



FAIR PLAY

If someone tries to kill you, kill 'em right back.

Nearly Begun Network: NBN Status & Outlook

CommsDay Melbourne Congress
Simon Hackett
MD, Internode
11 October 2011

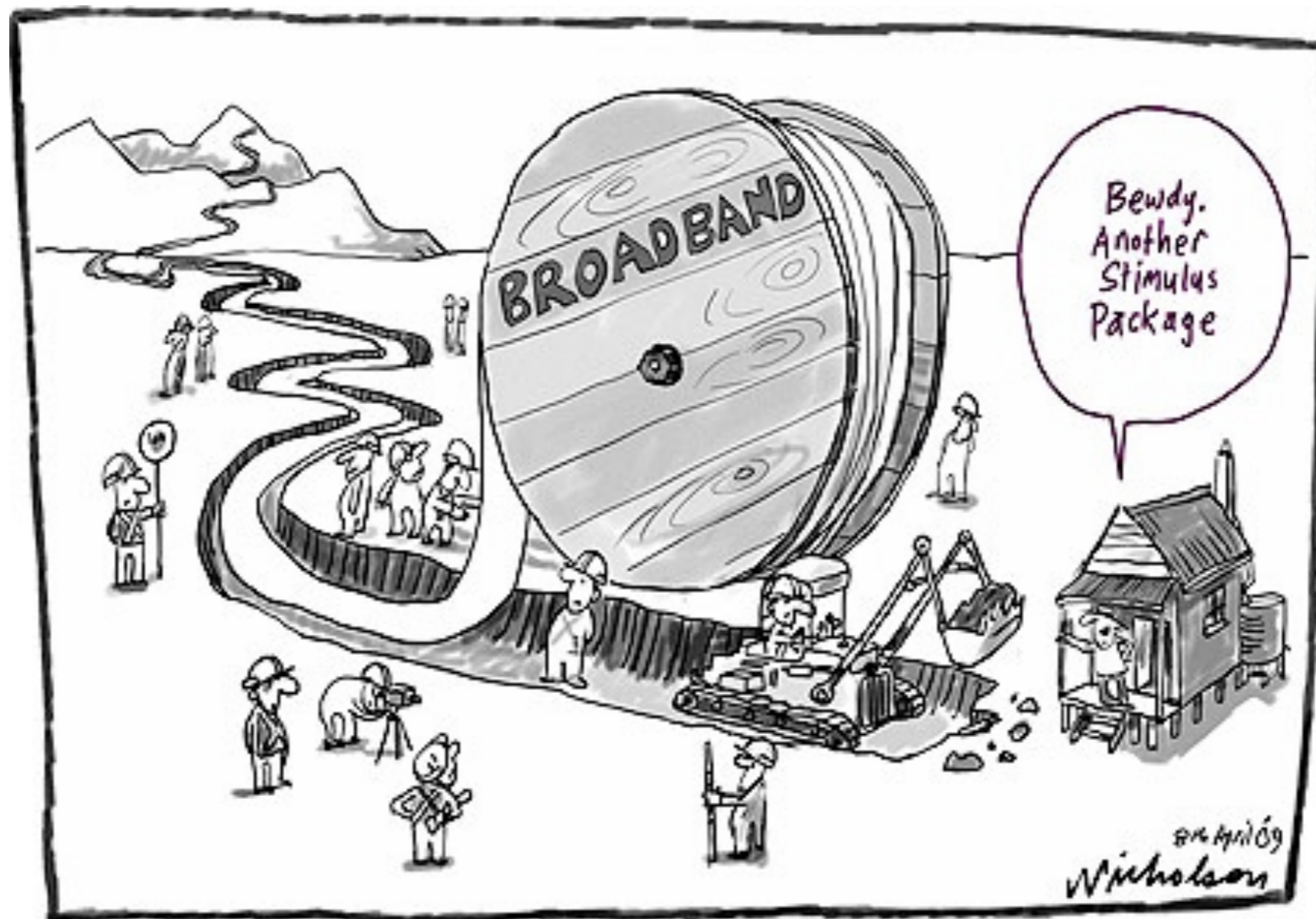


NBN Background

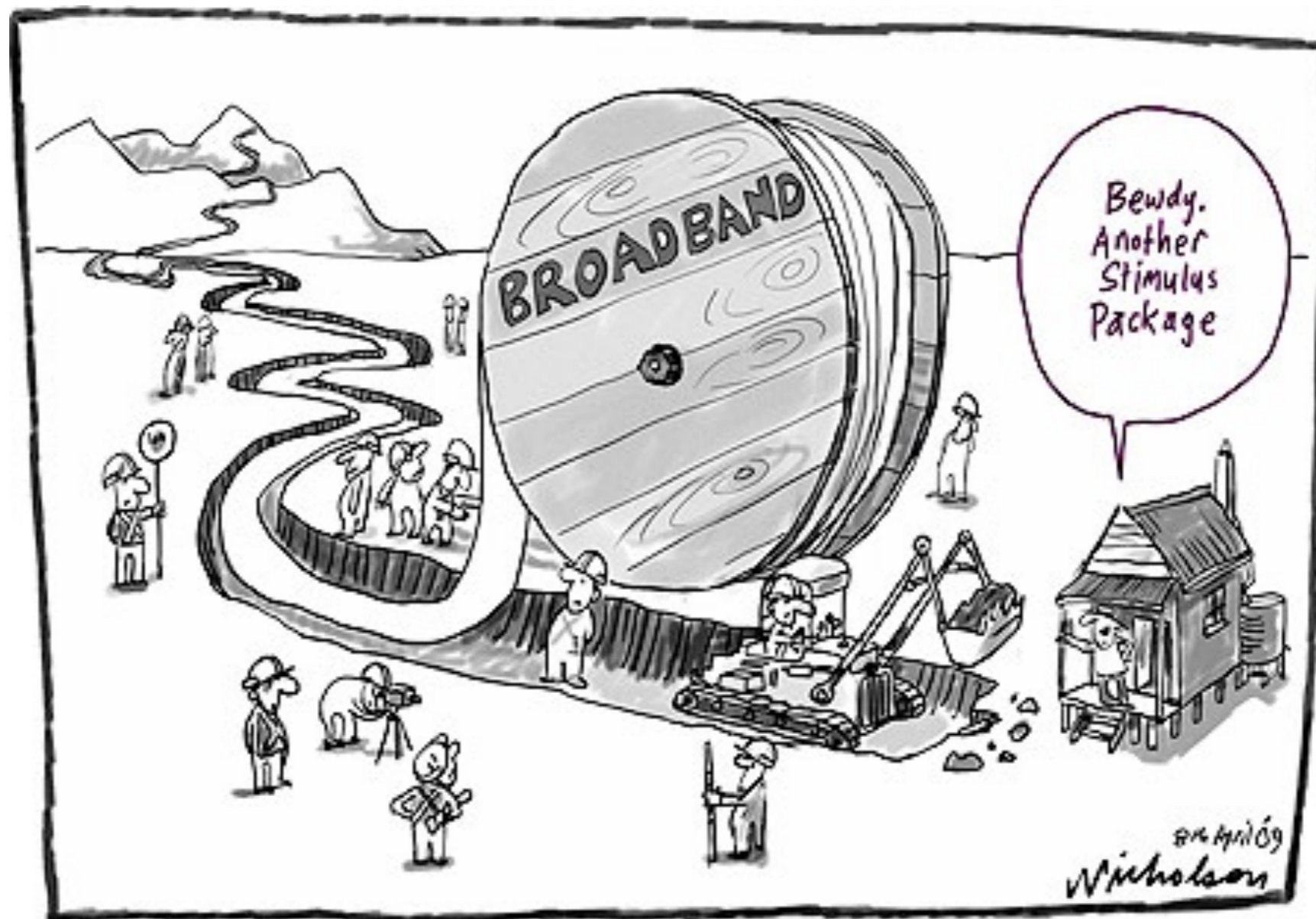
Challenges to the Future of the NBN

NBN Background





This was a GFC Recovery Policy



This was a GFC Recovery Policy
...but...

Now it is a Commercial Investment



Sovereign Risk is a clear challenge



Politics is full of surprises



NBN Co Wholesale Access Service

Product and Pricing Overview for Access Seekers

December 2010



NBN listens to Hackett, cuts prices for now

By Josh Taylor, ZDNet.com.au on August 9th, 2011


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After months of fierce criticism from Internode founder Simon Hackett, the National Broadband Network Company (NBN Co) has rejigged its connectivity virtual circuit (CVC) charge, waiving the charge for usage under 150 megabits per second in areas where fewer than 30,000 premises have been passed.

The Future of the NBN



Three elephants in the room

Elephant One



121 Points of Interconnect



Australian
Competition &
Consumer
Commission

- All overhead costs rise from 14x to 121x (!)
- Less reliable: No failover if a POI breaks
- Higher input costs for regional vs metro connections
- Telstra remains in economic control
 - Owns fibre to all POIs (permanent cost advantage)
 - Owns the buildings for most POI sites
 - Gets \$11bn war chest to turn copper off(*) & still owns it
- Costs to reach new POI's are *additional* to NBNCo costs
- Far higher overheads for all RSPs - *except Telstra*

(*) Telstra have told shareholders this makes them \$4.7bn more valuable than *not* doing the deal, effectively meaning NBNCo are *overpaying* by \$4.7bn to get the deal done

Elephant Two



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Leaving Telstra owning the copper network

Could a future government deploy FTTN/VDSL?

FTTN requires the copper to be cut
and re-terminated into node cabinets

Telstra can *not* be compelled to do this

This is what *really* sunk the previous FTTN policy



The NBNCo/Telstra deal
leaves the copper owned by Telstra

Telstra will *not* allow the copper to be cut
unless *they* do the cutting on their chosen terms



Elephant Three



The Telstra Structural Separation Undertaking

The SSU is incredibly important



The existing monopoly dominated copper market
will be with us a long time

The SSU as submitted...



Doesn't separate Telstra
Doesn't protect competition
Enshrines massive loopholes



Telstra shareholder vote ahead of SSU acceptance:

Leaves the future of the NBN *and* the future of copper line based competition in the hands of the *board* of Telstra



This is due to the paradox of the “LTIE”(*)

(*) LTIE means “Long Term Interests of Endusers”, a criteria assessed and applied by the ACCC to competition related issues and interventions



Is the NBN worth more to long term enduser interests than copper line re-monopolisation in the meantime?



Telstra board will have authority for the *current* SSU only

A substantially changed SSU that really protected competition would need a new voting cycle (unlikely)



What I would change
(If I had a magic wand)



**Reverse the I2I POI Decision
(It clearly damages the LTIE)**

Price Menu



Woman's Hair Cut - \$55

Man's Hair Cut - \$45

Base Colour from \$75 to \$115

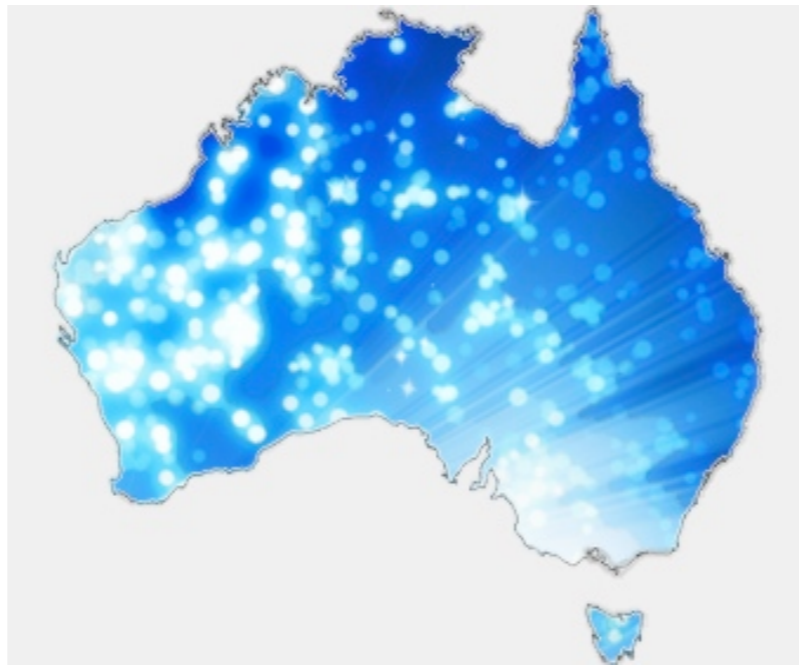
Roots - \$65 to \$75

Partial Highlight from \$105 to \$125

Full Head - Starting at \$125

Up-Do from \$65 to \$85

Have ACCC Declare the *bundle* of wholesale (voice) line rental (WLR) and wholesale ADSL2+ pricing (WDSL)



NBNCo can build an entire new national network
for \$33 per month (+GST) per customer
(national average bundled wholesale access cost)

Declared national price for the *bundle* of
WLR+WDSL on copper lines should be
no higher than \$33 per month per customer
including all port and AGVC costs

(Telstra SSU 'rate card' example price structure is about twice this price!)

Demand the extra \$4.7bn of Telstra shareholder value in the NBNCo/Telstra deal be turned into NBNCo *owning the copper that it is paying for*

Protect the Long Term Interests of Endusers by allowing for a hybrid of FTTH and FTTN as a *choice for any* future federal government





Summary: Taking on the Elephants

- 1) Reverse 121 POI Decision
- 2) Declare bundles of WLR + WDSL @ NBN access price
- 3) Change the deal so NBNCo owns the copper it pays for



The forecast for the NBN?

“Cloudy with a chance of hard ball”

Thank You.