

CCC Releases Yardstick for NBN Proposals

Canberra – 5 December 2008 - The CCC today released its principles for the National Broadband Network, calling for independent ownership and management of the new network to be the keystone of the regulatory arrangements eventually put in place through the process (see attached).

The three simple principles outlined in the document represent the standard against which the CCC will measure all respondents to the NBN.

“Simple though they are, they will, if achieved, leap frog Australia up into the leading pack from its present position as the global village idiot in terms of international telecommunications price, service standard and competition comparisons,” CCC executive director David Forman said.

“The CCC will support any proposal that conforms to these principles, but will argue that any that fall short should be rejected by both the expert panel and the Government,” Mr Forman said

“The statement of principles around ownership and regulation released today is the yardstick that all bids will be measured against.”

“Two things have become clear from the responses to the NBN RFP on November 26,” Mr

Forman said.

"Firstly, there would appear to be three bids for national network builds that are proposing a fully independent network owner/manager model, with no associated retail business.

"All of them have indicated that they will meet or exceed the Government's coverage and speed requirements.

"The second thing that has emerged is that Telstra is not and probably has never been truly interested in building a national network.

"It has for three years avoided every opportunity to publicly reveal the proposals it has tried to force successive Governments to accept. The NBN process has forced it to put up or shut up.

"But it has manufactured a series of phony excuses to say it can no longer build beyond metropolitan areas to the 98 percent of the country it had been promising, even with a massive concessional loan from the public.

"This simply confirms what the CCC has long suspected – Telstra is only interested in removing regulation to allow it to return to an uncontested monopoly in Australia, and not just for broadband.

"In these circumstances, Telstra's arguments that it should be favored boil down to threats that it will make it as hard as possible for Australia to make the transition to a structurally competitive industry.

"If this is all Telstra has left to bargain with, it is the Government's responsibility to the Australian people and to those other parties who have presented proposals in good faith to put the long term national interest ahead of the short term threat presented by Telstra.

"The CCC's statement of principles is intended to help keep the focus on this long term public interest goal during the next few months.

"That is why the NBN process must be open and transparent. And why it is crucial that the Government allows public scrutiny of, at the very least, the ACCC's deliberations on the various proposals under consideration.

"This does not mean just releasing the ACCC's report some time after the Government has made its decision.

"The ACCC must publish its reasoning and the structural arrangements it believes represent the minimum standard to ensure genuine, open and sustainable competition before it provides its final advice to the Government.

"Only in this way can the public be confident that the process is uncompromised."

- ENDS -

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Principles for the National Broadband Network:

A New Network to Lay the Foundation for Competitive Markets

1. Structural separation of Network owner/operator from all retailing activities

The National Broadband Network (NBN) operator must not have an incentive or the ability to discriminate against some access seekers and in favor of others.

Rather, the network owner must have an incentive to promote the use of the access network by as many retailers and wholesalers as possible. This will lead to innovation and reduced prices for consumers.

To achieve this, the ownership, management and control of the access network must be separate from any downstream business.

This is the core principle that must guide the NBN because it is the foundation stone of a competitive market.

The following two principles are important supporting elements that ensure that the public interest remains paramount in the arrangements to manage the on going market power of the independent network operator.

2. Cost based pricing, aligned with other utility industries

The prices for access services must only reflect the efficient cost of building and operating the network.

This would also include a fair return on investment and reflect returns obtained in other regulated utility markets.

The pricing approach must be regulated by the ACCC.

3. Strong ACCC oversight powers

The ACCC must have full regulatory oversight of the network operations, for both price and non-price conditions.

This oversight role must be based on the established principles for the regulation of telecommunications services and consistent with its regulation of other industries.

Over time, specific regulation will be able to be reduced as consumer benefit from the changes in the market and greater competition created by structural separation.

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