



Submission by AAPT Limited (5 April 2013)

on

**Australian Competition and Consumer Commission
Draft Report, *Public inquiry to make a final access
determination for the Wholesale ADSL service*, dated March
2013**



Introduction

1. AAPT Limited (**AAPT**) welcomes the opportunity to comment on the Australian Competition and Consumer Commission (**ACCC**) Draft Report titled *Public inquiry to make a final access determination for the Wholesale ADSL service (Draft Report)* and the attached draft final determination (**Draft FAD**), dated March 2013.

Executive summary

2. While AAPT welcomes the draft decision by the ACCC to:
 - use a cost-based, building block model (**BBM**) approach to determine wholesale ADSL prices; and
 - reject the implementation of congestion pricing,

AAPT considers that the prices in the Draft FAD are too high and do not reflect the efficient costs of providing the wholesale ADSL services.

3. In relation to the “Other terms and conditions” of the Draft FAD, AAPT supports and agrees with the ACCC’s draft decision:
 - not to make terms and conditions that give effect to geographic exemptions; and
 - to include a term exempting wholesale ADSL service providers other than Telstra from compliance with the FAD.
4. However, AAPT urges the ACCC to reconsider its draft view on the bundling of the wholesale ADSL service and require Telstra to provide the wholesale ADSL service on an unbundled, standalone basis, without a PSTN line (i.e. Naked DSL).



Price Terms

5. AAPT supports and agrees with the ACCC's draft view that estimating wholesale ADSL prices using a cost-based, BBM approach will best promote the long-term interests of end-users (**LTIE**), relative to other pricing methodologies such as the retail minus retail cost approach.
6. However, AAPT considers that the Draft FAD wholesale ADSL prices are too high and do not reflect the pricing based on efficient costs of providing wholesale ADSL services. Based on AAPT's own costs for provisioning DSL ports and backhaul services, AAPT considers the following prices:

- \$20-\$21 for port prices in both metro and non-metro areas; and
- around \$25 for AGVC/VLAN,

would better reflect efficient costs and promote the LTIE and yet still provide ample margin for Telstra to recover efficient costs and minimise any "regulatory shock" it might experience.

7. In the Draft Report, the ACCC stated that implementing congestion pricing for the wholesale ADSL service alone - without it being adopted at the retail level - would likely put wholesale ADSL access seekers at a competitive disadvantage in the retail market compared with Telstra. AAPT agrees that implementing congestion pricing in the FAD would certainly create anti-competitive outcomes. However, AAPT also considers it is unlikely to ever be appropriate to implement congestion pricing at the wholesale level (irrespective of whether it is adopted at the retail level) because congestions issues are already being adequately accounted for.



Unbundling of wholesale DSL

8. Despite Telstra's claims regarding the difficulties of providing naked DSL due to the configuration of its ADSL network, AAPT still considers that Telstra should be required to provide naked DSL in order to promote competition and the LTIE.

9. Naked DSL offers end users greater choice and is in line with the trend set by current service providers and the NBN roll out, which is geared to increasing competition in the market for value-added retail services. In addition, Naked DSL could deliver considerable savings to end users by allowing them to opt out of acquiring a PSTN service. AAPT notes that the absence of a voice line would mean that Telstra no longer needs to provision or maintain that line. Accordingly, there are likely to be cost savings to Telstra which could and should be passed on to end users.

10. As AAPT has previously submitted, the wholesale ADSL service is an important foundation for AAPT to introduce new and novel value-added services to meet growing demand. The ability to purchase naked DSL would provide AAPT with more opportunity and functionality to add its own value-added services over the top of the wholesale ADSL access service. A wholesale ADSL service (which does not require a phone line) allows for greater control of service functionality for the access seeker. Having more control of service functionality will in turn allow AAPT to provide a consistent product irrespective of whether AAPT provides its services on an on-net or off-net basis.