



Australian  
Competition &  
Consumer  
Commission

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20 March 2015

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Dear Mr Schoff

**NBN Co Limited application for re-authorisation (A91479-A91481) for revised arrangements concerning Optus' HFC network – information request**

I refer to the above mentioned application for re-authorisation lodged with the Australian Competition and Consumer Commission (the ACCC) on 12 February 2015.

In order to assist the ACCC's consideration of the application, the ACCC requests that Optus provide the information and documents set out in Attachment A by no later than **10 April 2015**.

In providing a response, please clearly identify any information Optus wishes to have excluded from the public register and provide brief reasons for any exclusion sought.

Please let us know if you consider any parts of this request to be too onerous and we can discuss whether there are ways of minimising the burden on Optus that still provide the ACCC with the information it needs to properly assess the application.

You are welcome to provide the information in tranches.

This letter (with identified confidential information removed) will be placed on the ACCC's public register on 25 March 2015. If you consider that any question in this letter discloses information confidential to Optus please advise us before that date. If you wish to discuss any aspect of this matter, please contact David Hatfield on (02) 6243 1266 ([david.hatfield@acccc.gov.au](mailto:david.hatfield@acccc.gov.au)) or Jaime Martin on (03) 9290 1477 ([jaime.martin@accc.gov.au](mailto:jaime.martin@accc.gov.au)).

Yours sincerely

Dr Richard Chadwick  
General Manager  
Adjudication Branch

## Attachment A

### Information request

#### *Information about Optus' subscribers*

1. Please provide the number of subscribers serviced by Optus using its HFC network (Optus HFC subscribers) for each month from July 2011 to March 2015. For each of these months please provide the number of Optus HFC subscribers who purchased a:
  - voice only service
  - broadband only service
  - pay-TV only service
  - voice and Broadband service (no Pay-TV service))
  - pay-TV and Voice service (no Broadband service)
  - pay-TV and Broadband service (no Voice service)
  - pay-TV, Voice and Broadband service
  - other (please specify)
2. Please provide for each month from July 2013 to March 2015 the:
  - a. number of new Optus HFC subscribers (additions to the number of subscribers) and
  - b. number of Optus HFC subscribers who ceased to subscribe to services provided by Optus using its HFC network.
3. For Optus broadband customers serviced by the HFC network for each month from July 2013 to March 2015 please specify:
  - a. the number of subscribers by speed plan and
  - b. Optus' average revenue per user from broadband services.
4. For Optus broadband customers serviced by the NBN network for each month from July 2013 to March 2015 please specify:
  - a. the number of subscribers by speed plan
  - b. Optus' average revenue per user from broadband services and
  - c. Optus average payment per user to NBN Co.
5. Please provide details of all offers made (including, but not limited to, customer retention offers and offers to potential new customers) in the past two years:
  - a. which offer differentiated levels of price or service to customers using HFC services over ADSL services
  - b. targeting specific geographic areas and
  - c. to place customers on 'below the line' or not publicly advertised plans.

#### *Information relating to operation of the HFC network*

6. In its presentation of 19 March, Optus provided headline speeds for in market HFC plans on an 'up to' basis. Please provide the target performance that is used in practice when designing or configuring the network, and deciding whether to provision additional capacity on the network, etc. [REDACTED]

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FROM PUBLIC REGISTER**

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FROM PUBLIC REGISTER**

[REDACTED] In the alternative, please provide results of testing of throughput rates that Optus undertakes for HFC network management purposes (if any) that shows the throughput rates experienced in practice to individual subscriber connections. In any response, please distinguish between busy hour and other hour targets/performance data.

7. Please explain how Optus manages capacity upgrades on its HFC network. In your answer please explain whether Optus conducts node-splitting. If node splitting has occurred, please explain when this has occurred in the past two years and what engineering is involved and its costs.
8. Please quantify and substantiate the costs of upgrading the Optus HFC to DOCSIS 3.1.
9. On average, how many nodes are allocated to each optical fibre in Optus' HFC network?

10.

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[REDACTED]

11. Please provide a detailed breakdown of all operating expenditure (including the cost of sales) Optus incurred in providing services using its HFC network for FY12, FY13 and FY14 and FY15 (to date).
12. Please provide a detailed breakdown of all capital expenditure Optus incurred on its HFC network for FY12, FY13, FY14 and FY15 (to date).
13. In response to Question 10 of the ACCC's information request of 23 September 2011, Optus stated that the approximate cost to Optus to connect a new lead-in to a premise that is deemed serviceable by its HFC network was [REDACTED]. Is this still the case? Please provide details of what connecting a new lead-in entails and a breakdown of these costs (e.g. labour, materials, etc).
14. Please specify the number, and manufacturer, of CMTS units within the Optus HFC network.
15. Please specify the number of in place connections [REDACTED]

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[REDACTED] If this number is an estimate, please provide the methodology used and any assumptions relied on in reaching that estimate.

*Information relating to the likely future without the authorisation*

16. In section 4 of its 12 February 2015 submission, Optus contends that absent authorisation of the revised arrangements, the original HFC Subscriber Agreement will continue to operate. Please step the ACCC through how the relevant events will be triggered (as defined in the 2012 Subscriber Agreement) in the current MTM NBN environment, which then ultimately allows migration to occur and results in Optus decommissioning its HFC network.
17. If for whatever reason, all arrangements with NBN Co to migrate customers fell away, what are Optus' plans for its HFC network? Please explain how in these circumstances Optus is likely to respond to NBN Co's pricing once NBN Co's roll out is complete.
18. Please substantiate any migration costs under the proposed arrangements that Optus will save compared to the scenario in which the original HFC Subscriber Agreement continues.

19. Please provide estimates of the annual operating and capital expenditure Optus will incur if it continues to operate the HFC network. For the purpose of these estimates assume that Optus provides similar services as it does today using its HFC network. Please provide these estimates for the period until 2025. Please provide two sets of estimates assuming that Optus services :

- 450,000 subscribers using its HFC network until at least 2025; and
- 350,000 subscribers using its HFC network until at least 2025.

For each year, please provide a detailed breakdown of these expenditures. In providing these estimates please detail any assumptions you have made regarding the rate at which Optus HFC subscribers will increase their data usage.

#### *Clarification of application*

20. In paragraph 5.8 of its submission to the ACCC of 12 February 2015, Optus provides an estimate of the cost savings from NBN Co utilising key parts of the HFC network to “be in the order of a least hundreds of millions of dollars”. Please provide full details (including supporting documents) of Optus’ estimate.

21. In paragraph 5.4 of its submission to the ACCC of 12 February 2015, Optus claims that the ongoing costs of providing services on the HFC network will continue to be higher than the incremental costs of NBN Co providing the same services. Please substantiate this claim.

22. Optus provides an estimate that it would incur costs of approximately [REDACTED] over a 4-5 year period to decommission the Optus HFC network. Please provide a breakdown of these costs. Please explain why each of the costs will not be incurred under the proposed arrangements.

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#### **Documents**

1. Please provide any document considered by the Optus board or senior management, created in the past 2 years which considers:
  - a. strategies to increase HFC customer take up.
  - b. trends, including historical and projected, in customer demand for data services (both speed and capacity).
  - c. future plans for the Optus HFC network in the absence of the HCF agreement.

2. Please provide a copy of Optus’ HFC spectrum plan.

3.

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4. Please provide a copy of any other business cases which contemplate upgrades to the Optus HFC network created in the past 2 years.