

Joint Committee on the National Broadband Network
Answers to Questions on Notice
Public Hearing 16 May 2011
Broadband, Communications and the Digital Economy Portfolio
Department of Broadband, Communications and the Digital Economy

Question No: 9

Hansard Ref: JC42

Topic: CVC charging issues

Senator Xenophon asked:

Can the department provide comment on the CVC charging issues raised in AFR article of 16 April 2011?

Answer:

The National Broadband Network (NBN) will provide a level playing field for all retail service providers (RSPs) to compete on non-discriminatory terms and aims to ensure that an RSP is not able to leverage an advantage from NBN Co Limited (NBN Co) due to its size.

NBN Co has developed its products and pricing model, including a Connectivity Virtual Circuit (CVC) cost component, following extensive consultation with industry and in line with observable trends in end-user demand and utilisation.

The NBN Co Corporate Plan 2011-13 states that the CVC pricing adds approximately less than one dollar per average end user for a 12/1 megabit per second service with current average data usage. Over time, the Corporate Plan indicates that product pricing, including for higher bandwidth plans, will decline.

According to NBN Co, the pricing model provides flexibility and value to a broad range of RSP business models. Using a mix of speeds, traffic classes and contention, RSPs will be able to create offerings tailored to their particular customer set with the ability to scale up or down as required. The model also supports the ability for RSPs to offer services nationally or to a specific region. If RSPs wish to service a smaller geographical area, they are able to do so by connecting at a smaller number of points of interconnect.

NBN Co anticipates that this will allow smaller RSPs to more effectively compete using the NBN which is consistent with government expectations.

The government also expects that a competitive wholesale aggregation market will be facilitated by the rollout of the NBN which may prove to be a commercially attractive option for some RSPs.

NBN Co's terms and conditions, including pricing, will be subject to close Australian Competition and Consumer Commission (ACCC) scrutiny. Charges set out in a Special Access Undertaking will need to be approved by the ACCC. The ACCC will be able to overwrite terms and conditions, including pricing, set out in a Standard Form of Access Agreement, with an Access Determination. The ACCC will need to consider NBN Co's terms and conditions, including pricing, against the statutory framework, including NBN Co non-discrimination obligations and the long term interests of end-users test.

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Department of Broadband, Communications and the Digital Economy

Question No: 10

Hansard Ref: JC42

Topic: Battery backup

Senator Xenophon asked:

What is the ballpark figure for that battery backup?

Answer:

Funding for the battery backup has been factored into NBN Co's 2011-2013 Corporate Plan.

The final cost of implementing the battery backup cannot be extrapolated separately as the battery backup will be installed in premises at the same time as the Network Termination Device and is subject to NBN Co completing a detailed procurement process.

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Department of Broadband, Communications and the Digital Economy or NBN Co

Question No: 11

Hansard Ref: JCNBN page 45

Topic: Telstra's copper network

Senator Cameron asked:

Can you provide any details of the maintenance costs of the Telstra copper network, if that is available, and also the reliability of the Telstra copper network?

Answer:

In relation to the request for details of the maintenance cost of the Telstra copper network, Telstra provides highly aggregated information on its operational expenses, including maintenance costs, to the Australian Competition and Consumer Commission on a confidential basis. The ACCC uses this information in preparing its Accounting Separation reports. The most recent report can be found on the ACCC website at www.accc.gov.au/content/index.phtml/itemId/670198. However, it is not possible to determine Telstra's maintenance costs from the published material.

Telstra's Annual Reports outline at a high level its overall operating expenses which include maintenance costs of its networks, including the copper network.

Reliability of Telstra's network.

Statistics on Telstra's network reliability are derived from the Network Reliability Framework (NRF). The NRF is a three tiered regulatory arrangement under which Telstra is required to report on the reliability of its fixed-line telephone network and undertake fault-triggered remediation work. The NRF covers Telstra's 6.04 million Customer Service Guarantee eligible services nationally and is enacted through Telstra's carrier licence conditions. The NRF monitors and reports at three levels:

- Level 1: nationally and in each of Telstra's 44 field service areas (FSAs);
- Level 2: localised reporting and remediation of poorly-performing cable runs; and
- Level 3: remediation of individual services that contravene certain fault thresholds.

Under Level 2, Telstra has to remediate the 480 worst performing cable runs per year.

The Australian Communications and Media Authority (ACMA) monitors telecommunications performance, including the NRF on a quarterly and annual basis. The ACMA reports this information in the *Annual Telecommunications Performance report* and its *Communications Report*. Quarterly data is also published from time to time. The latest reports covering the

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2009-2010 financial year are publicly available on the ACMA website at www.acma.gov.au/WEB/STANDARD/pc=PC_1402

According to the ACMA 2009-2010 performance bulletin:

- Telstra reported that, on average, 80,408 CSG-eligible services experienced a fault in any given month during 2009-10 (page 65). This is a slight increase on 2008-09 where Telstra reported that, on average 79,756 services experienced a fault in any given month.
- Nationally, in 2009-2010 Telstra CSG-eligible services were available, on average, for 99.92 percent of the time each month (page 65).

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Question No: 12

Hansard Ref: JC45

Topic: Cherry picking

Senator Cameron asked:

Could you advise us of the implications for the cost of providing the NBN to rural and regional areas if cherry picking was allowed?

Answer:

The Australian Government is committed to uniform national wholesale pricing on the National Broadband Network (NBN) to provide more equitable access to broadband for consumers in regional, rural and remote Australia.

The delivery of uniform national wholesale pricing is an important part of the *Commitment to Regional Australia* agreement, concluded with the Independent Members Mr Windsor MP and Mr Oakeshott MP on 7 September 2010.

To deliver uniform national wholesale pricing, NBN Co will need to cross-subsidise from its operations in lower cost, higher revenue areas to higher cost, lower revenue areas, particularly those in regional, rural and remote areas. This is confirmed by NBN Co in its Corporate Plan.

To the extent that NBN Co faces competition in lower cost, higher revenue areas, its ability to provide this cross-subsidy and meet the government's policy objectives is eroded. This is particularly so where competing providers are not subject to operational objectives comparable to those applying to NBN Co.

To address these concerns, and thereby ensure that its objectives for the NBN can be met, the *Telecommunications Legislation Amendment (National Broadband Network Measures—Access Arrangements) Act 2011* includes important level playing field obligations on industry. Under the arrangements, which are primarily set out in Parts 7 and 8 of the *Telecommunications Act 1997*, fixed-line local access networks built or extended after 1 January 2011 which provide download speeds of more than 25 megabits per seconds to residential or small business users must be operated on a wholesale-only, open access and non-discriminatory basis.

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Department of Broadband, Communications and the Digital Economy

Question No: 13

Hansard Ref: JC46

Topic: JCNBN Advice

Senator Fisher asked:

Can you advise the committee whether the Prime Minister and/or the government wrote to the Productivity Commission and the ACCC to inform them that if this committee requested that they appear they would do so, as she promised in her letter to Senator Xenophon on 23 November last year?

Answer:

The Government formally notified the Productivity Commission on 17 December 2010 and the Australian Competition and Consumer Commission on 9 February 2011 regarding the establishment of the Joint Committee on the National Broadband Network including the Committee's responsibilities to report to both Houses of Parliament and advising that the Committee would be in contact in due course to seek input to assist with its deliberations.