

Consultation Paper: Exemptions for controllers of superfast fixed-line networks from separation requirements.

First and foremost, we would like to make it very clear that our business goal is to provide superior speeds to consumers at very affordable prices.

Question 1:

In answer to the first question regarding increasing the class exemption to 12,000 customers we say yes. The financial burdens of functional separation would have us suggest this number should increase to 15,000 and ideally 20,000. As a small business we only want to provide the very best service to our customers. Functional separation would force us to add more administrative staff not technical staff. Physical separation in a small office with no interaction is also quite difficult – I am sure you can see this is an additional cost that doesn't add benefit to the end consumer. The business relies on scale to enable functional separation and the scale is not present at 12,000 let alone 20,000 subscribers.

Question 2:

How would businesses be affected by increasing the class exemption limit from 2,000 to 12,000 customers? Please outline the nature of your business and how your customer base may be impacted.

As previously mentioned, the economy of scale is not present and would place an undue financial burden on the business which in turn makes us less nimble and less able to compete with the businesses that do already have the scale often through acquisition, thus creating a significant barrier to enter the market for new players.

As a recognised SIP we aim to put superior networks in high density living. We are still an emerging company and are investing a lot into a reliable and quality network. Two of our most important investments are into infrastructure/equipment and technical staff. An increase in class exemption limit from 2,000 to 12,000 for functional separation will allow us to invest in the things that give the consumer a great experience. The cost burden of the administrative staff and systems to functionally separate will limit our ability to grow and ensure we have the staff to focus on technical quality vs administrative tasks.

Question 3:

If your business could agree a functional separation undertaking that did not require separate business systems and employees, would it reduce the costs of functionally separating? If so, to what extent?

In a similar vein to the previous answer focusing on a top-quality product and service is the driver for our business. Whilst we understand the issues historically with vertically integrated businesses, we see there being great benefit when we are competing against the NBN. The wholesale costs passed on to us as retail service providers, in our view, is currently prohibiting truly competitive behaviour that will benefit the consumer. At the moment all providers are running on the smell of an oily rag to make any profit due to the costs of linkage, CVC etc. The behaviour we are seeing with our peers is a race to the bottom with little additional value being added to the consumer's "virtual shopping basket" as they focus their purchase on the internet subscription only. What we are seeing is price discounting that may, on the surface, appear to benefit the consumer but ultimately, we all lose as the poor physical infrastructure of the NBN requires large call centres who can only offer level one support because most issues are physical problems with the network.

We are very interested in what is being proposed in this form of functional separation. Whilst we can understand there are historical issues with vertically integrated businesses far larger than ours it would be nice to see if there was a fault management undertaking that we all had to subscribe to that would ensure there was no unfair disadvantaging of our wholesale customers if an issue was reported. In our opinion some degree of vertical integration reduces the risk of adverse behaviour as issues are often over sizable parts of the network so it's in everyone's interest to fix it quickly. Using the NBN as a wholesale only provider to demonstrate the point – they do not have a single retail customer therefore the consumer facing entity is a RSP. They take the brunt of the issue from the consumer knowing full well that there is a good chance they will not be able to rectify the issue which is then passed on to the NBN to investigate on a 'best effort' basis. Now reframe this situation if in the same area the NBN had retail facing customers – they would be working as fast as they could to fix the issue. This is the reality for smaller players, in particular SIPs, who build area or single development networks – we are all encouraged to fix the problem with zero discrimination as we are all impacted equally.

Asking the question of how not having to add layers of staff or business systems to our company would reduce the costs seems to be a rhetorical question.

Question 4:

If you provided a submission to the ACCC's consultation processes on the deemed functional separation undertaking, do the ACCC's revisions affect your views on the costs of functional separation? If so, how?

No. our view on this remains the same as we have extensive experience in providing telecom services in an un restricted open basis. Enforcing functional separation will only provide additional costs and ultimately a less advantageous outcome for the end user.

It must be pointed out that the illusion of choice by offering multiple service providers as per the NBN model still ultimately relies on the underlying performance of the Wholesale network. If the performance of the wholesale network is not up to scratch due to financial limitations preventing best of breed technology (as per the NBN) then having end user choice of RSP becomes irrelevant.

Thank you for the opportunity to respond.

Regards,



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