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# COMMUNICATIONS DAY

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## Optus: ULL prices should be cut further to reflect impending network obsolescence

A new economic report commissioned by Optus has made the radical case that Telstra's asking price for the unbundled local loop should be cut further on the basis that access seekers shouldn't be paying for assets that will be made redundant by the mooted National Broadband Network.

The report was prepared by UK-based technical economics consultancy Europe Economics and was submitted to the Australian Competition and Consumer Commission last week.

The report recommends a new pricing methodology which moves away from TSLRIC+, while claiming to be built on the "same economic principles." The report's proposed pricing methodology is designed for a new competitive landscape where the NBN plays a central role.

For example, the Europe Economics model proposes that parts of Telstra's network which would be made redundant by the NBN should only be included in costs "for the limited time for which they will be in use," estimating a time frame of two to five years. For parts of Telstra's network which would remain in long-term use on the NBN, the model proposes costs to be estimated on a new entrant using Telstra's existing ducts and trenches – further reducing costs.

"We assume that it is unlikely that a new investor would be allowed to dig up roads to install new trenches etc., when existing ducts, trenches and poles could be used," the report said. "For this reason it would be unrealistic to assess the costs of using these assets by estimating their replacement cost, as in a conventional TSLRIC+ exercise."

Submitting the report to the ACCC, Optus's regulatory GM Andrew Sheridan said a new approach to pricing would create a more balanced competitive environment in the move to a national fibre network. "The report seeks to establish a fairer and more transparent process for determining prices for access to Telstra's copper – a key building block for competitive broadband services today and for those to be offered under the proposed National Broadband Network," he said.

"We anticipate that if adopted this superior approach will lead to lower access prices because it will better align costs to real world experience. It will also remove Telstra's ability to seek to claim for costs it never incurred and which would never be incurred in the real world."

Telstra's ULLS band 2 undertaking is based on its own TEA cost model, which Sheridan claimed to be full of "fanciful assumptions and inflated costings." TEA actually produces a band 2 cost output of around \$47.86 per month, while Telstra's undertaking asks for \$30. The ACCC's current indicative price for Band 2 ULL is \$16.00 per month, up from a low point of \$13.20 in 2005/6. The Europe Economics paper does not proffer an estimate of how much ULL would cost if its recommendations were applied.

"The report recognises Telstra is now recovering ULLS charges well in excess of its true costs," Sheridan argued. "When it comes to ULLS pricing, Telstra continues to ignore the elephant in the room. The NBN will soon transform fixed line telecommunications in Australia and this proposed new approach from Europe Economics takes into account the implications of this watershed moment for the Australian telecommunications industry."

Luke Coleman

## Think beyond NBN speed, says ISOC-AU

The biggest issue for the national broadband network is not who wins or how fast it will be but what the network is capable of, according to The Internet Society of Australia.

ISOC-AU last week held an event in Melbourne for industry stakeholders to discuss the implications of a national fibre build, with ISOC directors Tony Hill and Paul Brooks emphasising that

speed is the tip of the iceberg for the NBN.

“The big issues over the past few months have been speeds and who’s going to build it rather than what they’re going to build and what the customers are actually going to do with it – it seems like the actual subscriber, the customer, has been forgotten out of the whole process to date,” Hill told CommsDay.

With open access rules proving an article of contention between NBN proponents, Hill said regulators must establish a regime which does not disrupt the current flow of competition. “We are, in a sense, voluntarily entering a monopoly regime and working out how to retain the benefits of competitive services providers on a monopoly network infrastructure, [which] is something the industry hasn’t seen a lot of success with,” he said. “There will need to be some sort of rules and regulations to maintain the momentum we’ve achieved through infrastructure based-competition.”

Brooks (right) said that the 12Mbps figure often quoted as the end goal for the network is only one simple performance metric. “Most of the commentary to date has been one-upmanship around peak speeds of the network, but people are forgetting about the other criteria for network performance which is round-trip or latency. It’s all very well to have a 42Mbps mobile broadband link but if the latency is 200, 300, 400 milliseconds, the experience the end user receives is not going to be the same quality as a lower capacity landline with much lower latency.”

Hill said the NBN must be engineered for an upload-centric future. “We need to look at this environment as an opportunity for Australia to move forward from the asymmetric nature of the design of our current networks. Some of our current technology, particularly DSL, was predicated on a false premise that all customers wanted was a big, fat download speed and they didn’t actually want to contribute onto the network. That’s a completely wrong vision of the future.”

An announcement on the NBN is expected from the Federal Government next week.



Luke Coleman



## **Censors under siege: classification site hacked as Minchin blasts filter scheme**

Shortly after a leaked list of prohibited URLs triggered outrage from authorities, the Classification Board website has been hit by a hacker attack. The site was taken offline to repair the damage, even as shadow communications minister Nick Minchin launched a fresh offensive against the Federal Government’s method for building the blacklist underpinning its proposed ISP-level filtering regime. The hack saw part of the body text from the Classification Board’s homepage replaced with a spoofed version lampooning the Board’s activities. “This site contains information about the boards that have the right to control your freedomz,” began the hacked text. “The Classification Board has the right to not just classify content (the name is an elaborate trick), but also the right to decide what is and isn’t appropriate and ban content from the public.”

Electronic Frontiers Australia, though one of the more vocal opponents of the proposed internet filtering project, deplored the attack. “While we understand and sympathise with the anger of the Australian public at the proposed internet censorship scheme, it is unfortunate that someone has chosen to level that frustration at the peripherally associated Classification Board, through a highly dismaying course of action,” said spokesman Geordie Guy. “EFA can’t and won’t condone instances of frustration at the Government’s unwillingness to listen to technical and community experts that boil over into action against Government websites.”

Minchin, meanwhile, voiced doubts about the blacklist behind the filtering scheme following an appearance by Conroy on ABC’s ‘Q and A’. “Senator Conroy’s admission last night on ‘Q and A’ that technical errors have resulted in online content being incorrectly added to the Government’s black list, which would form the basis for his planned mandatory ISP-level filtering regime, adds further serious doubt about his ability to implement this unpopular policy,” he said. “This error only came to light because content from the secret black list had been publicly leaked. Under Senator Conroy’s regime how many similar errors will result in the wrongful filtering of legal sites and content?”

Petroc Wilton

## Australia key to 3Com's performance

As 3Com's global results for the third quarter of fiscal 2009 heralded a swing into profitability from the corresponding prior period, the company reaffirmed the importance of its Australian operations. Recent local highlights for the firm include a multi-million dollar contract with the Queensland Department of Education, Training and the Arts, and 3Com hopes for further success going forwards.

Globally, the third quarter saw the firm achieve a net income of US\$1.9 million, against net losses of US\$7.8 million in the equivalent quarter of FY08. Revenue for the quarter slipped 3.5% to US\$324.7 million, though year-to-date revenues climbed 5% to US\$1,022 million.

"Australia is a key for 3Com on both regional and global basis," a spokesperson for the company told CommsDay. "We recently announced our extended relationship with DETA in Queensland... we're not able to break down any specific numbers, [but] while we can't comment on the value of the Australian operation, 3Com has had a successful year in Australia and the DETA relationship is a testament to that. We hope to see a sustainable growth in the coming year."

And 3Com remained optimistic about the prospects for the network infrastructure market amidst the ongoing economic turbulence. "If anything, the current financial crisis is helping usher in the next cycle of networking that research firm IDC has termed as 'flight to value', a phase when businesses re-evaluate their IT and working investments based on factors like a technology's pervasiveness, flexibility, sustainability and pricing," said the spokesperson. "We're focusing on helping businesses gear up to weather the current economic storm and do more with less. For instance, firms are able to translate the lower costs they enjoyed on a network upgrade into a bigger redundant network. By acquiring additional network switches on the same budget, they can ensure uninterrupted operations for their business activities."

Petroc Wilton

## MCG attendees score free WiFi with Internode

Internode has rolled out wireless internet coverage to the Melbourne Cricket Ground, providing players, staff and visitors with free wireless web browsing. The provider has signed a three year contact with Melbourne Cricket Club in a deal that will see it manage 26 wireless access points through the MCG.

The network is linked to Internode's national network backbone, and features redundancy in access technology to ensure service uptime; Internode completed work on the network ahead of schedule to provide coverage for those attending the Sound Relief bushfire fundraising concert, held at the site earlier this month. Visitors to the facility will be able to access the wireless network through an Internode and MCG co-branded landing page.

"This partnership with Internode has helped us to improve the services we offer and enhance the

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experience for visitors to the MCG,” said MCC’s GM for commercial operations Lisa Trainor. “We have worked collaboratively with Internode to ensure a robust WiFi offering is widely available throughout the venue.”

“By introducing Internode into the world’s greatest sporting arena, we expect to raise the profile of Internode and the services we offer to home, business and corporate users,” said Internode national sales manager Daryl Knight. “More than three million people each year, including sporting fanatics and business leaders from Victoria and across Australia, will now have the opportunity to experience Internode - for free.”

Internode’s MCG wireless network is linked to Internode’s national backbone, which will also support the MCC’s everyday Internet access requirements. To guarantee service uptime, Internode has re-designed the existing wireless network to provide redundancy in access technology.

Petroc Wilton

## **Smart meters to lead telco-electric collaboration**

Increasing use of smart metering technology will likely lead to new collaborative opportunities for telcos and electric providers, Alcatel-Lucent has said. As several Australian state-based initiatives mirror the smart metering push of the US Obama Administration, the vendor is hoping telcos get involved in what could offer lucrative new business opportunities with electricity providers.

Alcatel-Lucent’s local smart metering expert Rudolph Mazza told CommsDay that as smart metering trials go on, carriers will be able to partner with electricity companies to offer innovative new services. “I haven’t talked to a single utility yet that’s not considering that as an option,” he said. Many utilities providers are already using telecoms equipment for visibility of power grids, but more advanced telecoms collaborations could allow for billing methods to evolve similarly to telecoms billing, such as pre-paid electricity.

Mazza said text messages or emails could be sent to customers warning when pre-paid electricity was about to run out. “Interactive utility management from your mobile is also being considered, where you’re at a meeting and you realised you left your air conditioning on you can actually access that through a web page... then you can instruct your air conditioner to shut itself down. A lot of that is the future of intelligent appliances, which would be integrated into your home area network and the meter becomes an integral part of that,” he said.

Smart meters could also be used to centrally measure gas, water and electricity usage, calculating how to most efficiently use resources. Mazza said that some electric providers in the US are already offering triple-play telecoms services to underserved markets using existing ducts and trenches to lay fibre alongside electrical cabling. Smart metering trials are already underway with the backing of the Victorian state government, among others.

Luke Coleman

## **AMTA welcomes new consumer laws**

The Australian government has received support from the mobile telecommunications industry in reviewing consumer laws.

According to Assistant Treasurer Chris Bowen, the new Australian Consumer Law (ACL) will enable consumers and the consumer watchdog to act upon contract terms that would violate their rights as consumers. AMTA CEO Chris Althaus added, “It is desirable to have a nationally consistent framework for consumer policy with a view to delivering consumer protection more efficiently and effectively by minimising the duplication and inconsistency evident in existing state, territory and commonwealth regulation.”

Despite the decent objective of the new consumer law, Althaus still called for a critical and careful review in order to minimise the risk of imposing an onerous and impractical burden on suppliers that is irrelevant to what the law really wants to address.

“AMTA is concerned that the government may be considering changes that unnecessarily extend the current provisions without clear justification that it is beneficial to do so, and without adequate cost-benefit analysis of the options.”

Kei Contreras

## **ITU Focus Group to recommend CO2 reporting standard for ICT**

An ITU Focus Group is proposing a standardized methodology for reporting the greenhouse gas (GHG) emissions of information and communications technologies.

At a meeting in Hiroshima, Japan, the ITU-T Focus Group on ICTs and Climate Change has developed a method for calculating two elements: Energy use and carbon impact arising from ICT life-cycles; and decrease in GHG emissions that can be achieved with ICTs, such as replacing fossil fuel intensive activities through ICT services and devices – a process the Group calls, ‘dematerialisation.’

The meeting agreed on a set of four ‘deliverables’ that also give guidance on terms and definitions, including units of measurement to be used. According to the Group, the deliverables draw on best practices from organizations worldwide and will be published as the proceedings of the Focus Group. In the next phase, the Group plans to issue the outcomes of the meeting as official ITU-T Recommendations, or standards.

“This work has an important bearing on current and future global agreements under which countries undertake commitments to reduce their overall GHG emissions,” said Malcolm Johnson, Director of ITU's Telecommunication Standardization Bureau. “Common approaches to calculating the impact of ICTs are vital to ensure coherent and effective solutions.”

According to one contribution to the Focus Group meeting, direct email has the effect of a 98.5% CO2 emissions reduction compared with paper. The group also noted a trend towards ‘always-on’ devices that are a drain on power supplies. Recommended steps toward more efficient energy use of ICT devices are part of the output of the group.

Tony Chan

## **ORANGE APPOINTS ANZ OPERATIONS & FINANCE MANAGER**

Tulae Gourlay has been named as the new operations and finance manager for Orange Business Services ANZ. His responsibilities include overseeing all business operations such as financial forecasting and budgeting, financial and management reporting, and supervising prospect opportunities for the ANZ region. Gourlay came to the company in 2008 as a management accountant with financial expertise and project management experience from his previous work.

## **ACMA WARNS BYTECARD FOR BREACHING TIO SCHEME**

A formal warning has been handed to Canberra ISP Bytecard by the Australian Communications and Media Authority for violating the service provider rule requiring compliance with the Telecommunications Industry Ombudsman (TIO) Scheme. According to TIO, Bytecard had ignored its call to cooperate in relation to two continuing matters. ACMA chairman Chris Chapman said, “ACMA will pursue the appropriate enforcement options open to it in order to prevent Bytecard from continuing to contravene its regulatory obligations.” It is the responsibility of all carriers and eligible carriage service providers, including internet service providers, to conform to the Ombudsman's Scheme.

## **TELSTRA APPOINTS NETWORK ADVERTISING GM**

Telstra has named Michael Lams as the company's general manager for network advertising. He will assume the position beginning on Monday, 30 March. Prior to his appointment, Lams was the head of Pan European Sales for Yahoo! and the strategic director for News Limited Digital. Telstra's head of commercial affairs Chris Taylor said, “Michael will be an incredibly valuable addition to our team. He brings with him an intimate knowledge of the digital advertising market both here and abroad. His experience will be of great benefit to the business as we continue our growth trajectory in both the online and mobile advertising space.”

## **FCC REVISES SUBSEA CABLE LANDING FEE**

The US Federal Communications Commission has revised its licensing structure for submarine cables landing on the country's shores. Under the new regulation, slated to go into effect this fiscal year, cables will be charged a flat fee based on the capacity of the system, replacing an existing methodology that charged cable owners per circuit activated. FCC called the new methodology ‘equitable and competitively neutral.’ The revision was derived from a proposal from a group representing 35 of 42 international subsea cable operators in the US.

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