

6 August 2011

Joint Select Committee of Inquiry into the NBN

Questions on notice

Mrs D'Ath: *“My only question goes to the current and future costs of connection to the points of interconnect. You have given us your costs currently and you believe your costs would grow fifteenfold. On what basis have you calculated that?”*

Primarily our costs will increase fifteen fold because the number of POI required to connect nationally will increase seventeen fold over our current requirement for national connection.

See Table 1: Monthly POI cost in Attachment A.

Mr SYMON: *“I am just extrapolating: if there is 121 POIs in their new facilities – because obviously they are not there at the moment – does that cost come down? Telstra have the market at the moment; you have little choice. Is it something that can happen when they are more around, or do you think it will follow the existing example?”*

Our cost calculation uses prices from the competitive capital city data centers, not high Telstra charges.

Datacenter costs have not fallen over time, they rise because they are primarily based on construction costs, rising real estate values and rising energy costs.

Under the NBN, our costs will rise 15 fold because the number of POI required to connection nationally to the NBN is 17 fold higher than currently required to service our national customer base.

Nor is this problem solved by NBN Co's recent announcement that they will rebate the wholesale cost of the Connectivity Virtual Circuit (CVC), their \$20/Mbps interconnection fee, up to a total of \$3,000 per POI for startups. To illustrate this see Table 2, Attachment A.

If NBN Co rebates in full our POI Connectivity Virtual Circuit fees, our costs to connect nationally via the NBN will be 14 fold over our current costs rather than the 15 fold it would otherwise be. This is hardly any reduction at all in the size of barriers to entry to the national retail broadband market place.

**Attachment A.**

***Table 1: Monthly POI cost (no capital costs)***

1. Cost to keep equipment in 121 POIs,
2. Cost to connect each 121 location to NBN
3. Cost to Connect each 121 location back to capital city Point of Presence (POP)
4. Cost to supply Internet capacity to 121 POIs.

Datacenter (POI location)		Extended – GST ex.
Space rental	1 x 48 RU	\$1000/month
Power	Redundant 6Amp	\$350/month
Cross connects	2 x \$200	\$400/month
NBN Co Conn. Virtual Circuit	30 x \$20/Mbps	\$600/month
Internet Uplink (transit)	30 x \$70/Mbps	\$2100/month
Backhaul.	30 x \$50/Mbps	\$1500/month
<b>Sub Total</b>		<b>\$5950/month</b>
<b>National Total (121 POI)</b>	<b>121 x \$5950/month</b>	<b><u>\$719,950/month</u></b>

***Table 2: Monthly POI cost with Full NBN Co rebate (no capital costs)***

1. Cost to keep equipment in 121 POIs,
2. Cost to connect each 121 location to NBN fully rebated.
3. Cost to Connect each 121 location back to capital city Point of Presence (POP)
4. Cost to supply Internet capacity to 121 POIs.

Datacenter (POI location)		Extended – GST ex.
Space rental	1 x 48 RU	\$1000/month
Power	Redundant 6Amp	\$350/month
Cross connects	2 x \$200	\$400/month
NBN Co Conn. Virtual Circuit	30 x \$00/Mbps	\$0/month
Internet Uplink (transit)	30 x \$70/Mbps	\$2100/month
Backhaul.	30 x \$50/Mbps	\$1500/month
<b>Sub Total</b>		<b>\$5350/month</b>
<b>National Total (121 POI)</b>	<b>121 x \$5350/month</b>	<b><u>\$647,350/month</u></b>

