NBN DEBATE
Liberals want a cost benefit analysis on Conroy's NBN policy

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2008 has been the 'year of the smartphone', according to Telsyte

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COMMUNICATIONS DAY

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Optus kicks back: onus on Telstra to justify why NBN shouldn't be separated

A new report on the efficacy of operational and structural separation has declared that a non-separated National Broadband Network built by Telstra could not only amplify the incumbent's market dominance but could also deter other operators from investing in next generation networks.

The report was commissioned by Optus from Dr. Chris Doyle, an Associate of the Centre for Management under Regulation at Warwick Business School, and claims that Telstra's arguments against structural separation are themselves "backwards-looking," saying that the architecture of a next generation network lends itself to separation more easily than existing networks.

"The NBN will provide one operator a substantial advantage in the market – in the form of ubiquitous presence and renowned high-speed broadband. If Telstra is selected to be the NBN operator, its already existing market power would be amplified," Doyle wrote.

He went on to counter Telstra's claim that separation would deter infrastructure investment, saying that he believed a publicly-funded and integrated provider would be the biggest threat to competing builds. "In my view the installation of a government subsidised fibre-to-the-node (FTTN) network is likely to tilt the market substantially in favour of the NBN operator (especially so in the case of Telstra) and possibly deter others from investing in competing high-speed networks."

Telstra may cry foul at Doyle's commentary on competing builds, since the Optus-led Terria consortium has said the economic realities of the Federal Government's tender may necessitate the NBN to be a monopoly.

Telstra is adamant that if Terria were to build the network, the group should not rely on Telstra for its wholesale custom as it would immediately pursue its own competing build.

OPTUS SEES TELSTRA ARGUMENTS DESTROYED: Optus regulatory director Andrew Sheridan told CommsDay the report showed the reality behind Telstra's public stance on issues of open access and separation. "I think it's fair to say that Dr Doyle has systematically destroyed each of Telstra's arguments and shown that its claims to support open access and equivalent access to be a sham," he said. "What this report shows is that for anyone who cares to read Telstra's detailed submission rather than its press releases, it's very clear that its arguments are based on carefully-crafted caveats, and when they're prodded, the arguments collapse leaving the usual anti-competitive rambling of a self-interested monopolist."

Doyle takes on his UK contemporaries who have in the past sided with Telstra, including former UK regulator Kip Meek and economist Professor Martin Cave. Doyle agrees with Meek that the UK separation model should not be identically reproduced for use in Australia, but said "nevertheless, it is possible that the current review might conclude that a version of operational separation similar to that in the UK is needed to safeguard consumers from anti-competitive behaviour."

One point Doyle and Telstra may agree on is that regulatory issues must be clarified before any build is declared, but Doyle argues separation should be introduced pre-rollout to avoid "substantially higher costs" of breaking-up an established entity.

Luke Coleman

Opposition takes aim at NBN costing, timeline

The Federal Opposition has taken the Federal Government to task for its National Broadband Network plans in a Senate Estimates Committee hearing in Canberra yesterday.

Shadow communications minister Nick Minchin yesterday decried the lack of a cost/benefit analysis for the proposed build, and also claimed that the raft of regulatory changes necessary to proceed are likely to further delay the rollout until "well into 2009."

"The drafting, debating, finalising and implementation of the requisite legislative and regulatory changes will add considerably to the timeline for the commencement of the NBN," Minchin said. "It is also clear that the preferred tenderer could not possibly sign a final contract to undertake the build unless and until the legislative and regulatory framework is put in place."

Telstra has repeatedly stated that it will not commit to any NBN proposal until it has regulatory certainty.

"The government seems to have taken no account of the time required to put in place new legislation and regulations to govern the Network," said Minchin. "Nor does the government seem to understand that no tenderer let alone the government itself, could possibly sign a binding, final contract until they know the outcome of the legislative and regulatory processes."

Communications minister Stephen Conroy defended what he termed the government's "timely and rigorous competitive process."

"If there are legislative changes required to facilitate implementation of the National Broadband Network then I would hope and expect that the Liberals do not cynically obstruct the rollout of this essential nation building infrastructure," said a spokesman.

But the Opposition went further than testing the Government's timeline ambitions, also calling its broadband election promise a "lame excuse" for not conducting a cost/benefit analysis. "It is quite extraordinary that the Rudd Labor Government is proposing to spend $4.7 billion of taxpayers' money on broadband without conducting any cost/benefit analysis of the proposal," said Minchin.

Luke Coleman

Unbundling stimulates investment, claims NZ gov't

While the New Zealand Commerce Commission's second report on broadband quality shows an overall improvement in the performance of top ISPs, it has stated clearly that the results are indicative rather than representative.

Commissioner Paula Rebstock says this quarter's data shows promising signals that regulatory intervention has encouraged competitive prices, better quality broadband and more incentive to invest. The main trend this quarter shows a consistent improvement in the overall performance of between 19 and 31 per cent of the top five ISPs, particularly in Auckland, Wellington and Christchurch, says the report.

Despite this improvement, the introduction of advanced DSL technology has seen an increase in demand and traffic, which has highlighted bottlenecks in the networks. While this is driving investment in local caching, international capacity and backhaul, there still exists the possibility of outages, which occur periodically.

The DSL market looks healthy, with year-on-year growth of 25 per cent. Telecom wholesale connections grew by 8.6 per cent over the quarter to 202,000, which now comprises of a third of Telecom's broadband connections.

Interestingly, New Zealand's measuring post, the United Kingdom, showed a decline in performance in the June quarter, meaning New Zealand's broadband index score was 6 per cent higher than the UK this quarter.

While the UK has had a lot of growth in unbundled lines, UK service providers report that growth on competition has fragmented the market, leading to a "wide variability" in broadband performance, reads the report.

While it is still early days in the unbundled New Zealand market, it appears that the top five ISPs are investing heavily into their networks.

Vodafone is investing $NZ50 million into VDSL2 technology and has gained its first LLU wholesale customer in the form of Slingshot. Meanwhile, TelstraClear has indicated it will extend its unbundling programme outside the larger cities. The Commission reports that several thousand lines had already been unbundled by June 30, 2008.

Paul Clearwater

Telcoinabox goes trans-Tasman with TNZ deal

Telcoinabox has launched its first venture across the Tasman via a freshly minted agreement with Telecom New Zealand's wholesale business arm. The deal will see TNZ supplying the Australian telecoms reseller with fixed wire services to resell to business customers in New Zealand.

The move follows a foray into the UK telecoms market by Telcoinabox earlier this year, and the firm says that it is considering further expansion into a number of other countries.

"We have spent the last twelve months expanding and upgrading our internal infrastructure and companies like Telecom can see that we are a serious player," said Telcoinabox MD Damian Kay. "We offer an all-in-one solution including network access billing, provisioning and CRM systems... for the New Zealand market what we offer is new, and this factor alone positions the company as being associated with innovation."

"Telcoinabox bring a new franchise-based operating model to the market and we're delighted to be supporting the launch of their innovative service in New Zealand," added Berend Metz, head of business development for Telecom Wholesale. "We were particularly impressed by the importance Telcoinabox placed on supporting their franchisees with the right systems, tools, training and back-end support."

The fixed-wire package provided by TNZ will include PSTN, ISDN, and 0800 inbound, with discussions ongoing between the two firms on other services that Telcoinabox might later add to its resale portfolio.

Petroc Wilton

Internode offers free wireless for Yorke caravaners

Internode has joined forces with the District Council of the Yorke Peninsula to offer free wireless internet access to patrons of major caravan parks in the area. The initiative marks the next stage of Internode's plan to deliver broadband throughout the region, following the carrier's deployment of WiMAX on the peninsula earlier in the year.

The rollout of free wireless hotspots to the parks was a collaborative undertaking between the district council and Internode, with the former bearing capital equipment costs while the latter covered installation and operational expenses. The hotspots are available to guests at a number of council-managed caravan parks at locations including Port Vincent, Coobowie and Marion Bay.

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“Now we have houses and businesses connected, we thought it would be great to extend this service to visitors,” said Alan Rushbrook, acting CEO for the district council. Meanwhile, Internode’s manager of regional broadband Kym Cleggett positioned the joint project as the latest chance for the firm to spread its reach in the region. “We are continually looking for opportunities to extend our coverage,” he said.

Petroc Wilton

2008 ‘year of the smartphone’, says analyst

An Australian explosion in next-generation mobile devices such as the iPhone and BlackBerry Storm, combined with the rise to prominence of open-source mobile software platforms like Symbian and Google’s Android, has led analyst firm Telsyte to dub 2008 the ‘year of the smartphone’.

In a new research report, Telsyte found that Australia’s annual smartphone shipment has boomed almost by a factor of forty in the last five years, and that smartphones would account for nearly three in ten mobile phones sold this year.

“2008 has been the year of the smartphone in Australia,” said Telsyte research director Warren Chaisatien. He added that the new wave of open-source mobile software platforms would keep established vendors on their toes. “As users and carriers move towards off-deck content, the key for established players is to enrich their ecosystems by opening up their platforms while maintaining their unique competitiveness and security.”

The analyst firm also suggested that the smartphone explosion brought with it new opportunity in the first-time user segment – a demographic particularly receptive to advertising and location-based services, according to Telsyte.

Petroc Wilton

BigPond overhauls wireless broadband portfolio

Telstra BigPond is setting its sights on both heavy and casual users of wireless broadband with a new spread of twelve-month plans. At the upper end of its portfolio, the firm is ramping up some download limits and doing away with excess data fees in favour of service shaping, while simultaneously boosting its lower-end offering with a new scheme aimed squarely at occasional surfers.

According to Telstra spokesman Peter Taylor, Bigpond’s new entry-level plan will offer a 200MB monthly download limit for $29.95 a month on a year-long contract, designed for customers wishing to sample the service or use it only occasionally. At the other end of the scale, the telco is increasing download limits from 3GB to 5GB on its $89.95 plan, while also putting paid to excess usage charges – instead, customers who exceed the 5GB limit will have their services shaped down to 64kbps.

Customers on 10GB plans will also see their excess usage fees replaced by a 64kps speed cap once they run past their monthly allowance. Taylor said the move would give users greater control over their broadband spend each month.

Petroc Wilton

Optus confirms job cuts in restructure

Optus is set to make a number of redundancies across its networks division with a headcount reduction equating to around 1% of its workforce, the company has confirmed.

An earlier report claiming that 400 jobs were to be slashed was described by Optus as “speculative” yesterday, before the announcement that 115 positions will go as a result of contractor terminations, redundancies and cancelled vacancies.

The Communications, Electrical and Plumbing Union said that 56 employees who are on an Employment Partnership Agreement (EPA) would be made redundant, most of which are CEPU members. The majority of positions are set to be culled by the end of next month.

“Optus has received enormous subsidies from both State and Federal Governments and these job losses are a slap in the face to taxpayers and the individual employees who face an uncertain future in difficult times,” the CEPU said. “It also comes hot on the heels of the company off-shoring local jobs to India and Malaysia in the past year. It’s hard to see why the cuts would occur when you consider that revenue per employee stands at higher than industry averages of $778,000 per employee (FY 2007)."

Optus said a review of its networks division had led to the restructure, with roles set to go including senior and middle management as well as operational, engineering and support roles.

"The outcome of this review will leave us well placed to continue to deliver market leading products on a robust network," a spokesperson said.

Luke Coleman

Vodafone grants SMB territory licenses

Vodafone Australia has launched a new business channel 'Bizfone' for small and medium sized businesses, which will grant individually licensed territories to approved applicants at no upfront cost. Bizfone licensees will be allowed to sell mobile voice and data services from Vodafone to companies with up to 250 employees, as well as to resell other small business IT&T services, such as Blackberry mobile email services. Vodafone claims that it will provide induction training, and start-up kits with business card templates and administrative access to online product information to all new licensees.

"Bizfone licensees can sell to companies anywhere in Australia, based on their own business connections… within their respective territories," said Bizfone director Bruce Goldsmith. "The model works because Australians are great entrepreneurs and Bizfone gives skilled professional sales people a real chance to have a go for themselves."

The new channel has already signed up 15 communications consultants and has identified more than 50 high-growth business areas throughout Australia to appoint new licensees.

Goldsmith said that Bizfone will meet SMBs' demand for having personalised sales, service and support from a small, specialist consultancy. "Very few companies present an opportunity to build a business from scratch under the banner of a globally recognised brand such as Vodafone," he said.

Sonia Han

Ericsson brings HSPA to Intel MIDs

Ericsson is collaborating with Intel to bring HSPA mobile data solutions to Mobile Internet Devices, which will see Ericsson extending its 3G mobile broadband technology from notebooks to a range of pocketable devices.

The Ericsson HSPA chipset, to be released in 2009/10, is targeted at Intel's Moorestown MID platform which is based on the Intel Atom processor. According to Ericsson, pocketable MIDs are expected to facilitate a range of uses including entertainment and media, connected GPS navigation, online gaming, social networking, data communication, and productivity.

"The high performance, low power and compatibility of Intel architecture, coupled with Ericsson's 3G mobile technologies, represents one of the ways to accelerate the global adoption of a new breed of MIDs that provide people with more powerful, always connected internet-based experiences," said Intel ultra mobility group GM Anand Chandrasekher.

According to Ericsson Australia multimedia strategic marketing manager Kursten Leins, the co-operation will broaden the range of devices to have mobile broadband connectivity. "There are already more than 200 commercially deployed HSPA networks in more than 80 countries serving more than one billion subscribers, so the demands and economies of scale are there for mobile broadband to be embedded into devices such as navigation systems, gaming consoles, media players, internet tablets and other enterprise devices," he said.

Sonia Han

MOBILE BUSINESS REVIEWS WINS RMIT AWARDS

Mobile site Yabble which allows users to share reviews of their favorite businesses has won two major awards in RMIT University's Business Plan Competition 2008. The annual competition is open to RMIT students for creating innovative business plans. Yabble was awarded the $10,000 Fuji Xerox Australia second prize and the $5,000 City of Melbourne Creative Industry Award. "These awards will help Yabble fast-track our next stage of development and develop closer relationships with the businesses of Melbourne," said Carlton co-founder Ned Dwyer. In its next stage, the business venture will enable local businesses to send targeted SMS coupons to Yabble members who are near their location. Yabble mobile site is already online, with the full website to be launched in November.

Analysis by Grahame Lynch

Wildly differing quality of reports a cause for disappointment

Two major government-commissioned reports that impact the telecommunications sector were released last week—and they could have not been more markedly different in their contributions to good public policy.

The Gershon report on Federal ICT usage was released to plenty of headlines predicting the slashing of budgets and the sacking of contractors. And there would be appear to be plenty to be nervous about if you are in the business of supplying government with telecommunications.

For example, the report identified what appears to be excessive duplication in the use of trunking links by federal government departments. "One company pointed out that the Government often has 20–30 data network connections per regional city or town across Australia, with each agency implementing a dedicated connection to/from Canberra."

"A few (submissions) also felt that the physical fibre that makes up the Intra Government Communications Network (ICON) is significantly under-used. It could provide a foundation for establishing a shared networked service infrastructure for a range of shared services, as well as delivering an even broader range of telecommunications services more cost-effectively."

The report found that Federal Government telecom spend increased a whopping 25% to US$335m in 2007/08 on the year before, noting such anomalies as the fact that "there were 225 domestic agency links over 10 routes and 37 links between Sydney and Canberra alone; internationally, there were five links from four different agencies into Jakarta and five links from three different agencies into London."

Similarly, the report found a fragmented use of data centres, with the recommendation that a co-ordinated approach would be superior.

Now if you happen to be on the losing end of any reforms implemented on these recommendations, you may lack a reason to cheer Gershon's findings, but there is no doubting that they are good policy advice: based on rigorous collection of data and surveying of both buyer and industry opinion. It is empirically based and likely to result in better value for the taxpayer.

TAWDRY: Which is more than can be said for the tawdry 385-page Regional Telecommunications Review released with a notable lack of enthusiasm by Communications minister Stephen Conroy. This report, based on 223 submissions from industry and the public, as well as a four month 27 public meeting road show across the nation, astonishes for its lack of empiricism and apparent denial of the progress made in rural telecommunications.

Telstra's investment in its WCDMA 850 network, which has clearly promoted wireless broadband usage in the bush, is essentially dismissed as a net negative on the basis that the CDMA migration should have taken longer and that its installation created a different set of blackspots. IPSTAR—the major competitive force for satellite broadband in the bush with 50,000 customers and rising—isn't discussed at any point of the report, even though the same document goes on at some length about the need for competitive tension in rural telecommunications.

The little data that is presented is wildly contradictory. One table suggests 24% of "very remote" households in Australia currently use broadband—which sounds fairly world-beating to me—while another suggests a ***decreasing*** use of Internet in regional Australia for various types of content and applications covering 10 out of 17 surveyed categories—including weather information, email and financial information. There is, indeed, little in the report to make the case for a crisis in the supply of telecommunications services to regional Australia, nor to suggest that demand isn't being adequately met by existing programs and investments.

This didn't deter the enthusiastic committee members. In all they make over 45 recommendations for things the Australian government should act upon, fund, implement, provide, restructure, undertake, encourage, require, explore, ensure, request, facilitate and expand.

And not a cost or benefit analysis to be found anywhere—only a bunch of assertions, such as for example, that people in the bush suffer from a sense of isolation and that climate change will increase pressure on emergency telecommunications services! Conroy, who has been taking some stick on NBN lately, was quite right to promise nothing in response to its recommendations.