



**Confidential information response to the  
Australian Competition and Consumer  
Commission**

**in relation to the  
Application for Revocation and Substitution of  
Authorisation for arrangements between NBN Co  
Limited and SingTel Optus Pty Ltd  
and other Optus entities (A91479 – A91481)**

**Tranche 2 (14 April 2015)**

## **Attachment A**

### **Information request**

*Information about Optus' subscribers*

**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**

[RESTRICTION OF PUBLICATION OF PART CLAIMED]

**b. targeting specific geographic areas and**

[RESTRICTION OF PUBLICATION OF PART CLAIMED]

**c. to place customers on 'below the line' or not publicly advertised plans.**

[RESTRICTION OF PUBLICATION OF PART CLAIMED]

*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. We understand from the discussion on 19 March that a range of target performance benchmarks may have been used from time to time, and as and between different business areas (front of house, network operations, financial/business management). 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.**

Optus aims to provide a consistent customer experience across its fixed line platforms. [RESTRICTION OF PUBLICATION OF PART CLAIMED]

Optus sets its target performance benchmarks based on a number of factors, including; demand trends; customer service expectations; financial considerations; and technical capabilities.

[RESTRICTION OF PUBLICATION OF PART CLAIMED]

**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.**

Capacity is periodically augmented across the network where areas of the network are subject to congestion. [RESTRICTION OF PUBLICATION OF PART CLAIMED]

- *Node splitting:* The Node splitting process involves replacing the existing single gateway (node) with a new dual gateway so that the customers on each of the 2 new nodes are approximately half that of the original single node. This effectively

doubles the available throughput capacity for each customer. The upgrade involves field services, exchange operations as well as various IT system updates all of which need to be synchronised for a successful upgrade.

- Optus has undertaken [REstriction of Publication of Part Claimed] “node splits” in the last 2 years. [REstriction of Publication of Part Claimed]

**9. On average, how many nodes are allocated to each optical fibre in Optus’ HFC network?**

[REstriction of Publication of Part Claimed]

**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 [REstriction of Publication of Part Claimed]. 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).**

The rate that was provided in 2011 has increased slightly and is currently [REstriction of Publication of Part Claimed]. This is typically made up of [REstriction of Publication of Part Claimed] in labour, and [REstriction of Publication of Part Claimed] in material costs. This represents the direct cost to Optus for its external vendor to complete installations on Optus’ behalf. Included in the cost are:

- Attend customer premises;
- Perform site assessment;
- Run a drop cable from aerial network tap to the side of customer premise and fit network isolator to exterior of the premise;
- Run RG6 from external isolator location to internal location and fit wall plate;
- Provision and install of the modem;
- Configure customer PC;
- Provide customer education and service introduction.

The rate does not include any allocation for the associated Field Operations internal support costs borne by Optus in respect of installations.

**14. Please specify the number, and manufacturer, of CMTS units within the Optus HFC network.**

There are currently [REstriction of Publication of Part Claimed] Cisco UBR10k CMTS production units deployed in the Optus HFC network.

**15. Please specify the number of in place connections separated into the three categories of in place connections as referred to during the presentation of 19 March, which we understand to be: wall plate only; lead-in only; wall plate and lead-in. If this number is an estimate, please provide the methodology used and any assumptions relied on in reaching that estimate.**

[REstriction of Publication of Part Claimed]

For the purpose of the revised transaction we estimate that there are approximately [RESTRICTION OF PUBLICATION OF PART CLAIMED] in place connections. Optus interrogated its billing records to identify premises that had been billed for services but are currently inactive. This number was added to the number of active services to estimate the number of premises with an in-place connection.

Optus does not have a further breakdown of connections types in the manner set out in the question.

*Information relating to the likely future without the authorisation*

**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.**

If all the existing authorised arrangements with NBN Co to migrate customers fell away, Optus would most likely continue to operate the HFC network, at least over the short-term.

Optus does not consider this scenario to be likely, given that we have a contract with NBN Co which is in place and authorised. Accordingly no planning has been undertaken to consider how we might respond to NBN Co's pricing once its NBN rollout is complete. However, Optus considers that the information provided to the ACCC in 2011 and 2012 remains relevant in this context. Based on that information Rod Sims, noted in an article for the Australian Journal of Competition Law that the ACCC concluded that:

*"... at some stage, the HFC network would lose a critical mass of customers, and would become commercially unviable even in its current form".<sup>1</sup>*

Optus considers this conclusion to be more compelling in 2015 given that the HFC network now has an even smaller base of customers and Optus' business planning for the last 3 years has been based on the fact that it will not serve customers on the HFC post-NBN roll-out. [RESTRICTION OF PUBLICATION OF PART CLAIMED]

## **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.**  
[RESTRICTION OF PUBLICATION OF PART CLAIMED]
  - b. trends, including historical and projected, in customer demand for data services (both speed and capacity).**  
[RESTRICTION OF PUBLICATION OF PART CLAIMED]
  - c. future plans for the Optus HFC network in the absence of the HFC agreement.**  
[RESTRICTION OF PUBLICATION OF PART CLAIMED]
- 2. Please provide a copy of Optus' HFC spectrum plan.**

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<sup>1</sup> Understanding the ACCC's NBN Co/Optus authorisation decision and its implications Rod Sims\*Page 179

**PUBLIC REGISTER VERSION**

[RESTRICTION OF PUBLICATION OF PART CLAIMED]

3. [RESTRICTION OF PUBLICATION OF PART CLAIMED]

[RESTRICTION OF PUBLICATION OF PART CLAIMED]

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

[RESTRICTION OF PUBLICATION OF PART CLAIMED]