BorderNET
ABN: 91 103 155 693

NBN ACCC Response

Introduction

This paper is prepared in response to the Australian Competition and Consumer Commission (ACCC) consultation paper to review the policies and procedures in relation to the identification of listed Points of Interconnect to the National Broadband Network as required under section 151DC of the CCA (February 2013).
More particularly, this document seeks to qualify Bordernet's position in relation to the proposed 121 Points of interconnect (POI's) planned for Retail Service Providers (RSP's) to connect their satellite customer bases to the long term satellite solution (LTSS) scheduled for 2015 .

BorderNET Internet Pty Ltd

Bordernet began as a terrestrial service provider (Ozsky Pty Ltd) to the border regions of southern NSW and Victoria in 1998. As a rural and remote provider, the increased rollout in 1999 of Asymmetrical Digital Subscriber Line (ADSL) services in the metropolitan and larger rural areas required Bordernet to develop broadband alternatives for mainly rural customers by way of (Simplex) satellite services, with distance being an impediment to ADSL services. Our service was a dial in service whereby a customer sent internet requests across the terrestrial network and received data back to a pay TV style satellite dish. After acquiring its wholesaler, iHug Satellite in 2005, Bordernet became a large provider in this retail space, concentrating wholly on the delivery of satellite data services. BorderNET was accepted in September 2004 as the second ISP to offer HiBIS subsidised service;, the first Federal Government satellite subsidy program implemented following recommendations contained in the 2002 Estens Report concerning the gap between metro and rural internet service offerings widening with the ever increasing roll out of ADSL. Bordernet was subsequently active in the following Broadband Connect, Australian Broadband Guarantee (ABG) and now NBN Co subsidy programs that have followed, connecting some 28000 rural and remote customers over the past 14 years.

Current structure

Currently NBN Co services are delivered via our equipment at the Globe Cast data centre in Ultimo, Sydney connected to NBN's POI. Response data to end customer internet requests travel back through the POI to either the Optus gateway at Belrose, Sydney or one of the IPStar gateways in Broken Hill NSW or Kalgoorlie WA depending on the customers' geographic location. The ping and download speeds available to the customer are no greater from either of these gateways to their CPE whether the customer resides on the Cape York Peninsula in far northern Queensland, Broome Western Australia or Hobart in Tasmania.

Questioning the technical reasoning for the multiple POI proposal

In contrast to Fibre and Wireless networks, Satellite is a location agnostic, not a technically agnostic service which seems to be the basis of the proposal by the ACCC and NBN for LTSS NBN satellite beyond the expected launch of services proposed for 2015. Being that our major interconnect delivery point to the customer is in geo stationary orbit, distance mathematics will dictate that there is no way to speed up end to end communication speeds (ping times), which are currently around 600 milliseconds, irrespective of the interconnected terrestrial network delivering the data. Whilst the introduction of proposed KA Band services will significantly increase both upload and download speeds, the amount of POI's will have no measureable effect on the end to end ping times from any terrestrially connected internet feed to the to the earth station and on to the customer premise equipment (CPE) as any significant delay in ping is a result of the 70,000 kilometre round trip from an earth station satellite gateway to the customer. The terrestrial network is largely irrelevant with the terrestrial speed dependent only on the size and quality of the internet pipe a RSP supplies into an NBN Co POI, not the amount of POI's interconnected. In fact, it can be argued that a quality single POI connected data pipe in a major city data centre will result in a higher quality connection to the end customer. The increase in speed delivery to the customer is limited only to download data speeds which are determined by the type of architecture of the satellite broadcast itself (KA Band), the satellite HUB at the earth stations and the CPE; not the terrestrial network.

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POI maintenance and costs

The maintenance requirement on 121 POI's requiring infrastructure to be connected across Australia rather than back to a managed central point is a major concern to a specialist satellite company like Bordernet. We do not envisage any major move to offer national NBN fibre or NBN wireless services therefore a sizable investment would be required for a forecast number of only "3%" of the Australian population. With so many larger RSP's moving into this space, with more expected to join, any investment on this scale would not be viable nationally. Competing technologies, in the main Wireless, are reducing our market continuously due to technical distance gains and tower investments and additional competition leading to lower margins will mean current and potential customer numbers are too low to sustain an ongoing sensible business model. As such, we would simply be forced to watch our customer base erode for a requirement of no measurable technical reasoning which will lead ultimately to an obvious decrease in competition in the marketplace.

Expected inhibitive Backhaul costs

In addition to the POI hardware investment, consideration should be given to the inhibitive cost of internet backhaul to the POI's, in particular to areas such as Tasmania where the cost of the Basslink pipe has always caused issues for competitive internet supply in the terrestrial internet space. The 121 POI proposal would obviously see an increase of some 20 – 25% on retail satellite offerings into these underserved internet pipe areas (generally Telstra owned) leading to RSP's like Bordernet ignoring large portions of our traditional markets due to an uncompetitive nature of the backhaul data needed to connect to the POI's. Without being able to aggregate the data across fibre, wireless and satellite customer bases en masse in these backhaul monopolised areas will limit the customers' RSP options to only the larger companies. Apart from the obvious effect on retail pricing in these areas, it directly contradicts what the current and proposed NBN Co RSP wholesale cost agreements intend, that is NBN Co charge all RSP's the same wholesale connect price not based on customer volumes to directly increase industry competition. Unlike NBN, any backhaul data partners rates will always be based on volume.

Conclusion

Bordernet has been a pioneer in the retail satellite space having a concentration on the industry since 1999, including involvement in all Federal Government subsidy programs since 2004. The proposal by NBN Co to require RSP's who offer satellite services to connect to NBN Co's proposed LTSS KA Band satellite by way of a 121 POI's network will mean only RSP's that aggregate other technology offerings will be able to adopt a business case for satellite services in a large amount of this underserved population. The implementation of this proposal contradicts what one of the 2002 Estens Report recommends and NBN Co wholesale satellite intends to achieve; a competitive RSP framework for subsidised "last mile" metro comparable services for rural and remote communities. As there seems to be no measurable technical reasoning behind the implementation of the 121 POI's, I ask the ACCC and NBN Co to consider the impact on companies like Bordernet to sustain supply of a product and customer base that for many years has specialised only in this space and conclude that this proposal will have no positive, but rather a negative effect on the competitiveness of what is a marginally profitable industry that will be operating in an NBN Co defined marketplace.

Yours Sincerely

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