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Public Policy and Communications

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Dear Robert,

LSS Re-declaration inquiry – supplementary information

Subsequent to lodging Telstra's submission in response the Commission's discussion paper on the LSS Re-declaration inquiry, we have identified some supplementary information that we believe the Commission should take into consideration. This information is described below.

1. Options for providing voice services over ULLS – see paragraphs 60 to 72 of the Telstra employee statement on technical matters, which is contained in Annex B to Telstra's submission in support of its 9 July 2007 WLR/LCS Exemption applications. The public version of this statement is on the Commission's website. As described in that statement there are three main options for how an access seeker can choose to provide voice services over ULLS, all of which are capable of providing a service of equivalent quality to Telstra's STS.
 - a. Traditional PSTN – The end user receives traditional PSTN telephony service. The access seeker provides this by having an appropriate line card in their DSLAM to provide dial tone and ring current, and utilises TDM and traditional PSTN switching. This is the approach that Optus currently uses to provide PSTN voice services over its ULLS DSLAM network.
 - b. PSTN emulation – The end user experiences traditional PSTN telephony service. The access seeker provides this by having an appropriate line card in their DSLAM to provide dial tone and ring current, but converts the analogue signal to IP, utilises soft switching and interconnects with the PSTN via PSTN gateways.
 - c. VOIP – The end user receives a VOIP telephony service and can use standard handsets by plugging them into an analogue telephone adapter which itself plugs into the back of the end-users' broadband modem. The access seeker provides the VOIP service via its DSLAM network, utilises soft switches and interconnects with the PSTN via PSTN gateways. This is the approach that Optus is using with its business VOIP/naked DSL product, and that Engin has announced it will use with its consumer VOIP/naked DSL product.
2. Availability of national PSTN switching networks – see paragraphs 19 to 22 of the Telstra employee statement on interconnection, which is contained in Annex C to Telstra's submission in support of its WLR/LCS Exemption applications. The public version of this statement is on the Commission's website. Telstra's PSTN currently interconnects with over a dozen network operators in each of the 5 Call Collection Area (CCA) regions across Australia (refer paragraph 19 of the statement) some of whom interconnect with Telstra in all 66 CCAs.

3. Soft switching for VOIP
 - a. Market context – a large number of LSS access seekers already offer their customers 2-way VOIP services. These are fully interconnected with the PSTN so that the end-user can make calls to and receive calls from the PSTN, have a local number, allow for calls to emergency services, and provide a range of enhanced calling features. See for example the VOIP products offered by iiNet (Chime), Amcom, Internode (Agile) and Primus – note that TPG also has a range of VOIP products but these are currently only interconnected with the PSTN for outgoing calls (and therefore do not provide the end-user with a local number).
 - b. Costs and lead times - in view of the already well established VOIP offerings from these LSS access seekers, it is apparent that whatever costs and lead times are involved in procuring and commissioning soft switches for VOIP together with interconnecting with the PSTN present no effective barrier to entry or expansion into the voice market. The recent announcement by Engin that it will shortly begin offering a VOIP/naked DSL product (ie provided without a PSTN voice service) to the consumer market underscores that VOIP is now being positioned in the marketplace as a PSTN replacement. There is no apparent reason why existing LSS access seekers could not utilise their 2-way VOIP capabilities (or upgrade or develop these capabilities as required) to follow Engin's lead in providing VOIP/naked DSL over ULLS. Alternatively, an access seeker could use these same capabilities to provide a PSTN emulation service over ULLS, so that the end user experiences traditional PSTN telephony service from the access seeker's DSLAM (via a voice card), but the service back from the DSLAM back through the access seekers network is effectively VOIP.
4. US precedent on line sharing (see FCC 03-36)
 - a. As discussed in Appendix C to Telstra's submission, the FCC decided in 2003 to cease mandatory unbundling of the HFPL (the US equivalent of LSS), except on a grandfathered basis. The reasons for this are described in paragraphs 255 to 263.
 - b. The FCC's grandfathering arrangement is explained in paragraphs 264 to 269.
5. LSS to ULLS Managed Network Migration process
 - a. Currently, Telstra does not have a managed network migration process in place for going from LSS to ULLS. There has been very little demand to date for this service from access seekers.
 - b. Although there is no fundamental technical barrier for LSS to ULLS migration there are a number of issues that need to be resolved. As there is no registered demand for an LSS to ULLS Managed Network Migration product offering at present, and given the anticipated development costs for automation on legacy IT Systems, Telstra is not currently developing an LSS to ULLS MNM product. Telstra has noted the likely future need for this service in its longer-term plans for its new IT systems, however there is currently no set date for the delivery of those systems. Telstra will continue to monitor any customer requests for the process in the meantime and would reassess the priority of developing a suitable product if an economic level of demand were to be substantiated by LSS customers.

Yours sincerely,



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