDACTED]

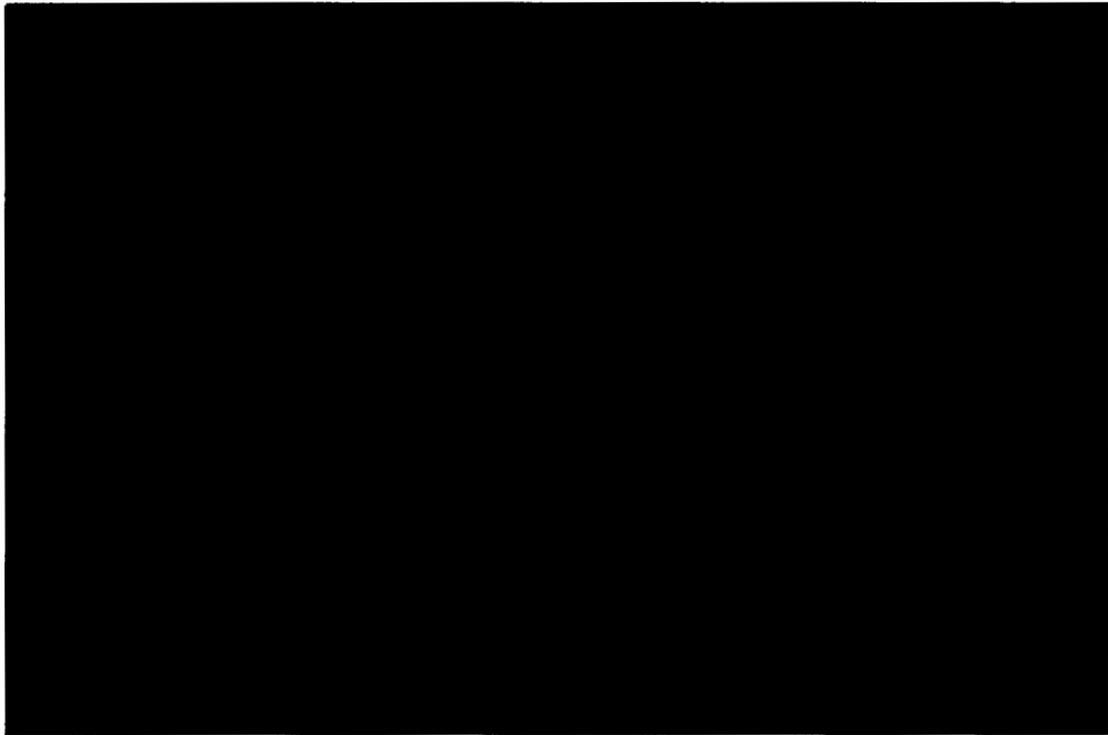
5. Please provide details of any product or pricing offer for fixed line services (including discounts, give aways or special offers – e.g., waiving connection costs or first month free) offered by Optus on a localised geographic basis since 1 July 2009. For each please note:
- a) the region in which the product or pricing offer was made; and
 - b) any marketing by Optus to promote the product or pricing offer.

6. Please provide details of any product or pricing offer for fixed line services (including discounts, give aways or special offers – e.g., waiving connection costs or first month free) of which Optus is aware, offered by competing suppliers of telecommunications services on a localised geographic basis since 1 July 2009.

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9.

Optus' response to ACCC's 23 September 2011 information request

10. Please provide a response to the below questions with regard to the data provided in Optus' response to the ACCC's 23 September 2011 Information Request:

Table 1

- a) Please provide a brief explanation of each of the cost categories presented in Table 1.
- b) Please confirm that the costs presented are for [REDACTED]. If so, does this imply that Optus estimates it will be servicing [REDACTED] customers on its HFC network in [REDACTED]?
- c) Are the connection cost figures based on Optus' estimate of the likely number of new customers that will connect to the HFC network in [REDACTED]?
- d) Please confirm whether the estimates presented are in real (2011) dollars or in [REDACTED] dollars. If the estimates are in [REDACTED] dollars, please state the assumed annual inflation rate used.

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- e) Please outline the basis for the estimated increase in the various cost categories from FY2011 (presented in Table 2) to [REDACTED]
- f) Please provide a table setting out the same cost breakdown for [REDACTED]
- g) Page 3 of Optus' response notes that many of the cost categories in Table 1 are variable, or partly variable, with customer numbers. Please provide estimates of the avoided costs from no longer servicing customers on the HFC network on the basis of an HFC customer base of:
 - 400,000 customers
 - 250,000 customers
 - 100,000 customers.

Table 3

- h) Please confirm that estimates presented in the 'pre-NBN' and 'post-NBN' columns are in reference to Optus' estimated cost of servicing a bundled voice and broadband customer on the HFC network and the NBN respectively.
- i) Please provide a breakdown of the NBN access cost estimate of [REDACTED] [REDACTED] (e.g., access charge, CVC charge, any other charges included). Please set out any assumptions underpinning this figure (e.g., whether it is based on the provision of particular service or an average across services).
- j) Please state the financial year to which the estimates in Table 3 relate. If the financial year is not FY11, please indicate whether the estimates are in real (2011) dollars or nominal dollars.
- k) Please indicate how the NBN access cost is likely to vary with the product tier being acquired.

- l) [REDACTED] Please provide estimates of Optus' costs to serve customers on the NBN with and without the transactions. Please state the number of Optus customers assumed to be serviced on the NBN under each of these scenarios.
- m) [REDACTED] Please provide estimates of the per customer costs of servicing customers on the HFC network on the basis of an Optus customer base of:
 - 400,000 customers
 - 250,000 customers
 - 100,000 customers.

Documents in relation to the HFC Agreement

In relation to Questions 11-13 below, to the extent Optus has already provided a relevant document to the ACCC, Optus does not need to reproduce that document.

11. Please provide all documents (created since 1 January 2010) prepared for or considered by the Chairman, Chief Executive Officer or Board of Directors of Optus that discuss or otherwise refer to any agreement, arrangement, or understanding, or any proposed agreement, arrangement or understanding, between Optus and NBN Co (including the rationale for such an agreement) for the migration of customers from the Optus HFC network to the NBN.
12. Please provide all documents (received since 1 January 2010) prepared by Optus that refer to or evidence:
 - a) estimates, projections or forecasts with regard to the future financial performance of the HFC Network; and/or
 - b) strategies or plans, or proposed strategies or plans, with respect to the HFC Network;in the absence of the HFC Agreement.
13. Please provide all documents prepared for or considered by the Chairman, Chief Executive Officer, Board of Directors or senior managers of Optus (created since 1 January 2010) that discuss or otherwise refer to the amount of the customer migration payment to be paid to Optus under the HFC Agreement.

For the purposes of this document request, senior manager of Optus means a person involved in or who otherwise participated in making or recommending decisions in relation to the HFC Agreement.

Representatives of the ACCC would be pleased to meet with Optus and its advisors to discuss any questions about this letter or Optus' 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 Branch