

MEDIA RELEASE



Australian
Competition &
Consumer
Commission

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ACCC FINALISES REGULATION OF NON-NBN HIGH-SPEED INTERNET SERVICES

The Australian Competition and Consumer Commission has finalised its decision on the regulation of high-speed internet services supplied by non-NBN fixed line networks.

The networks largely supply high-speed internet services in new housing estates and apartment buildings in central city locations. In many areas they supply internet services where the NBN does not offer services and provide customers in these areas with a limited choice of retailers of internet services.

The major providers of these services are Telstra Corporation Ltd (ASX: TLS) (South Brisbane and Velocity Estates fibre networks), TPG Telecom Ltd (ASX:TPM), Vocus Group Ltd (ASX: VOC), LBN Co, Opticomm, and OPENetworks.

The ACCC's decision sets wholesale prices and other terms and conditions that are expected to provide customers with a larger number of retailers to choose from and deliver them better prices and services.

In a change from the draft decision, the ACCC has permitted the non-NBN networks to pass on the Government's proposed Regional Broadband Scheme (RBS) charge on their customer lines to help fund NBN Co's supply of non-commercial regional fixed wireless and satellite services.

"Our view is that the regulated prices based on the NBN prices may not have allowed these network providers to recover their reasonable costs if they were also required to absorb the proposed RBS charge," ACCC Chairman Rod Sims said.

"One of our main aims has been to ensure that internet retailers and their customers supplied via the non-NBN networks will not be worse off than if they were supplied internet services by the NBN."

"Consistent with our draft decision, the prices have been set in line with NBN prices and will change with NBN prices over time. Prices will reflect the growth in traffic across the high speed internet sector, which will continue to drive down the average cost of supplying services," Mr Sims said.

"We expect that these price changes will help deliver better service performance for customers of non-NBN networks as they will allow retailers to provide faster services at a lower average price."

The ACCC says the very small providers of some high-speed internet services (supplying less than 12,000 customers) will not be regulated under this decision on the basis that it would apply an unreasonable burden to them with little benefit to customers.

Terms set in the final decision only apply if access providers and access seekers cannot reach their own commercial agreements on prices and other terms for the relevant services.

Notes to editors

The internet services subject to the decision are called the superfast broadband access service (SBAS) and the Local Bitstream Access Service (LBAS). These are wholesale

'superfast' fixed-line broadband services capable of download speeds of normally 25 Mbps or more. They are supplied on non-NBN networks and provide similar services to the NBN.

Under the final decision, the initial prices for providers other than Telstra will be \$27.00 per port per month plus between \$8.00 and \$17.50 per Mbps per month for aggregation to a point of interconnection (POI). The aggregation price payable will vary by retail service provider (RSP) depending on the average amount of aggregation capacity that a RSP purchases per port.

Telstra's fibre network prices for 2017-18 are \$16.03 per port per month (Zone 1) and \$21.10 per port per month (Zone 2) and \$29.27 per Mbps per month for aggregation. An RSP will also have to purchase Telstra's wholesale line rental service, which is an additional \$20.69 per month.

Telstra's fibre networks are subject to different pricing arrangements due to the cost of separating these networks from Telstra's legacy network systems and the prospect that the fibre networks may be transferred to the NBN. The ACCC is unlikely to allow these arrangements to continue beyond the term of this pricing determination.

The final decision exempts SBAS (but not LBAS) providers supplying up to 12,000 end users from all wholesale access obligations. This is on the basis of technical advice that the compliance costs for these operators are expected to be high, relative to the expected wholesale revenues and the likely benefits to end users. This is the same exemption threshold as proposed under the draft decision.

Background

The ACCC declared the SBAS in July 2016 and LBAS services in October 2012. Once a service is declared, a network owner must provide access to the service upon request, and where commercial agreement cannot be reached, prices and non-price terms and conditions in an access determination can apply. Declaration ensures all service providers have access to the infrastructure they need to supply competitive communications services to end-users.

The LBAS encapsulates superfast fixed line networks used, or proposed to be used, to supply residential or small business customers and built, upgraded or altered by more than one kilometre after 1 January 2011.

The SBAS covers remaining eligible fixed line networks, including those built before 1 January 2011 other than services supplied exclusively to business customers, public bodies or charity customers within the CBDs of the capital cities.

Other technologies capable of supplying superfast broadband services (defined as services capable of download transmission speeds of normally 25 Mbps or more) that are not covered by the SBAS and LBAS declarations are fixed wireless, satellite, and mobile.

The ACCC's final decision provides for price terms and other terms of access to the SBAS and LBAS under final access determinations (FADs) for the two services.

The FADs replace an interim access determination (IAD) that applied to the SBAS and a previous FAD that applied to the LBAS.

The ACCC released a draft decision on the SBAS and LBAS FADs in January 2017. After proposing some changes to the draft decision pricing approaches, the ACCC released a further consultation paper in March 2017. The final decision on the FADs takes account of submissions received on both the draft decision and the further consultation paper.

The final decision report and the FADs are available on the ACCC website.

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