



Commerce Commission

Submission on the draft determination on Bitstream Access

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Submission by CallPlus



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Submissions on draft determination for Bitstream Access

Introduction:

CallPlus welcomes the opportunity to have input on the draft determination for Bitstream access. Overall we are supportive of the Commerce Commissions views, as outlined in the draft determination, in particular the opportunity to see some market differentiation and consumer choice as a result of a single access price with no menu of prices by speed, zones or data usage.

We also support the move to look at the operational support issues. Our experience of customers moving to the current UBS service is that operational issues resulted in significant costs being incurred by ourselves in addition to creating a barrier to switching which often resulted in lost sales.

Question 1: To what extent should the relevant wholesale product market be more broadly defined than bitstream only? In particular comment on the preliminary view that ADSL, cable, fibre and FWA-based broadband access services should be included in the same market.

Question 2: Bearing in mind the pricing referred to above, to what extent are symmetrical and asymmetrical broadband services substitutable?

FWA, fibre and cable products all have different technical & price attributes. This should be self-evident from the negligible up-take of these products, compared to ADSL. This confirms that consumers do not, in practice, view these as substitute products for ADSL.

We have for some time wholesaled jetstream services to the business market. We have offered this service in Zone 1, despite receiving no discount from retail, and continue to do so only because there is no real alternative services providers of a comparable service.

Question 3: To what extent is Telecom's commercial UBS pricing differentiated?

We see no reason why the market would be viewed as anything but a National market. This is supported by the fact that Telecom's own retail pricing for broadband is national.

We are surprised to see any suggestion that the voluntary UBS product is split into metro & non-metro areas - as far as CallPlus is aware there is one business and one residential access charge for the voluntary UBS product.

In view of the nature of Bitstream access we believe that in considering the price for the service that there should be no artificial segmentation of the service to create multiple price points. Examples have been geographic, speed, data usage and contract terms.



- We do not see why there should be a separate price for business and residential access. Business services are differently priced to cover the cost of sale and the greater level of overall customer care. As neither of these are relevant to the wholesaler we believe that there should be one price regardless of who it is being sold to.
- We support the view that the bitstream access pricing should not adopt the framework of Telecoms variants to their Jetstream service. Access cost should be independent of the speed, this will allow for a greater ability for competitors to differentiate services to the benefit of consumers.

We believe that the “lower priced” plans provide the best retail price reference point for the commission when calculating the imputed retail price of the bitstream access service. The data usage caps are the key driver of the “menu” of costs and the majority of transmission cost will be born by the ourselves when wholesaling this service.

Question 4: Comment is sought on the preliminary assessment of competition in the defined market, in particular in relation to the competition criteria listed above?

CallPlus supports the commissioner’s conclusion that there is no real competition in this market. There are currently no alternatives that provide a competitive threat to Telecom, this should be self evident from the fact that other products have had minimal take-up and Telecoms product is becoming increasingly dominant in terms of market share.

We agree with the conclusion that any decrease in price of Telecoms Jetstream service has not been a result of any competitive influence but rather the result of regulatory threat.

Prior to anticipated regulatory initiatives our observations on Telecoms strategy have been that they undertake a combination of the following:-

- Grandfather existing services in the market which might lower wholesale price points – as we saw with access line term contracts.
- Introduce more attractively priced plans or, exploiting their vertically integrated advantage, offer a discounted “packages” with other services such as calling.
- Run promotional offers (such as free installs) for several months, ahead of any competitors, to convert any existing customers to their new plans and gain a first mover advantage.



Non-price terms, such as excessively high churn fees, further create unfair advantages for the incumbent.

Question 5: What are the potential instability risks that arrive from the provision of a bitstream access service with unlimited downstream speed to the maximum technical capability of the DSLAM and a 128Kbps upstream speed?

Question 6: Would the nature of that service described above effect the provision of data streams on the OSI layer 2?

We believe that the Telecom network is capable of providing a non rate shaped service in the downstream. We acknowledge that the maximum speed is only achievable by a small percentage of users based on their proximity to the exchange. However we do not agree that instability would be the result of a non rate shaped service; rather we believe that any instability issues would be due to engineering decisions in architecting the network.

We believe that the network modeling that has been used to deploy the bitstream service is flawed in that, even at the current access speeds offered, the core network is not able to deliver a reasonable level of continued service over a typical day to support non real time applications such as web browsing.

Callplus' experience has shown that significant portions of typical user usage patterns are severely hindered by the bitstream's unreasonable bandwidth allocation schemes that cause periods of excessive latency and highly variable delay. In some cases significantly higher latency than the stated 1 second, and low throughput; in some cases less than 10% of the access rate. We believe this is a result of the implementation of a packet queuing scheme based on a legacy round robin algorithm, which does not provide a consistent throughput or latency. We believe that these conditions have been brought about by the inconsistent treatment of bitstream traffic, which is disadvantaged when compared to Telecom's equivalent service.

Question 7: Do the suggested criteria appropriately measure the key service parameters necessary to assess whether the network performance of the bitstream service is consistent with the characteristics of the bitstream used by Telecom to supply its jetstream services?

Question 8: Do the parties agree that the ITU definitions for the parameters are the appropriate definitions to use as the basis for measurement of key parameters?

CallPlus is of the view that Telecom should be able to provide on line, real-time reporting of these service parameter across any part of the bitstream network.

We do not fully concur with some of the parameter definitions as follows:



We believe that the definition of Contention Ratio should be redefined from “The ratio of the number of end users of defined peak bandwidth (PIR) relative to the allocated bandwidth between the DSLAM and the first ATM switch during the peak busy hour of any day” to “The ratio of the sum of the end user access downstream bandwidth and the allocated bandwidth between the DSLAM and the network interconnection point (NNI) during the peak busy hour of any day”

We suggest that the definition of Jitter should be redefined from “The difference in packet transfer time between the minimum absolute Packet Transfer Delay and the maximum absolute Packet Transfer Delay of any packet over a 1 minute measurement interval for a stream of packets that are all the same size bit” to “The difference in packet transfer time between the minimum absolute Packet Transfer Delay and the maximum absolute Packet Transfer Delay of any packet of a range of fixed sized packet streams over a 1 minute measurement interval offered at the access rate of the direction.”

We are unsure of the difference and suggest clarification as to the distinction between the measurement location of “Network Connection Point” and “Network Interconnection Point” for the definitions of Contention Ratio, Jitter, Packet Loss and Latency.

In terms of any SLA’s around key service performance parameters it is CallPlus’ experience of wholesale services that there are few SLA’s in place. In voluntary agreements there is typically little or no negotiating power with which to introduce meaningful SLA’s for which the incumbent is accountable.

The concept of retail service equivalence is very important to us, however it is meaningless without a mechanism for measurement, or a consequence for non-performance. We support the commission’s initiatives in this respect and we would like to see the commission specify the consequences for Telecom in the event that an SLA is not met, presumably by way of a discount on the wholesale price.

Question 9: Does Telecom seek to recover the additional costs necessary to turn interleaving off for individual ports?

We believe that the costs associated with turning off interleaving are minimal, and are already born in the cost of provisioning the access. Telecom should provide this option at no additional cost.

Question 10: Does the wholesale jetstream & UBS line check toolkit” currently collect this information?



Telecoms line checker tool currently provides a Yes/No response on service availability – e.g. “No, Telecom cant deal with this request now”.

We support the idea that we get forward notice of service becoming available in areas as this will allow us to pro-actively advise customers that the service will be available, ensuring that the our customers are informed and get the benefit as soon as possible. It also creates a level playing field for competition when new areas are opened up and prevents Telecom getting a first mover advantage, potentially locking in and disadvantaging consumers who are unaware they have a choice of provider and options.

Question 11: Telstraclear request that the other non-price terms of decision 497 should apply to the supply of the wholesale bitstream service and backhaul service. What additional non-price terms do the parties consider should be included?

We support the move to look at the operational support issues. Our experience of customers moving to the current UBS service was that operational issues resulted in significant costs being incurred by ourselves in addition to creating a barrier to switching which often resulted in lost sales.

With respect to automated systems CallPlus has been trialing Telecoms current EOR system and would like to make the following comments:-

- There are no automatic interfaces to the system, meaning that we have to manually enter data into multiple systems thereby driving costs into the business. The time taken to enter an order is unacceptably long. This drives costs into our business which we do not believe Telecoms retail operation would face.
- There is no reporting capability which can be used to manage transactions – proactively or reactively. Significant gaps include no exception reporting to highlight transactions outside of SLA’s and customer commitment dates that are in jeopardy or reporting against SLA’s.
- The rejection rate on transactions entered into the system is exceptionally high with many items rejecting on multiple instances.

The system needs to do on-line verification and provide more detail on reasons for rejections in order that reassignment can be completed in a timely and efficient manner. The issue is particularly bad for wholesale line reassignments UBS to a lesser extent.

We strongly support the view that pro-rate billing is necessary and currently this creates a barrier to switching, unfairly penalizes ourselves and is effectively double billing by the provider.