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To whom it may concern,

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To whom it may concern,

**RE: SOUTH AUSTRALIA'S RESPONSE TO THE AUSTRALIAN CONSUMER  
AND COMPETITION COMMISSION (ACCC) DISCUSSION PAPER:  
NATIONAL BROADBAND NETWORK POINTS OF INTERCONNECT  
AND NBN CO'S PUBLIC POSITION PAPER: PROPOSED NBN CO  
POINTS OF INTERCONNECT**

I refer to the request by the ACCC for submissions on its discussion paper  
*National Broadband Network Points of Interconnect* and *NBN Co's Public  
Position Paper*.

As Chair of the South Australian Government National Broadband Network  
Taskforce, I am providing comment on behalf of the South Australian  
Government.

**Accessing customers nationally from a Point of Interconnect**

Our main comment is about the ability of a Retail Service Provider to access  
customers nationally from their connection at a Point of Interconnect.

The discussion papers indicate that the *initial* Points of Interconnect to the  
National Broadband Network will be in five capital cities. This raises the  
question as to which customers the Retail Service Provider can service via this  
connection. One might expect that access to a *national* network gives access to  
customers *nationally* – and this is desirable, and we believe essential in  
providing parity for Retail Service Providers.

It appears from the discussion papers and the proposed Points of Interconnect that a Retail Service Provider would need to provide its own interconnections between States to provide services to customers nationally.

End customer parity pricing is a core objective of the National Broadband Network, as is competition among retailers. Hence the necessity of a Universal National Wholesale Price as proposed. To achieve suitable competition and parity in retail prices it is also essential that the Retail Service Providers have equal access to customers from their connection to the NBN, and not that only some have to provide additional long distance transmission in order to serve customers. Interconnections should provide access to the *national* broadband network, not just parts of it. Aggregation Points of Interconnect (14) and a State based connectivity restriction would favour larger Retail Service Providers who have presence in the capital cities.

The ability to service the national customer base (should a Retail Service Provider want to) from a single Point of Interconnect also applies to Points of Interconnect subsequent to the proposed initial 14 aggregation points in five capital cities, such as those proposed for regional centres for Connectivity Service Areas. We endorse the provision of additional Points of Interconnect at regional locations, based on considerations of demand, and we can provide further comment later as these are considered.

It is important to encourage new Retail Service Providers, including regional ones, as this will contribute to the goal of retail competition. We can also recognise that some broadband services provided in the future may not be web focussed, hence not all, what is currently the worldwide web.

The issues raised in the papers about the transmission providers market, we consider as secondary issues. The NBN Co can purchase transmission from the multiple transmission providers, thus not duplicating infrastructure, nor removing the current transmission market. We believe this meets the intent of the NBN. There still remain significant regional areas where there isn't competitive fibre back haul transmission. What are NBN Co plans around these areas?

In summary we consider that to best meet the long term interests of Australians, as customers of Retail Service Providers using wholesale NBN Co services:

- the Points of Interconnect proposed for five capital cities to be a minimum requirement
- that by connecting at a single Point of Interconnect a Retail Service Provider will be able to market to customers nationally, should they wish to
- regional Points of Interconnect are desirable and should be investigated further.

## Response to specific questions of the ACCC discussion paper

The attachment provides comment to some of the specific questions in the ACCC discussion paper. Please note that our main comments above apply across a range of the questions raised, and are not repeated in the attachment.

Please contact us should you require further information.

Yours sincerely



for

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8 November 2010

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The NBN Co Position Paper proposes to ensure that Uniform National Wholesale Pricing (UNWP) is available and only excludes inter-capital or international transmission from that (page 5). If that is achieved then many of the questions posed in the ACCC paper become less relevant.

### **Effect on relevant markets**

1. To what extent will the number and location of POIs impact competition in the backhaul market in the short term and in the long term?

*In the short term, the rollout of the NBN is already impacting backhaul markets through the Regional Backbone Blackspots Program as a direct action with the intention to change the nature of the market in certain geographic locations. The composite model would have a further impact as the rollout proceeds and customers are migrated from the current aggregation networks of existing Internet Service Providers. This approach is consistent with the expectation of uniform national pricing that has been generated through numerous statements issued by the Australian Government and NBN Co.*

2. To what extent (if any) do you anticipate that any of your transmission assets (or other relevant assets) will become stranded under any of the proposed approaches to POIs on the NBN? What is the value of and location of those assets?

3. What is the current state of competition in the relevant backhaul markets? To what extent are backhaul services priced competitively in CBD, metro, regional and remote areas?

4. How would investment in backhaul infrastructure used for other networks, such as mobile and non-NBN fixed networks, be affected by the number and location of NBN POIs?

5. To what extent will the number and location of NBN POIs impact competition at the retail level in the short term and in the long term?

6. Is the emergence of a Layer 3 wholesale sector likely under the NBN? If so, how will the location of NBN Co's POIs affect this market in the short and long term?

## **Location of POIs on the NBN and provision of related services**

7. What is the preferred number and location of initial NBN POIs and why? How would this be different in the short term and the long term?

*At a minimum, the initial POIs should be located in the capital cities. Additional locations in regional areas are desirable and should be investigated further.*

8. What are the strengths and weaknesses of NBN Co's preferred 'composite model' outlined in its Public Position Paper?

*The significant strength of the 'composite' model is the provision of Uniform National Wholesale Pricing available to Access Seekers at a variety of locations.*

9. Where a composite or low-medium consolidation approach is adopted for NBN Co's POI location, what factors should be taken into account in determining the location of the distributed POIs? For example, is the number of available backhaul routes relevant? If so, what should be the threshold?

*Current backhaul routes would affect the decision in the short term but in the longer term the POIs need to be at the appropriate locations determined by traffic and requests from Access Seekers.*

10. On what terms should NBN Co supply backhaul from the small number of centralised aggregation POIs to the decentralised disaggregated POIs if its 'composite model' is adopted?

*The NBN Co paper implies that the cost of backhaul is included in the UNWP. "In achieving the Government's objectives on UNWP, NBN Co will seek to ensure that Access Seekers should face the same total wholesale cost from any premises to a designated state capital city point of presence. This means that the total cost of access to NBN Co's network plus any required backhaul to the designated capital city (Sydney, Melbourne, Brisbane, Perth, Adelaide) for the same NBN Co service should not depend on customer location or technology used to deliver that service." (NBN Co Public Position Paper page 5).*

*If the question is intended to address other uses of the backhaul, e.g. servicing of mobile phone towers, then again the notion that the NBN can and should bring about considerable rethinking in the current models of all telecommunications will be lost if the focus is on how to minimise its impact on the current models of service provision in other telecommunication areas.*

11. If NBN Co supplies backhaul, should this be on a Layer 2 Ethernet basis or in the form of dark fibre (or both)?

*It should be provided as an integral part of the Layer 2 Ethernet service.*

### **Timing and Business Rules for interconnection under NBN Co's composite approach**

12. Under NBN Co's 'composite model', what "business rules" should govern when NBN Co will allow interconnection at the distributed POIs?

13. What should be the process to coordinate the addition of interconnection at the disaggregated POIs?

### **Changes to the initial POIs**

14. What factors should trigger a review of the location of NBN Co's initial POIs?

15. What mechanisms should be used to effect a change to the location of NBN Co's POIs? (i.e. consultation requirements and notification periods)

### **Layer 1 Unbundling**

16. What are the implications of the number and location of POIs for potential Layer 1 unbundling and home-run network topology for the NBN?

### **Uniform National Wholesale Pricing (UNWP)**

17. To what extent can UNWP be achieved independently of decisions about the number and location of POIs?

18. Is NBN Co's definition of UNWP "...that Access Seekers should face the same total wholesale cost from any premises to a designated state capital city point of presence" an appropriate one? If not, what alternative definition would you propose?

*Yes it is appropriate given the purpose and nature of the National Broadband Network.*

19. To what extent can it be ensured that Access Seekers face the same total wholesale cost in supplying services to end-users across regions independently of decisions about the number and location of POIs? That is, are there alternative ways to the approach proposed by NBN Co of ensuring that Access Seekers face the same total wholesale cost in supplying services to end-users across regions?

*In section 6 of the ACCC, several methods of overcoming the existing high price of regional backhaul are suggested to ensure that affordable backhaul is available to Access Seekers, “for example, via a transparent levy placed on end-users of telecommunications services; a transparent up-lift on the prices of NBN Co’s FTTP access service; or a levy placed on all Access Seekers in proportion to their share of eligible revenues”. Each of these methods has its own difficulties and therefore the UNWP approach proposed by NBN Co on page 5 of its Position Paper is a simpler and more self-contained approach.*

20. If NBN Co’s preferred composite model were to have no price differentiation between interconnecting at designated capital cities or at CSA locations, what impact would this proposal have, particularly on regional retail markets and regional backhaul transmission markets?

*Regional retail markets would gain in terms of competition from this approach because the existing barriers to entry in regional and rural markets, i.e. the cost of backhaul, would be removed. Metropolitan consumers have gained considerable benefit from the positive effects of a competitive broadband market while regional markets have been left to lag considerably behind in terms of the pricing plans available.*

### **Wireless Services**

21. Should the same approach for the number and location of POIs for NBN Co’s fibre services be adopted for Wireless and Satellite services? Why and/or why not?

*Wireless and Satellite services are designed to cater mainly for the regional populations without access to the fibre-based services. Whatever benefits accrue from the design of the fibre POI locations should also be available to the wireless and satellite markets. If these are expected to operate effectively through a small number of POIs why would a similar argument not be possible for the fibre services?*

*The Wireless and Satellite section of the NBN Co Position Paper is surprisingly brief in comparison to the effort devoted to the treatment of fibre POIs. It ends with the statement that Access Seekers would need “a single form of network and systems interfaces to service customers on all NBN Co technology platforms”. It does not explain why this is not possible at all NBN Co POIs in a ‘composite’ model. Ideally, Access Seekers should be able to serve their customers, for all technology types, at any NBN Co POI.*

### **Other**

22. In relation to the data provided in Appendix A of NBN Co’s Public Position Paper, do you believe that NBN Co’s input information is accurate, and has NBN Co correctly assessed the current state of the backhaul and competitive DSLAM markets?

23. Are there any other considerations or information that you think are relevant to the selection of NBN Co’s POI locations?