



The Manager  
Backhaul Blackspots Branch  
Department of Broadband, Communication  
and the Digital Economy  
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## **Submission by Primus Telecom to the National Broadband Network - Backhaul Blackspots Initiative**

### **Introduction**

Primus Telecom appreciates this opportunity to comment on the Australian Government's proposal to invest up to \$250 million to improve the supply of transmission services to regional 'blackspots'. Primus fully supports the initiative and believes the investment, if properly targeted, could deliver significant benefits to consumers and businesses.

Primus is one of Australia's most successful broadband and telecommunications network companies. Since acquiring its carrier license in 1997 Primus has developed into one of the leading integrated facilities-based carriers in Australia, offering a full range of services, including local, domestic and international telephony, ADSL2+ broadband, web hosting, VOIP, point to point transmission, virtual private network, broadband content and mobile services. Primus operates one of Australia's more acclaimed data centres and national networks, offering both retail and wholesale services. In delivering exemplary customer service to its customers Primus is proud of its decision to keep 100% of its workforce in Australia. Primus strives to enrich the broadband experience of its customers through offering progressive and innovative plans, content and applications. This is typified by recent announcements offering unmetered content to Primus customers using TiVo.

Primus has considerable experience in deploying and operating telecommunications networks. During the expansion of our own network over the last 10 years we have developed significant expertise that lends itself to projects such as the backhaul blackspots initiative. Primus can construct the blackspots network on behalf of the industry, pursuant to the Government's requirements. Primus will commit to construct and operate the blackspots network on a structurally separated, open access, basis. Primus believes these conditions critical to the Government's investment delivering on its potential. Primus is happy to discuss its proposal in further detail.

By way of further context, Primus has endorsed the Australian Government's decision to build and operate an open access National Broadband Network to deliver superfast broadband to Australian homes and businesses. Primus has always taken the position that competition policy must be central to the ownership and operation of essential (monopoly) telecommunications infrastructure. Primus is mindful that the Government shares that view, and applauds the Government's intention that the National Broadband Network has an ownership and operation structure independent of any related retail interests.

### **Prioritisation of sites to be addressed through the initiative.**

A lack of competitively priced backhaul has hampered efforts by companies such as Primus to further extend their presence to regional centres and rural areas across Australia. Transmission pricing on non-competitive routes in Australia is a significant deterrent to

broadband and telephony competition. End users have directly suffered as a consequence. Primus routinely analyses areas where it could feasibly deploy its own network equipment in the event backhaul was available at reasonable pricing. In addition to regional centres, Primus submits there would be significant benefits from targeting investment at outer metropolitan areas where substantial numbers of end users have missed out on competition because of the absence of competitively priced backhaul.

We have attached a list of exchanges (priority blackspots) where we consider the investment could be targeted (see attached spreadsheet). In terms of a cost benefit analysis we suggest the Government prioritise investment at the outer metro areas identified on the attached priority blackspots list. As noted above, Primus routinely conducts this type of analysis, taking into account cost parameters and teledensity. Please note however that the list is commercially sensitive at this time and Primus requests it remain confidential. In our view all of these sites have the capability to support multiple competing service providers (in the event of backhaul improvements) and could deliver the benefits the Government seeks to deliver.

Although some of the more remote and less populated centres would undoubtedly benefit from competitive backhaul, Primus is mindful that in many cases the full benefits would better materialise if backhaul deployment in those areas was associated with the provision of a wholesale broadband service (however that may be defined). Primus has argued for many years that people in regional and rural areas would significantly benefit from broadband competition if a wholesale broadband service (such as ADSL2+) was declared. The arguments for declaration are compelling. And in association with the emergence of a wholesale National Broadband Network Primus submits the Government should declare a high speed broadband service (ADSL2+) without delay. Primus is happy to discuss this initiate further and would welcome the Government giving it serious consideration. Primus submits that for regional and rural users this would lead to a much richer broadband experience, with more competitive plans and pricing, and substantially better customer service than available today. This would deliver immediate outcomes to regional and rural consumers across Australia.

Primus also submits that mandating an end-to-end wholesale broadband and telephony service would avoid unnecessary inefficiencies and delay caused by exchange access policies imposed by Telstra, and would address some of the reservations held by some sections of the industry in respect to potential investment becoming stranded in light of a National Broadband Network.

Primus notes the Government's consultation paper has also sought views on wholesale pricing. Primus submits the industry has accepted as a core principle the concept of cost-based pricing, which includes a fair and reasonable return on investment. Such a pricing principle can serve as a proxy for competitive pricing. For a more detailed study Primus refers the Government to the material submitted in the context of the Terra supported ONI bid for construction of a National Broadband Network, as assessed by the ACCC. Primus notes the ACCC has also developed pricing models that can be used to determine pricing for both "transmission" and a merged "wholesale broadband" service. In instances of greenfields development the regulator can also assess actual capital investment, and form a view whether it was prudently and efficiently incurred. There may be advantages (and certainly more investment certainty) if expenditure was assessed and approved in advance of capital deployment.

## **Design and Operational Parameters**

It is difficult to identify the commissioning requirements in the absence of a more detailed study of actual sites and terrain. Primus will give this further consideration and would like to provide further assistance. At this time Primus would note:

- In the event a wholesale broadband service was to be made available it could be sensible to locate interconnection and associated broadband equipment within

current public exchanges where power, cooling and other infrastructure is already available;

- Some of the exchanges are dated and inefficient, and in those locations it may be more efficient to house associated equipment in purpose designed cabinets;
- The concept of 'interconnection' is not complicated and interconnecting with current exchanges (or at pillars) should prove relatively straightforward;
- A more detailed implementation study would be required to identify the requirement for fibre repeaters and to identify the appropriateness of ring as opposed to spur architecture;
- We would foresee at a minimum that the operator would make available wholesale bandwidth/bitstream services and dark fibre services.
- Primus would have incentives to construct a network that provided appropriate Quality of service, latency, jitter and other parameters.

Primus would like to provide further assistance and notes more detailed information could be provided in the event thorough information in relation to the sites was made available.

### **Operational and Ownership arrangements**

Primus submits it is fundamental that wholesale services are made available on the blackspots network on a no-conflict open access basis. This means the owner/operator must not have any other competing retail interests. Based on the experience of the last 10 years Primus submits that such a structure is critical to the backhaul blackspots initiative delivering on its true potential.

Primus understands the Government to favour ownership of the new network infrastructure being retained by the Government, with a wholesale industry participant operating the network. Primus submits this could be a viable structure as long as the right checks and balances are in place to ensure non-conflict equivalence of access. The situation would be more complicated where the wholesale operator had a retail broadband/telephony business. In such a case Primus does not support the operator of the network (as distinct from majority owner) being granted any rights or privileges that are more favourable than other industry competitors. And in light of the overriding principle of independence, Primus submits that such an operational structure would be flawed. In light of these concerns Primus offers to construct the network pursuant to the Government's policy on behalf of the industry and will commit to construct and operate the blackspots network on a structurally separated, open access, basis.

Primus supports Government ownership and understands the intention to vest the blackspots network to the operator of the National Broadband Network. Primus submits the Government must mandate a structurally separated operational structure, where the operator has no incentives to favour one access seeker over another. This requirement has now evolved into a well understood and accepted principle, and in our view should not be compromised.

Primus Telecom  
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