

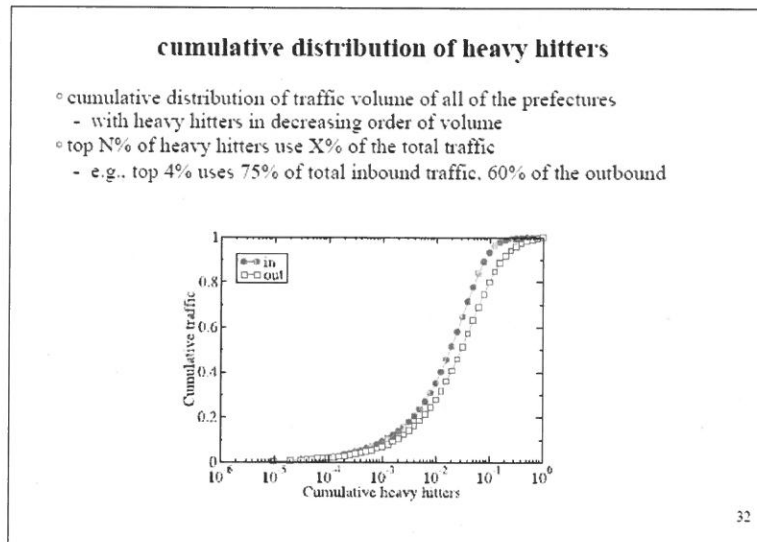
Submission to the ACCC Communications Market Study: Competition in evolving communications markets.

I have noticed a very disturbing trend in the market for broadband access in the areas served by FTTN. Regardless of the actual synchronisation rate achieved by the copper access part of the service, RSPs are refusing to sell any service tier above 25/5 Mbps (down/up).

I am told that the reasoning provided to customers is that the RSP does not wish to risk selling a higher-tier service when that service might not be achievable by the copper in the ground. To my mind this is a specious explanation, because they are also refusing to upgrade services even when that subscriber has had a service that synchronises at considerably higher speeds for some time.

As one who once operated a small ISP, I think this market phenomenon arises out a difficulty experienced by most ISPs: A small percentage of your user base "heavy hitters" will eat a very high proportion of your resources. A 2005 study by the Internet Initiative Japan (IIJ) found that the top 4% of users consume over 70% of transit resource. What the Australian RSPs are doing is trying to avoid attracting "heavy hitters." If one RSP pokes its head over the parapet and offers a higher-tier service, they will get all the heavy hitters and their cost base per customer will grow at a very much higher rate than their ARPU.

See: <https://www.iepg.org/march2005/kjc-iepg200503.pdf>



This very natural concern poses a very real risk of creating a situation where market failure impedes the growth of high-speed services – especially if it spreads to other access technologies.

Recommendation

I recommend that the ACCC seriously consider forbidding RSPs to sell services differentiated by speed tier, but rather to differentiate based on metrics more closely related to their real costs per user and actual user experience such as:

- Monthly Data Caps
- Guaranteed AVC/CVC contention ratios at the NBN POI

- Guaranteed round-trip delays within Australia
- Packet loss ratios
- Domestic vs International data volume pricing
- Peak vs Off-peak pricing

