COURT CHALLENGE
Federal Court begins hearing on Telstra's challenge to $2.50 LSS

G9 SPLIT
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DIGITAL ADVERTISING
Telstra targets advertising as revenue source for digital content

COMMUNICATIONS DAY

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Ochre revives plans for new Australia-Asia cable, via WA energy fields

Momentum is building behind a new $150 million hybrid undersea cable serving Western Australian oil and gas providers and linking Perth and South East Asia.

Following news that Asia Netcom is considering investment in a new cable from Australia's west coast, Ochre Services has revealed details of a revived project modelled on the Nava Networks initiative snuffed out by the 2002 market collapse. The multi-terabit network would link Perth to Jakarta and Singapore, with initial branches to oil and gas facilities at Geraldton and Dampier.

While only 10% of Australia's international traffic runs from the west coast, service providers are concerned about the lack of diversity and the high prices available on the current SeaMeWe3 link. The Western Australian government has identified a need for new connections to Asia and Europe reducing latency and providing route diversity.

Ochre Services CEO Brett O'Riley confirmed the backing of equity investors and that discussions are underway to confirm capacity commitments from telco, oil and gas customers. Talks are well advanced with cable vendors and engineering companies and O'Riley expects to announce a major progression early in 2008.

Ochre is understood to have strong non-financial support both from the West Australian and Indonesian governments. O'Riley confirmed that Asia Netcom has agreed to provide landing stations in Singapore. He suggested the link could provide a diverse loop, linked with Asia Netcom's planned Singapore-Guam network and the Pipe Networks project back from Guam to Sydney and the Gold Coast.

While the majority of Australia's international content demand is currently focussed on the US, O'Riley expects an increasing amount to be sourced from Asia and Europe in the future. Equally, trends in the oil and gas exploitation market are driving massive new connectivity requirements, he said. O'Riley says that new automation technologies require significantly more bandwidth than possible over satellite and that resources companies aim to invest in direct fibre links connecting offshore facilities.

"We are at various stages of discussions with investors, customers and suppliers. Because we're building a hybrid system incorporating the main network and the branches Geraldton and Dampier there are probably more technical design challenges than usual for a system. We've been talking to suppliers for nine months so have a good view on technical operations and deployment and we'd hope to make an announcement on timing early in the new year," O'Riley said.

Tim Marshall

Telstra challenge to LSS price enters Federal Court today

Telstra's legal challenge against the Australian Competition and Consumer Commission's decision to cut line sharing service (LSS) monthly fees to $2.50 will be heard by the Federal Court beginning today. Telstra filed the challenge in August after the ACCC had determined that the charge should be cut to $2.50 in interim determinations made in favour of access seekers Chime and Request.

According to a statement from Telstra, it will be presenting several arguments against the ACCC's price decision in a case expected to last all week. It will claim that the:

- ACCC failed to consider Telstra's cost model - the ACCC failed to consider Telstra's cost model for determining LSS costs. In its decision, the ACCC is claimed to have said that Telstra didn't give it the model, even though Telstra says it did. Telstra will argue the ACCC was bound by law to consider the model, and if it had done so it may have made a different final determination at a higher price.

- ACCC denied Telstra a "proper hearing" – Telstra was denied the basic legal right to a proper hearing because the ACCC:
- ACCC said that Telstra recovers line costs in full from line rentals, but it didn't even give Telstra a chance to prove that it doesn't.
- and, that it disallowed Telstra's LSS disconnection charges without even giving Telstra a chance to be heard on the ACCC's proposed methodology for disallowing the charges.

Telstra will claim that because the ACCC had no material or evidence before it on which to base its finding that Telstra is recovering its actual line costs, the decision was fatally flawed.

It will also claim the ACCC acted beyond its power – even though, at the time the final determinations were made, the LSS Declaration was due to expire on 31/10/07, the ACCC extended the determinations out to 31/12/07. Telstra argues that the commission simply does not have the power to make a determination which extends beyond the date a declaration expires. It will also claim that the ACCC even failed to consider its own pricing principles, which require calculations to be based on the TSLRIC of the relevant service.

Meanwhile, the G9 group of competitive carriers has lodged a refutation with the ACCC that aims to combat Telstra's criticisms of its so-called FANOC fibre-to-the-node access undertaking. In a submission lodged with the ACCC in the week before the Federal Election, G9 specifically addressed Telstra's criticisms that its undertaking lacked technical details or understanding on how it could cut over the customer access network to its planned fibre node infrastructure.

G9 said "Whilst Telstra seeks to position itself as the only operator who can build the network, such a position is as arrogant as it is incorrect. The issues associated with customer migration and, for example, the on-going provision of switched and special services have readily available solutions and are in any event not a relevant consideration for the ACCC in assessing the special access undertaking. Despite this we would note that the collective capabilities of the G9 give it global expertise in network design and construction which can easily match the capabilities of Telstra."

Grahame Lynch

Optus splits with G9 partners on Telstra regulatory exemptions

Optus has offered qualified support to Telstra's application that it be granted exemptions from wholesale line rental and local call resale obligations—a position that puts it at odds with fellow members of the G9 consortium. Telstra is seeking the exemptions on the grounds that no longer has a monopoly given the development of alternative DSLAM, HFC and wireless infrastructure.

In a submission to the Australian Competition and Consumer Commission, Optus says it "accepts the principle that layers of regulation may be withdrawn where they are not required to promote competition. Accordingly, Optus supports the exemption from declaration of WLR and LCS services where ULLS-based competition is effective at a level sufficient to ensure that the markets for which these services are an input are contestable and workably competitive."

But it adds that it does not consider LSS or wireless based competition to provide an adequate substitute, nor ULLS with customers where there may be issues with limited exchange capacity, lack of access to other services due to use of pairgain or RIM infrastructure, or ongoing disputes over both pricing or non-pricing conditions.

It says that until these issues, along with Telstra's FTTN plans, are settled in a "pro-competitive" manner it would not support any exemptions.

Optus wants the ACCC to require Telstra to provide details of the location of pair gain systems and RIMs and the likely number of customers that will be unserviceable in each exchange and seek an update from Telstra on its plans to upgrade/change the network and more specifically a commitment that these will not impact the use of ULLS.

Optus also says that should the exemption be granted there should be a 12 month phase in period to allow time for an alternative wholesale market to develop.

A part of Optus' submission dealing with the relationship of its HFC network to any proposed exemptions on Telstra's wholesale obligations was suppressed on grounds of commercial confidence.

The Optus position diverges from its G9 partners AAPT/PowerTel as well others who are members of the Competitive Carriers' Coalition. AAPT says it strongly opposes the applications, stating they would result in "at best – in an increase in the price charged by Telstra for the services within the 371 exchange areas (77% of metropolitan services); and at worst (and perhaps most likely) – in a refusal by Telstra to supply the services within some or all of the 371 exchange areas."

AAPT adds that "there has not been an infrastructure audit – that is, one of the preconditions expressed by Commission as being necessary to meet in order for it to be satisfied that a broader exemption was justified has not been met; retail competition remains dependent on Telstra's last mile copper infrastructure and Telstra's retail market share for line rental and local calls remains relatively stable (with any drop in fixed line services revenue being felt across the industry generally) …. (while) only 2 months ago the Commission has released a draft decision to re-declare the line sharing service, including for the reason that ULL is not an effective substitute for LSS."

The Competitive Carriers' Coalition employed Frontier Economics to write its submission which focused on disputing Telstra's claims regarding the competition to its copper network.

The CCC paper argues there are "difficulties in self-supplying WLR and LCS services, such as: achieving minimum efficient scale at the exchange level using ULLS and traditional voice switching, or ULLS and VoIP; quality and customer perception issues with VoIP as a complete PSTN replacement; other non-price impediments to switching between wholesale products and the ULLS, including issues of migration processes and timely access to exchanges; and the lack of well-developed wholesale markets for WLR and LCS services in the exemption areas."

"We conclude that granting the exemption will not facilitate more competition; rather, it seems far more plausible that it will reduce it. There are significant barriers to providing voice services using ULLS (including barriers to bulk customer migration to ULLS from LSS), an underdeveloped wholesale market, and limited competition from other substitutes such as Optus's HFC network."

CCC members who are Optus' partners in the G9 consortium include iiNet, Primus and Agile/ Internode, Macquarie and Transact.

Grahame Lynch

Telstra aims for advertisers in digital future

Telstra will work to leverage its relationships with advertisers as it seeks to expand its digital content offerings both online and mobile. BigPond director of media Bill Burton said that advertising would play a big role in its media push.

"We can't do this all on our own, we need advertising partners to market their goods to the audience that we're pulling through," said Burton. He described Telstra's grab for sports audiences, having extensive deals with the NRL, AFL and V8 Supercars, as well as music, games, and movies

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through the BigPond online portal.

Telstra will use a single advertising server which allows advertisers to work across the company's online and mobile platforms. Burton described "one ad system serving across to all the different platforms," which includes a bufferless video system for instant ad streaming online.

"The really exciting thing is once we start tracking the behavioural targeting to segmented targeting... there's a lot going on behind the scenes. It'll be a really fantastic offering for our advertising partners. It's where the best of digital really comes in," said Burton.

He said that Telstra was still in the early days of developing its digital content offerings, and will continue to experiment to find the best way to capitalise. Burton called it "spaghetti on the wall," saying "you've got to throw it on the wall, some sticks, some falls to the floor, we're in a race to get as much as we can to stick... we're trying to leverage and bring all of our assets together into what we call convergence... we're moving aggressively but we've got a long way to go."

"Our major focuses are online and they're mobile, and everything we do we worry about how we present it in both of these worlds. They're very different. What you might use on this little screen is very, very different to what you do on a monitor," said Burton.

He said that while Next G has a solid mobile video line-up, the technology is still not perfect. "A lot of people are fine with the quality of the streaming. The streaming will get better, we're working very, very hard to get that on mobile. We're not happy with the quality, we want it to be better. And as soon as that gets really good it'll make a big impact to the end users."

"We're not rushing to put movies on mobile just yet, we're dealing with studios... who have quite inflated expectations of movies on mobile, the usage isn't there just yet and we're holding back," he said.

Luke Coleman

BigAir turns on Melbourne WiMax network

Wireless broadband carrier BigAir has announced the completion of its Melbourne WiMax network, claiming it is now "fully operational." A particular boon for BigAir was putting a base station on the tallest residential apartment building in the world at Eureka Tower in Southbank, which BigAir claims is the highest WiMax base station in the world.

"It's an exciting time for BigAir and our customers," said BigAir CEO Jason Ashton. "BigAir can now provide broadband services to businesses frustrated with the current limitations of fixed line options in Melbourne. BigAir is currently the only national telecommunications carrier operating a wireless network compliant with the WiMax Forum published profile for fixed WiMax (802.16d) at 5.8GHz, allowing delivery of services that are more reliable, higher in quality and with greater coverage than other proprietary wireless services."

BigAir began selling WiMax services to SME and corporate clients in the Melbourne metropolitan area in October. Service provider Telarus recently signed a deal with BigAir to use its Sydney WiMax network to reach customers where DSL was unavailable and as a disaster recovery connection. BigAir also partnered with off-site disaster recovery and protection company Seccom which uses WiMax to link a company's network directly to Seccom's secure data centre. The WiMax technology was supplied by BigAir partner Airspan Networks.

Luke Coleman

Clever aims to turnaround "unacceptable" performance

Clever Communications has used its third annual general meeting to reassure investors that the board is moving swiftly to force a turnaround from inflating costs and rising customer complaints.

Company chairman David Williams said that, "Following a period of unacceptable performance and shareholder returns, three new board members and a new managing director were appointed in August 2007, and a strategic review undertaken. The strategic review showed that Clever had a valuable network built in the past three years, but that the company was fat with costs, in breach of banking covenants, and on notice to lose custom through service complaints."

Clever claims that in the last 100 days it has significantly reduced operating costs, with its headcount reduced by 15%, more favourable terms on third party supply agreements, and a stronger management team. Clever has expanded its banking facilities with no change to fees and margins.

“The successful execution of the strategic plan including a range of sales and marketing initiatives means that we are already seeing the results on the cost side and from the addition of new customers to our network,” said Williams, claim the new MD is “aggressively executing the new strategy to capitalise on the company’s strengths by increasing our channels to market to reach more customers.”

Luke Coleman

Toshiba in-built HSDPA laptop on Next G

In the latest move in the WiMax versus HSDPA war, computer manufacturer Toshiba has announced that it will build HSDPA receiver chips into its latest tablet PC. Toshiba’s Portégé R400 tablet will be made available in December, and the company claims buyers can have “instant activation” with BigPond over the internet or telephone.

“This partnership gives our customers access to Australia’s greatest wireless broadband coverage, the most popular internet service in the country, and to the innovation that is the promise of the Toshiba brand,” said Toshiba ISD general manager Mark Whittard. “This gives real-time connection speeds, so we really are bringing together the latest in executive hardware and services to give corporate Australia vastly improved mobile productivity.”

Telstra BigPond group managing director Justin Milne said “It’s a tremendous leap in convenience and utility for Toshiba customers with a built in device to be able to sign up to our world leading wireless network... straight out of the box.”

BigPond spokesman Craig Middleton told CommsDay that Telstra is pushing for more laptops to have HSDPA in-built. “There will be more, we do have another manufacturer lined up,” he said, saying the company will announce the release “imminently.”

Middleton says that while chipmaking monolith Intel toys with in-built WiMax receivers, the networks are still not available to utilise the technology. “Next G is here and now. WiMax is off in the future somewhere,” he said. Middleton is so far unaware of chipmakers adding HSDPA receivers onto processors. “They’ve got the capacity to,” he said. The Toshiba R400 retails at $3,800 excluding GST.

Luke Coleman

Destra’s broadband boost to movie downloads

Australian entertainment publisher Destra has partnered with video-on-demand company CinemaNow to bring movie downloads to Australian customers. Destra claims that as broadband speeds are boosted, movie downloads will soon become a viable proposition in Australia.

The contract will see both parties combine their content catalogues. “We will initially launch 1,000 titles, with a concentration on independent films, merging our existing content offerings with select films from CinemaNow’s massive library,” said Destra CEO Domenic Carosa. “We plan to expand the offering as broadband speeds increase in Australia, shortening download times for consumers.”

Luke Coleman

WRIGHT TO HEAD TELSTRA WIRELESS AS GONNER RETIRES

Telstra has announced the appointment of Mike Wright to head of wireless following the upcoming retirement of John Gonner. Wright will report to COO Greg Winn. Wright has worked with Telstra for over 26 years, designing and building local telecommunications networks, including Australia’s first mobile network in the 1980s.

MILLIONTH AUSTRALIAN DOMAIN NAME

The one millionth Australian internet domain name has been registered. The .au domain had close to 250,000 registered domains five years ago, according to AUDA, the Australian domain name administrator. Adrian Kinderis, managing director of AusRegistry, the registry operator and wholesale provider for all.au domain names said, “we wanted to celebrate the achievement as well as acknowledging the support Australians have shown by registering .au over .com or any other domain.”