

# COMMUNICATIONS DAY

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## ACCC derides claimed Telstra cost model errors

The Australian Competition and Consumer Commission has dismissed Telstra's Efficient Access costing model, claiming it suffers "significant calculation and data errors." As it opened consultations into Telstra's latest \$30 ULL access undertaking it said it will give the TEA model "little weight" in its assessment unless the alleged errors are remedied. Telstra reacted sharply to the statements.

The TEA model was developed by Telstra's regulatory division last year at a cost of several million dollars to replace the PIE II model which had previously been criticised by the ACCC. The model has apparently calculated Telstra's ULL Band 2 costs at \$49 per month but the ACCC claimed an audit found two errors, one in calculation and another regarding data.

According to the ACCC, the calculation error arises in the TEA's Main Cable Module.

"The effect of the error is that in testing which records to sum on a route identified by 16 digits, only the first 15 digits are tested in the Excel SumIf formula. This means that instead of a single route being summed – up to 10 routes can be summed for each of the 16 digit routes identified – effectively digit 16 is treated like a wildcard. This leads to significant double counting of data in several cases. It is notable that this error cannot lead to an understatement of the installed cables – only an overstatement of the network. We note that this error does not appear to occur in the Distribution Cable Module," said the letter.

"The second error appears to be a data structure point problem in the main and distribution modules where the shortest path is not identified and used. This means that there are multiple paths in the network."

The ACCC goes on to say it is concerned that "the model may contain other material errors," adding that "both the ACCC and access seekers may have spent significant amounts of time and money reviewing flawed models lodged in support of various undertaking applications," and "the model cannot be properly relied upon in support of your undertaking."

**TELSTRA RESPONSE:** But Telstra accused the ACCC of trying to divert attention from what it called a "significant under-pricing" of ULLS. "They pretend to give us a week to respond but then ensure we are forced to respond to media in less than 24 hours. It is a disgrace and a joke," said a Telstra spokesman.

Telstra added that the ACCC's complaints appeared to have "very little impact" on cost outcomes, and will to provide a detailed response in the coming week.

"The TEA model is a world-leading cost model because it relies on real-world data, not guess work. Telstra is leading a very open and transparent process of industry consultation, review and testing of the TEA model. The ACCC's letter is a complete over-reaction to a minor issue. The fact is that the ACCC has no robust cost model of its own to base its outrageous pricing assumptions," he said.

But Optus director of government and corporate affairs Maha Krishnapillai said the ACCC's letter came with a "tone of utter frustration. This is absolutely Telstra's game plan – to put forward rubbish model after rubbish model to tie up the ACCC in knots," he said. "It goes to the heart of the frustration they have had getting any realistic data out of Telstra."

## PPC-1 ahead of schedule, says Pipe

Pipe Networks' in-construction Sydney to Guam submarine cable is progressing ahead of schedule, the company has said. Pipe said that all survey works on the cable route have now been completed, with all necessary permit approvals now expected two months ahead of the original schedule.

Pipe said that the Sydney landing station for PPC-1 is also running ahead of schedule, with full commissioning due by the end of the month. Customers and shareholders will be given a tour around the landing site later this month.

"The company is currently in discussions with a number of new parties for additional significant capacity sales. This interest, received from a wide spectrum of users for access to well-priced international capacity, has been very strong and we continue to work hard to convert these opportunities to formal long-term contracts," said MD Bevan Slattery.

Pipe went on to note that the construction process has also benefitted from previously unforeseen economic changes. The company said it will not be affected by "significant" price rises in shipping, raw material and fuel costs since its announcement in January, because all contracts were set at fixed prices. Pipe also said the appreciating Australian dollar has led to a decrease in unit costs, with US dollar denominated revenue contracts providing a "natural hedge" for currency movements in USD-denominated construction costs.

Pipe claims the financial benefits, along with cost increases in the submarine cable industry, may have pushed the replacement cost of PPC-1 up 20-25% higher than current construction costs. Pipe estimates that the replaceable asset value of PPC-1 alone may exceed \$170 million when completed in 2009, which could lead to a material revaluation of the cable system.

Luke Coleman

## Egan: Tell Phil he's dreaming

Terria chairman Michael Egan has said Telstra is living in a "fantasy land" after the company described itself as the only viable builder of the mooted National Broadband Network. The original comments came from public policy director Phil Burgess, who Egan described as "self-delusional."

Burgess has asked if other NBN bidders had booked time on assembly lines to build the 80,000 required nodes. "Telstra doesn't have a monopoly on intellectual property, and nor does it have a stranglehold on the world's manufacturers and contractors," said Egan. "Mr Burgess' suggestion that only Telstra can place an order for node boxes is simply childish."

"He must be living in fantasy land if he doesn't realise that major contractors, manufacturers and electronics suppliers are lining up to pitch for business with whoever wins the broadband bid," he said.

Egan claimed that all members of Terria had proven their abilities by building networks across Australia on a range of technologies. "In other words, all the inputs required for a national broadband network have been built by Terria shareholders in the past."

Primus CEO Ravi Bhatia was equally incensed by Burgess' speech. "The implication is Terria should not bid because they will not have access to the equipment... which really means he's in violation of the bidding rules," he said. "He's just publicly admitted he's violated the Trade Practices Act to deny businesses access."



Luke Coleman

## Opposition calls for submissions to NBN inquiry

The Federal opposition has called for public submissions to a Senate Select Committee investigating the proposed National Broadband Network. Shadow communications minister Bruce Billson called for submissions from the industry, analysts, consumer advocates, broadband users and service providers with "views or concerns" on the ongoing NBN process.

"Clearly a profound market intervention of this kind must be canvassed in an open and transparent way," said Billson. "I am optimistic that the Senate inquiry can make a positive contribution in this light."

The committee consists of two ALP members, four opposition members and one minor party member. Submissions will be accepted until August 15.

## University of Sydney breakthrough a building block for tomorrow's networks

A team from the University of Sydney has developed a new optical switch sixty-four times faster than conventional electronic switching – which could be an integral part of the high speed networks of the future.

But according to Professor Ben Eggleton of the university's Centre for Ultra-high Bandwidth Devices for Optical Systems, the technology is likely to see its first application overseas, with Australian implementation a possibility if and when the National Broadband Network is rolled out.

The Photonic Integrated Circuit is a channel carved into glass to form a switching path. "This switch takes only one picosecond to change tracks," said Eggleton. "This means that in one second the switch is turning on and off about one million times. We are talking about photonic technology that has terabit per second capacity."

Because of limiting factors in other areas of Australian networks, the technology would be unlikely to deliver immediate benefit locally. Eggleton used the analogy of road systems to explain the point: "There's a holistic view of communications systems. You've still got to worry about the roads, and the lanes – we're speeding up the freeway traffic," he told CommsDay. "You still need to get the bandwidth to the users."

An FTTN-based NBN build might see a role for the new switch circuits, but in the meantime, the CUDOS team is looking at applications abroad, where FTTP is already well developed in areas such as Japan and Hong Kong. "Most likely, any initial commercialisation would be focusing on overseas opportunities, remembering that 98% of the market is overseas," said Eggleton.

Petroc Wilton

## Union slams Senate Committee as speedbump ploy

Global telecoms union peak body UNI Telecoms has castigated the Australian Federal opposition's establishment of a Senate Select Committee as a "move designed to delay further the roll-out of a national broadband network." The union accused the opposition of trying to push the network start date back to 2009.

"The opposition has used its current numbers in the Senate... to set up a Senate Select Committee which is not scheduled to report back to Parliament until March 2009, well after the October 2008 date that the Government originally set for its NBN decision," said UNI. "If the opposition has its way, the start date will be well into next year."

The union noted that timeframes around the NBN have already been moved in response to industry pressure around information on Telstra's network, and pointed out that it has already been three years since Telstra first mooted the idea of a national fibre network – a move, it claimed, that the then Coalition Government "saw as a distraction."

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“Communications Minister Stephen Conroy accused the Opposition of ‘economic vandalism’. And he’s right,” added UNI.

Petroc Wilton

## **Vocus CEO warns of IPv4 address exhaustion, runs for APNIC slot**

The CEO of internet start-up Vocus has issued a warning that IPv4 addresses are likely to run dry worldwide within just two or three years, and exhorted Australian ISPs to take action. James Spencely has also announced his own intention to run for a seat on the Executive Committee, or Board, of the Asia Pacific Network Information Centre.

“The internet is running out of IPv4 space. Global exhaustion is likely to happen in the next 2-3 years, so it’s a critical time for Australia to start contributing to the allocation policies within our region,” said Spencely.

Accordingly, the Vocus CEO called for an Australian representative to be appointed to the board of APNIC, which provides IP allocation and registration services in the APAC region, and which – according to Spenceley – draws 30% of its membership from Australian ISPs and telcos. He plans to lead by example by running for a position at the next elections, to be held in Manila in February 2009. Internet Industry Association Chief Executive Peter Coroneos backed Spencely’s bid for a seat on the APNIC board. “The IIA encourages members to be active in policy development and we support James in his election to the Executive Committee,” said Coroneos.

Petroc Wilton

## **Zaption tech can pinpoint web browsing devices**

Products that monitor what internet users are browsing have become commonplace, but mobile and web services provider Zaption now says it can also track what devices are being used to view sites. The Melbourne-based firm has announced the beta launch of its Handsetdetection.com service, which can identify browsing platforms on a per-user basis from more than 7,000 device variants.

The firm is pitching the technology to website owners, developers, and designers to ensure they can optimise their sites for the devices that their visitor bases are predominantly using. Zaption says that the release is particularly timely given the increasing tendency for people to access websites from mobile and handheld devices and the imminent local launch of the new Apple iPhone.

“There will continue to be a rapid increase in mobile phone and portable device webs urging,” said David Manjra, director of Zaption. “It is vital that marketing departments and website owners do not lose that contact with their customer through badly formatted or unviewable websites. If they seize the opportunity now, they can future proof their site, and stay one step ahead of their competitors.”

The service is being offered free of charge while in the beta phase.

Petroc Wilton

## **Mobile advertising to boom in 2008**

The mobile advertising market in Australia is set to grow more than 300% in 2008 from its total revenues of \$2.5 million in 2007, according to analyst firm Frost & Sullivan.

The report ‘The Australia Next-Generation Mobile Advertising Market 2007-2011’ said that the market growth in 2008 will be sustained into 2009 driven by the growing consumer take-up of 3G data services coupled with attractive campaign pricing to entice advertisers.

The research shows that the current estimated six million 3G handset subscribers will grow rapidly over the next two years, which along with the introduction of Apple’s iPhone, is expected to lead to an increase in mobile data services usage.

However, Frost believes that sustained growth will depend on a continued reduction in mobile operator data charges, the development of sophisticated mobile advertising offerings from more organisations, and enhanced technological capabilities and integration across the mobile advertising value chain.

According to the report, in 2007, more than 50% of mobile ad revenues were driven by media and entertainment, banking, financial services and insurance industries. Vodafone was identified as

the market leader for mobile display and search advertising, with 40% market share in 2007.

“2007 marked a watershed year in mobile advertising with the medium achieving a successful proof-of-concept stage. Indeed, advertisers which have adopted mobile advertising show a clear propensity to increase their spend with the medium... At the same time, they typically have a strong commitment to digital advertising and are now looking for even more sophisticated mobile inventory,” said research manager Darryl Nelson.

Sonia Han

## **Telcoinabox's new deal with Imagine**

Telecoms reseller and franchisor Telcoinabox has signed a deal with Imagine which will see the migration of more than 2,000 Imagine customers and 7,000 phone lines to Telcoinabox's fully integrated telecoms platform.

The new deal is anticipated to generate \$3 million in revenue over the next 12 months for Telcoinabox. Company MD Damian Kay said the deal is a positive step forward in fostering relationships with ethical businesses. “We love the idea of being aligned with a business that has made human necessities like water, phone and gas consumption into a planet saving venture,” said Kay.

Telcoinabox has spent the last 12 months expanding and upgrading its infrastructure, offering a ‘one stop shop’ model of billing and CRM systems.

In March, Telcoinabox signed a five year \$60 million 3G mobile and data deal with Optus, and renewed a \$60 million wholesale reseller agreement with Telstra, to resell its fixed wire and 2G mobile phone network to its service providers' SME customer base.

Sonia Han

## **Optus to launch iPhone tonight**

Optus will begin to sell the Apple iPhone to registered customers in a celebrity-hosted event at its Sydney store at midnight tonight.

Telstra, Vodafone, along with other carriers in the world will be able to sell the iPhone at Apple's international launch time, 7am (AEST) on Friday.

Optus' Sydney launch event, which is set to start at 10pm tonight, will be hosted by MTV's Gaustina Agolley (Fuzzy). Optus will retail the 8G iPhone at \$729 and 16G at \$849, as well as on a number of plans.

“So far only Optus has announced extensive pricing and compared to Telstra's limited information, Optus seems to offer very good value. The Optus iPhone capped plans offer the same included value as comparable capped plans, but also include a data allowance at no extra cost, while the iPhones themselves cost \$0 up-front on any plan, which is extremely appealing... if Vodafone Australia's plans will be anything like Vodafone NZ, then Optus' pricing will more than likely be the best in Australia,” IDC analyst Mark Novosel told CommsDay.

Optus has not released the figures on how many iPhones it has ordered nor how many people have pre-registered.

“Initial stock will most likely be quite limited and needs to be spread nationwide. I wouldn't be surprised if many stores sellout of iPhones well before lunchtime... I would suspect store allocations would follow a similar model to AT&T in the US, where stores receive stock based on sales over the prior month or two,” said Novosel.

Sonia Han

## **Network based VoIP will dominate**

Australian uptake of VoIP services has lagged the US and Europe, according to analyst firm IDC.

A new report, ‘Residential VoIP: Let's Get Naked’, said that although residential VoIP services have been in Australia for four years, the uptake has been slow compared with Europe and the U.S. due to high broadband cost, low quality of service, number portability and high complexity.

However, over the past 6-12 months, IDC noted that there has been an “upswing” in consumers moving to residential VoIP services due to many of these inhibitors being overcome. At the end of 2007, there were an estimated 285,000 residential VoIP subscribers with an estimated value of \$40.67 million.

“A key driver to this is the bundled sell of broadband and VoIP together and more recently, the

offering of naked DSL services, which is a business model that has been enabled via regulation more than technical capabilities,” said IDC telecoms program manager David Cannon.

According to the report, VoIP delivers better functionality than PSTN even at its early stages of maturity, and enables fixed/mobile convergence and unified communications.

Sonia Han

## **Riverbed wins new Steelhead appliances deal**

Recruitment company Skilled Group has selected wide-area data service company Riverbed Technology's Riverbed Steelhead appliances (including Steelhead Mobile client software) for installation at up to 170 office sites across Australia.

Riverbed claims that the deployment will reduce WAN bandwidth usage and costs, accelerate application performance and allow Skilled to save money by consolidating IT infrastructure.

NSC appoints GM to guide company growth

Converged communications integrator NSC Group has promoted Trevor Boal to the newly created position of general manager. Trevor joined NSC in 2004 as NSW sales manager, taking charge of national sales in 2006.

## **DOWNER EDI LANDS TELSTRACLEAR NZ CONTRACT**

Engineering and infrastructure management outfit Downer EDI has announced a \$150 million, five year contract with TelstraClear in New Zealand. Downer EDI will be providing technical services covering network deployment, maintenance and customer provisioning services across all of TelstraClear's network. CEO Wayne Nolan said that the deal would make Downer “the largest and most successful provider of technical services in the New Zealand telecommunications market.”

## **NORTEL TO SUPPLY MANAGED TELEPRESENCE FOR DELOITTE**

Nortel has won a contract with Deloitte to provide managed services for telepresence, video conferencing, and other multimedia services. The firm will be rolling out the managed services to Deloitte's global organisation and up to 130 member firm locations globally. Deloitte is positioning the decision as a step towards increased environmental responsibility as well as cost and time savings.

## **M2M GAINS AVENUE INTO VIETNAM VOIP MARKET**

Technology investment company m2m has announced the completion of a Business Cooperation Contract between subsidiary Profit Way Technology and Vietnamese firm the VTC Wireless Broadband Company.

## **LAN 1 ANNOUNCES TWO NEW VDSL2 IP DSLAMS**

IP product distributor Lan 1 has announced the release of two new Broadcom based VDSL2 line cards in its ZyXEL MSAN range. Both 24-port and 48-port cards are available and offer ADSL2 and ADSL2+ fall-back capacity in addition to 100Mbps bandwidth and 19,000 foot loop distances over VDSL2.

## **VOCUS AGREES WITH INTERNODE**

Vocus CEO James Spenceley responds to Internode MD Simon Hackett's editor letter yesterday:.

“While we are setting records straight, Vocus entirely agrees with Internode, our press release made no mention of us being the first network to have direct interconnects into the USA, this itself is illogical as myself and many of the Vocus staff have been responsible for connecting capacity to the US in previous companies. This is likely to have come from a misunderstanding from a number of attempted poor quality global roaming calls with CommsDay. Vocus does maintain that for the first time in a number of years there is a new path into the country (always a good thing) and that we are one of a surprisingly select few wholesale providers with direct interconnects to the USA and dense peering. Vocus very much admires what Internode has done in setting the standard for quality Internet by expanding their network offshore and we are looking forward to providing such a direct connected International experience to the wholesale market.”