

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates, 16 February 2006

Question: AT 47

Topic: *Optus/Transact use of ULL over HFC*

Hansard Page: Written

Senator CONROY asked:

I have a few questions for the ACCC associated with the ULL issue. I'm sure the ACCC is aware of Telstra's public claims that Optus is using Telstra ULL services in preference to its own HFC network, even in areas of the HFC's footprint. Dr Tony Warren told the ECITA Committee on Monday that:

We saw in Canberra, where TransACT was rolling out a lot of its own fibre and then suddenly became a ULL purchaser because the price of ULL went down. We have seen that in the Optus footprint where Optus is using ULL rather than its own HFC to deliver services to customers. So clearly relative prices do work and do have some effect.

1. What is the ACCC's view on this issue? Has the ACCC investigated whether Optus is using ULL services in preference to its own network?
2. If Optus were using ULL in preference to its own network, would the ACCC be concerned by this?
 - (a) Why/Why not?
3. This is an issue that appears to be of some importance to Telstra. Will the ACCC be considering issue as part of its inquiry into the future of fixed line regulation?

Answer:

1. The ACCC is aware of Telstra's claims regarding Optus' use of its HFC network. The ACCC has raised this issue with Optus, and the following response incorporates advice received from Optus.

Optus has informed the ACCC that it does not use ULLS in preference to its own HFC network to serve customers. Optus has advised it has internal business rules that require customers to be connected to the HFC network if this is available to serve a customer.

There is, however, some overlap between Optus' HFC and ULLS footprints. This is because not all customers in the HFC footprint are serviceable. Optus' HFC network goes past about 2.2 million customers. However, only 1.4 million of these are serviceable from Optus' HFC network. There are 0.8 million customers within this footprint that are in multi-dwelling units or single dwelling units that are distant from the cable, which, under its internal business rules, Optus will serve via ULLS, rather than its HFC network.

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In this regard, there are technical, commercial and environmental reasons why Optus serves these customers via ULLS rather than its HFC network:

- o The process of negotiating building access to multi-dwelling units is complex, due to negotiations with landlords/body corporate and local planning laws.
- o Significant work is required to connect a multi-dwelling unit to the network - installing a lead-in cable from the network in the street to the block, and installing taps to serve all units. There is no guarantee that customers will take-up the service.
- o There are significant space requirements to accommodate the taps, local telephony network interface units and possibly power supplies and amplifiers, depending on the size of the block .
- o There are the technical complexities of installing drops to individual units due to the large number of building design related issues.
- o There are environmental issues associated with long subscriber loops that would be required to connect customers in single dwelling units who are located some distance away from the cable.

It appears from Optus' response that Optus' use of the ULLS in areas where the HFC has been rolled out is limited to specific circumstances and that it is not generally using ULL in preference to its own network, where the latter is readily available.

2. If Optus were generally using ULL in preference to its own network, the ACCC would conduct further investigations of the reasons and impact of such a decision. However, there is currently no evidence to suggest that this is the case.
3. As part of its fixed services review, the ACCC is considering whether certain fixed network and wholesale services, including the ULLS, should continue to be declared. In examining the current and prospective bottleneck significance of Telstra's customer access network (CAN), the ACCC will consider alternatives, such as Optus' HFC network as well as the threat of bypass from other technological platforms, such as wireless, satellite or fibre.