BROADBAND CONNECT
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Telecom NZ's management day

COMMUNICATIONS DAY

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ACCC flags more cuts to mobile termination prices

The Australian Competition and Consumer Commission has flagged more cuts to mobile termination prices as the clock ticks down on its 1 July 2004-30 June 2007 glide path price cuts.

In a discussion paper issued yesterday on Optus' latest 12c 2007 mobile termination undertaking, the ACCC said it believed that 12c was at the high end of what it considered the 5c-12c true cost of mobile termination. The ACCC said in its discussion paper that it was now ready to move on further examination of mobile termination costs having released a WIK Consult mobile network costing model to interested parties on 16 February.

"The ACCC will use the WIK mobile network and cost model to inform indicative prices for the mobile termination access service from 1 July 2007 to 30 June 2009," it said in its discussion paper. The commission has previously viewed such a model as a necessary pre-requisite to reducing prices below its "upper-end target" of 12c.

The ACCC wants comments on the WIK model by tomorrow. According to a paper on the ACCC website, it was developed by a group of German and Spanish economists who have previously developed similar models for various country regulators in Europe and North Africa.

The ACCC's long-term policy of reducing mobile termination prices from 21c in 2004 to 12c in 2007 has proved highly contentious with both Optus and Vodafone initially predicting it would undermine consumer welfare and later unsuccessfully challenging the ACCC's decision in the courts.

Optus has also identified termination price cuts as a drag on its mobile revenues in recent results. However, despite a 22% cut in regulated per minute rates last year, Optus's latest results reported just a 2% drop in incoming services revenue, which implies that rising call volumes are almost cancelling out the reduced rates. Incoming mobile revenues are worth over $850m a year to Optus.

INTERNATIONAL BENCHMARKS: The ACCC has repeatedly said it wants to reduce Australian termination prices to international benchmarks, particularly bearing in mind Australia's treaty obligations for cost-based interconnection. The US Trade Representative was a strong critic of Australian termination prices—which were previously retail benchmarked—until the ACCC decided to introduce its 2004 glide path reduction policy.

Telstra has supported the mobile termination cuts, mainly because it reduces a cost input into fixed-to-mobile services. PowerTel, Primus, AAPT and Hutchison have also at various times lodged access disputes against what they viewed as unreasonably high prices.

Indeed, previously Australia's termination prices were among the highest in the Asia region, albeit lower than in many EU nations.

In 2005, Australia was judged to have the 76th most expensive mobile termination rates in the world in a Switzernet survey. Mobile termination prices in Singapore, Optus' home country, are less than one Australian cent per minute and are only slightly higher in Hong Kong and China.

The ACCC has previously said the top-down cost models developed by Optus and Vodafone in defence of higher prices were unsuitable because they contained deficiencies.

Generally a top-down approach countenances actual costs of the operator and are viewed as inadequate in predicting future costs, while the bottom-up approach creates a more focused, relevant set of parameters based on optimal efficiency, according to those who favour the latter.

The ACCC also said yesterday that respondents have until April 5 to comment on Optus' 12c undertaking, which it filed last month for the calendar year.

Grahame Lynch

Internode suspends rollout, "angry" at Broadband Connect funding drought

Internode says it has been forced to freeze a further $8m-$10m investment in regional broadband infrastructure due to the unexpected evaporation of funds from the Federal Government's Broadband Connect Incentive Program.

In what could be the first of many such moves from affected regional providers, Internode has suspended all new broadband installations under which Broadband Connect rebates applied. This includes the cessation of new Wireless DSL services while the availability of all its ADSL services will be at "list "prices, with no applicable Broadband Connect subsidy, effectively pricing regional users out of the broadband market. Internode will also withdraw its entry-level $29.95 broadband plan which had been on offer to make broadband economically accessible to regional customers.

Last week, the Department of Communications announced that as of April 2007, its new Australian Broadband Guarantee initiative would replace the Broadband Connect Incentive Program, which was previously scheduled to run until June 30, 2007. According to Internode carrier relations manger John Lindsay the new initiative is a "cobbled together bridging program" which does not provide any clarity to providers on a raft of fundamental issues.

"We are angry, we feel that we have been misled through omission," Lindsay said.

He questioned how the government could possibly "run out of funds" after it demanded forecasts a few weeks ago. "It suggests a total lack of financial competence." he said.

Lindsay said that Internode was expecting to make claims against $1.6 million worth of key DSLAM infrastructure deployments in the short term and has "numerous claims that we haven't even lodged" from early February which may never be reimbursed by the government.

He also feared for a "significant" amount of regional customers that had only taken on broadband services due to the fact that they would receive a government rebate or get a credit for their installation costs.

A spokeswoman for Communications Minister Helen Coonan claimed however that "Internode potentially stands to significantly benefit from the Australian Broadband Guarantee. There is an additional $163 million, as well as the $2 billion Communications Fund."

The spokeswoman also said that on Tuesday night a notice was sent to all registered Broadband Connect providers advising that, in recognition of the high volume of recent claims, the Australian Government has provided an additional $20 million to assist with the payment of outstanding claims. "Providers will be advised of further transitional arrangements and draft guidelines for the Australian Broadband Guarantee as soon as possible. The purpose of the program has never been to prop-up unviable and unsustainable providers. It has been aimed at improving their business case to go into otherwise unviable areas,' she added.

BUSINESS CASE NECESSARY: Coonan's office also warned that providers must be able to demonstrate a business case for operating commercially beyond the life of the program. "If any registered provider now says that they can't even last two weeks during a transition to a new program then they have misled the Department about their commercial viability and they won't be registered under the new program."

Internode managing director Simon Hackett said that while the governments bridging program may allow the carrier to re-commence new service installations in the future, the "substantial apparent flaws in the announced scheme must be addressed by DCITA before that scheme will be a viable mechanism with which we could re-start delivering our pioneering broadband services in regional Australia."

He added that DCITA's decision to cancel the Broadband Connect subsidy program prematurely has stranded these existing investments, "which are now mired in uncertainty regarding their eligibility under the new scheme, and forced us to abandon many additional intended investments."

The carrier said that it will attempt to explore ways to address that stranded investment with DCITA, along with an inadequate proposed subsidy level for terrestrial wireless services, as part of assisting them to address these and other flaws that have already identified in the Australian Broadband Guarantee. “Clearly access to affordable broadband services for the whole regional community in the next 12 to 18 months hangs in the balance,” he said.

Natalie Apostolou

Telcos accused of anti-competitive VoIP defence

Aggressive VoIP provider MyNetFone has accused major telcos of sabotaging the quality of internet voice services while locking enterprises into onerous contracts in a bid to retain them.

Following an admission from Telstra last year that it is closely eying the Skype traffic passing across and, it says, clogging up its networks, MyNetFone Director Rene Sugo says local VoIP providers are worried that their traffic could also become a target. Sugo says subscriber numbers are still not large enough to worry the carriers but as take-up accelerates he predicts the rise of anticompetitive blocking tactics.

“That’s a big problem and I think that in Australia it has the potential to become an ACCC competition issue. At the moment the regulators are not involved and letting companies throttle Skype and throttle whatever. But if they start chopping service for customers who are on a paying service then I think there will be a competition issue,” Sugo said. “It might encourage a person to shop around for an ISP that doesn’t block those services but it will have an effect, a dramatic effect,” he added.

NOT BLOCKED, ENHANCED: While there is a general acknowledgement that telcos have the power to interfere with VoIP, other players don’t expect them to actually block service. According to Uecomm Strategy Director Brendon Park, “as we get further into this I think we’ll find that the ISPs will say they are not blocking anyone. What they say they are doing is providing enhanced service for their own voice. I think they can probably get away with that for some time.”

NEC/Nextep Chief Engineer Vincent Kennedy said, “it’s more a plan around recognising the traffic of their own subscribers and prioritising the quality of service for them. Blocking services I don’t think we’ll see as a long-term problem.”

With P2P traffic becoming an ever larger cost for telcos and ISPs, it’s no surprise they are keen to find ways to lighten their load, especially when the addition of another VoIP subscriber by a new competitor often means the loss of a traditional revenue-generating land-line customer of their own.

In addition to technical means, Sugo says that big telcos are also using aggressive sales tactics to keep corporate customers away from VoIP access providers. While some corporates have been using VoIP internally for years, Sugo notes that most still connect through PSTN or ISDN and while being encouraged to continue doing so are being locked into lengthy multi-year contracts.

“They are not connecting via a SIP trunk and we’ve been trying to figure out why,” Sugo said. “What we see is that traditional telcos are providing very aggressive lock-in deals for corporates. This shows that the higher end of town is really paranoid about who is in the business of VoIP. We’ve seen a mock-up of pricing plans with long lock-ins to keep corporates locked in.”

Considering the corporate market a tough sell at present, MyNetFone is more generally focussed on the consumer, SOHO and SME VoIP markets. Sugo also sees challenges here, although says that the price benefits should start helping providers overcome inherent barriers like techno-fear and start-up costs.

“Even though the technology is reliable, cheap and all the rest of it we’re still not seeing that explosive growth. If you look at VoIP on a technology growth curve we’re still not at the top of the peak yet as a mass market application,” Sugo said. “I think we’re still trying to break out of the early adoption stage.”

Sugo says, “the benefits for consumers is really only to save money” and he believes “pretty much the same” is so for SOHO and SME customers. But others have a different belief. According to GoTalk CEO Steve Picton, the future for specialist VoIP providers could be grim.

“We’re just not convinced of the business model. Fundamentally what we’re selling cheap voice and you can buy cheap voice from anyone,” Picton said, foreshadowing an advance by GoTalk into bundled offerings combining broadband, mobility, content, applications and VoIP. Vincent Kennedy shares the view. He stated, “customers are really asking why they should take up VoIP, it looks like a lot of hassle just to save a little bit of money. There has to be some other reason for it.”

MyNetFone says it doubled its VoIP subscriber base in the six months to November last year and reckons it will continue at the same rate. With an optimistic 200,000 total paid VoIP users and

3.5 million broadband subscribers across the country, Sugo says, "there's still another 3.3 million people that could use VoIP tomorrow, if they wanted to." Unfortunately, he adds, "they are not."

Tim Marshall

IPStar offloads New Zealand wholesale responsibility

IPStar has upgraded a New Zealand service provider agreement with BayCity Group, awarding the company's communications subsidiary an exclusive agreement to sell its wholesale satellite broadband service across the country.

While taking a step back from wholesale service provision, IPStar was quick to assure it will continue to run its Auckland satellite gateway facility. Local executive Teerasak Sawekpun said the firm will concentrate on operations, quality of service and support for new applications.

Retail IPStar services are currently offered by six New Zealand providers, including BayCity's rural supplies division, Farmside. The new BayCity Communications unit will take responsibility for all current and wholesale deals as well as developing new business opportunities.

Under the terms of the 12-year agreement, BayCity has committed to a minimum purchase of NZ$100 million worth of bandwidth and user terminals. The companies claim a target market of over 125,000 New Zealand households, including 70,000 potential business and farming users. An initial order of 60,000 user terminals is expected to support growth over the next five years.

According to Sawekpun, "we are confident that this partnership will be beneficial to the New Zealand market as a whole, because it will allow us to focus our resources on the areas we know best, such as satellite communications technology."

IPStar retailers in New Zealand include Iconz, Natcom Broadband Networks, Orcon, Snap and Wireless Nation.

Tim Marshall

ReelTime moots substantial stake sale

Cash-strapped ReelTime Media claims to be in talks with companies regarding the sale of new equity in the company.

Having suspended ASX share trading for a planned three days on February 20 aiming, ReelTime now has no target to resume. A statement yesterday said it hoped to resolve funding negotiations and lift the trading halt "as soon as possible." The company burned through some $1.52 million in the December quarter and is believed to have less than $795,000 in the bank today.

ReelTime is believed to have done the rounds large numbers of potential investors in recent weeks but has been unable to lock in a favourable deal. A statement yesterday gave the impression that funds are available, although investors may be looking at a takeover rather than cash placement.

"In the course of raising additional funds a number of parties including international companies have approached ReelTime and expressed an interest in acquiring a substantial interest in ReelTime which may possibly extend beyond the 15% equity currently available," the statement said. It added that should such a deal arise, it would require shareholder approval. The company says it aims to "fully explore" options before resuming an active presence on the ASX.

Tim Marshall

Digital cinema network gets first feature

The eight regional cinemas connected to the Australian Film Commission's recently launched Regional Digital Screen Network will today screen the first

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feature film to be distributed over the prototype system.

While RDSN film files are currently distributed physically, the project serves as a basis for a future where Australia's regional cinemas are wired up to central distribution houses and receiving content at the same time as metropolitan centres. A recent experiment saw Sydney's Tropfest short film festival broadcast live to the RDSN cinemas via satellite and AFC officials are known to have talked with carriers about the digital distribution challenge.

Today's launch sees the Australian comedy Razzle Dazzle screening in RDSN cinemas in Port Augusta, Yarram, Hervey Bay, Devonport, Katherine, Wagga Wagga, Singleton and Albany on the same day it shows on city screens. Previously regional cinemas have had to wait until metros have finished with a (degraded) 35mm print before getting their run. The AFC project has a focus on Australian films and cultural expression.

"Through traditional cinema networks people in regional areas would have had to wait months to see a new Australian release like Razzle Dazzle," said AFC Industry Development Director Sabina Wynn. "Now using the AFC's RDSN, regional audiences will be able to see a brand new Australian film at exactly the same time as audiences in capital cities."

No deadline has been set for the expansion of the RDSN although the AFC is expected to apply for additional funding this year. New projects are expected to include deployment into new cinemas, equipment upgrades and the networking of cinemas via telecom backbones.

Hybrid CDMA/UMTS network "increasingly viable and cost-effective": Telecom New Zealand

Following yesterday's report in Communications Day, Telecom New Zealand now says that the potential of deploying a UMTS network next to its existing CDMA EV-DO one has improved. Speaking at the telco's Management Briefing Day for analysts in Sydney, Chief Operating Officer Mark Ratcliffe said establishing a UMTS network by adding cards to Telecom's existing platform looks increasingly viable and cost effective as prices for equipment drop.

Earlier on in the day, Kevin Kenrick, COO Consumer spoke about future mobile technology path choices, pointing to Telstra decommissioning its CDMA network as a catalyst for review. Echoing Ratcliffe, Kenrick said W-CDMA or UMTS network infrastructure costs are falling. UMTS would sort out Telecom's mobile telephony Achilles heel, roaming, and Kenrick says this is the principal upside benefit of that technology.

With the UMTS network still at the planning stage, Telecom intends to expand its range of Word-mode phones that work with both GSM and CDMA so as to allow customers to voice-roam while overseas without having to swap handsets. There was no indication however as to a solution for the need to have two phone numbers for the Worldmode phones.

Mobile WiMax, as deployed by Telecom's US partner Sprint-Nextel gets the thumbs down by Kenrick. He rates it as having many uncertainties and highly risky. A technical WiMax trial underway by Telecom is however worth continuing according to Kenrick.

Hinting that the $700 million to $1.2 billion cost estimate for the new mobile network will contain not just a UMTS solution, Kenrick says Telecom intends to align future technology path to NGT design, which is likely to included fixed/mobile convergence as announced earlier by the telco.

Telecom has yet to reveal its supplier for the UMTS network, but indicated a preference for Chinese manufacturers such as Huawei yesterday. Due diligence with emphasis on the Chinese makers will need to be established however.

The future upgrade path for Telecom looks set to be 3GPP's Long Term Evolution (LTE). This specification offers 100Mbit/s downlink speed using 20MHz of spectrum, and 50Mbit/s uplink bandwidth, also with 20MHz of spectrum.

Juha Saarinen

Agreement on new DAB standard

Australian commercial radio broadcasters have agreed to adopt the new DAB+ standard for the implementation of digital radio.

DAB+ is the new global standard for the Eureka 147 platform officially approved by international standards body ETSI in February.

It is two to three times more efficient than the original Eureka 147 standard which uses the MPEG Audio Layer II coding. The new standard allows radio stations to have greater flexibility in how they use allocated bandwidth.

The Federal Government is in the process of drafting digital radio legislation, setting th edate of 1 January 2009 for the launch of digital radio services in Sydney, Melbourne, Brisbane, Adelaide, Perth and Hobart. The commercial radio industry is planning for a phased rollout across the rest of Australia to follow.

It is anticipated that DAB+ services and receivers will be rolled out in a number of countries where digital radio is currently in trial phase, which potentially includes the Netherlands, Malta, New Zealand, India and China.

Industry advocacy body Commercial Radio Australia has been endorsing the international development of DAB+.

"DAB+ offers much more efficient compression, which means more stations can be broadcast on a multiplex, resulting in lower per station transmission costs," Commercial Radio Australia CEO Joan Warner said.

Warner said commercial radio was continuing to work with the ABC and SBS Radio to test the DAB+ standard in Australia and to ensure there will be no transmission or other technical issues. The industry is also working with overseas broadcasters and receiver and chip manufacturers on the development of new DAB+ receivers.

Manufacturers have indicated that that they expect to start shipping DAB+ radios later this year.

"We want to encourage the availability of a wide range of affordable digital radio receivers with new features such as picture capability," Warner said.

Natalie Apostolou

ICT SECRETS AWARDS

23 companies have received awards in the federal government's Secrets of Australian ICT Innovation competition. Winners included Syntonic Technologies, an antenna development company, for Best Communications Application. Business/Industrial (Software) Solution went to Everyone Counts, Commerce to Peregrine Semiconductor Australia, Entertainment to Cylo Technology, Health to Seeing Machines, Learning to Sydac and Security to Quantum Communications.

SIRIUS BOSS GETS BOARD POST

Sirius Telecommunications has appointed CEO Frank Licciardello to its board. He will also take the title of Managing Director. Sirius Chairman Roger Mason said Licciardello had been instrumental in a "dramatic turnaround" of the company in the last 12 months. His appointment to the board follows several executive shifts, including the March 2006 resignation of former CEO Ziggy Frankenfeld. It also comes as Sirius prepares for the re-launch of an expanded version of its core Phoneware telecom account management service. According to Mason, "the aggressive milestones set by the new board 12 months ago have been achieved and the milestones set down for the coming 12 months are no less challenging but just as achievable under Frank's strong leadership and management."

AT&T EXPANSION

AT&T says it will invest more than $U750 million in 2007 to accelerate the delivery of global IP services and solutions to businesses and multinational companies in key markets worldwide. The firm said it was "aggressively executing more than 200 initiatives" to enhance and expand its portfolio of retail and wholesale services and solutions and extend its global network infrastructure and capabilities. Focus markets in 2007 include the high growth economies of Asia Pacific (including China and India), the Middle East and Latin America; and the larger, more developed markets in Europe (France, Germany and the U.K.) and Canada. It also promised to add new network nodes in Vietnam, Pakistan, Saudi Arabia, Malaysia, Morocco, and the addition of 3 new nodes in India.