

Annexure 2 to submissions by Herbert Geer on behalf of Adam Internet Pty Ltd, Aussie Broadband Pty Ltd, iiNet Limited and Internode Pty Ltd

Contents of email of 25 May 2011 from Steve Dalby to ACCC - subject: continued DSLAM investment by iiNet

I was interested to read the article in the SMH<<http://www.smh.com.au/business/turnbulls-nbn-claim-rejected-20110524 -1f2fe.html>> that indicates that at least some portions of the public debate are clearly either ill-informed or misrepresenting continued investment in DSLAMs. This article triggered a thought that it was opportune for me to attempt to communicate our thinking on WLR, NBN and further DSLAM deployments.

iiNet's investment in Geraldton was mentioned by the SMH (which is old news now) but this example is, in fact, only part of an ongoing regional deployment which is extended across the country, in line with economic viability, as new transmission options have come on-stream and customer numbers increase.

iiNet will be selectively rolling out regional DSLAMs where we can carefully identify a positive business case. This is a site-by-site process. I must stress, however, that these are data DSLAMs, with no MSAN component, which is required to enable a PSTN telephone service. iiNet has deliberately chosen not to invest in such network infrastructure, or in the OSS/BSS required to support such an offer. iiNet has, since entering the telephony market in 2006, only offered telephony on PSTN as a bundled component, with DSL as a pre-requisite. The recent acquisition of the former AAPT consumer base has created some issues for us in this respect, as many are PSTN only customers.

We do not consider offering a voice only, PSTN-style product, either for ourselves or for a wholesale offering is sustainable. Such a product would compete with or cannibalise residential or business VoIP products that we run as applications over DSL.

I'm sure the ACCC is aware that iiNet has not deployed any 'WLR' capability, we have certainly indicated previously that we had not and would not do so, as it makes no commercial or strategic sense for us to follow that path. Regardless of the lack of strategic intent, for us to provide a 'WLR' style product would require tens of millions in new investment beyond the data-only technology already in place. A WLR deployment is not under consideration at all by iiNet. The coming availability of NBN access confirms the decision, not to proceed on that line, is a very appropriate one.

This does not, however, mean iiNet will cease to roll out DSL infrastructure where a positive business case exists, nor does it indicate any lack of support for NBN. It simply indicates that the business continues to expand with additional inputs (such as NBN deployment timetables) taken into account.

iiNet did not support the ACCC's exemption on WLR, we believed at the time that the rationale was based on false premise. If our understanding is correct, the ACCC was foreseeing investment in MSAN style equipment to create a new WLR market, following the exemptions. We didn't agree with that rationale then, and it is clear now, the potential for investment in a national PSTN wholesale product by any company would be a very poor commercial decision. The market for PSTN has been shrinking for many years, IP based alternatives offer superior functionality and options for innovation - and they come at considerably lower cost, much of which is already flowing through to consumers. Removing the copper infrastructure sounds the death-knell for PSTN and WLR as we know it.

In light of this, we'd suggest that it is important to communicate the thinking behind further DSLAM roll-outs, the (lack of) appetite for investment in obsolescent product lines and the support for NBN, to ensure that the public debate is informed.