

Senate committee submission

for the

“Inquiry into the Australian Telecommunications Network”

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Commented Issues

Issues:

- a) the capacity of the Australian telecommunications network, including the public switched telephone network, to deliver adequate services to all Australians, particularly in rural and regional areas;**
- b) the capacity of the Australian telecommunications network, including the public switched telephone network, to provide all Australians with reasonable, comparable and equitable access to broadband services;**
- c) current investment patterns and future investment requirements to achieve adequacy of services in the Australian telecommunications network;**
- d) regulatory or other measures which might be required to bring the Australian telecommunications network up to an adequate level to ensure that all Australians may obtain access to adequate telecommunications services; and**
- e) any other matters, including international comparisons, which are deemed relevant to these issues by the Committee.**

Preface

Dear Committee,

I'm writing to as a matter of concern, regarding the state of internet offerings in Australia, particularly those based on broadband technology.

Of concern to many internet users around Australia, is Telstra's lack of accountability and more importantly, it's moral judgment. The general consensus is, if the current Australian government is allowed to continue with it's plans to sell the rest of Telstra, it will spell the death of competition in the Australian Telecommunications market.

Contrary to popular belief, the Australian Telecommunication market is already suffering from a serious lack of competition.

At the retail level, Telstra remains dominant, through it's (wholesale) subsidised retail products. Although this may soon change with the recently proposed split accounting (wholesale/retail) regulations. Time will tell if this will stop Telstra's anticompetitive behaviour.

However at this point in time, the wholesale market is very sick. Little competition exists outside the mobile and terrestrial markets and with the sale of the remaining portion of Telstra on the governments agenda, any chance of preventing the core infrastructure falling into a monopolies control, is diminishing fast.

As Australians, we cannot let the full privatisation of Telstra to go ahead, without seriously considering the monopoly it will create in the wholesale market. If the recent price hikes (line rental and ISDN) are anything to go by, we are in for a dark future.

What will protect the public from Telstra using it's muscle in the wholesale market? History has shown Telstra's ability so far, to weave, dodge and avoid legislation designed to stem its anticompetitive behaviour.

The weak legislation introduced so far will not protect the Australian public in the years to come, especially when the government eyes are focused else where.

Many have suggested the break-up up of Telstra, as the United States broke up AT & T. This is a clear mistake. The split up of AT&T's monopoly, did little more than create smaller regionally based monopolies, know as "The Baby Bells". Further more it lead to the creation of the disjointed and complex telecommunications network that exists in the United States today. The split was a clear back step and did nothing to improve competition and prices.

Prices in the US only fell after heavy federal regulation stipulated that the "Baby Bells" must open their network up for competition. Competitors where finally able to complete on a level playing and no longer could the "Baby Bells" discriminate and negotiate self-serving "secret buddy" deals.

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Australia needs to take heed of the above lessons. It's clear that regional based break up of Telstra alone, is going to achieve little. There is a clear need for tough regulation. The current powers of the ACCC and TIO, are far from adequate to control a fully privatised Telstra.

A combination of regulation and careful break-up of Telstra can offer Australia what it needs. Breaking Telstra down the middle into wholesale and retail components, where the retail arm of Telstra would become fully privatised and the wholesale arm remain fully government controlled. In effect, the wholesale arm would take on the form of a conventional public utility, where wholesale prices would be published publicly, allowing wholesale customers to compete on even terms.

The wholesale/retail split of Telstra, would solve four major issues.

- Ownership of core infrastructure, remains in public hands.
- Access to infrastructure, granted to licensed telecommunication companies, without Telstra red tape.
- Value and service, for wholesale customers
- Allow Telstra retail, to pursue it's own profit targets and be relieved of strict government regulation.
- The resumption of healthy competition and the creation of new products, offering value, without wholesale bloat.

Australia is in a very unique position. Its vast expanse and spread population, rely highly on its best of breed telecommunications infrastructure. Billions of dollars of tax payers money has been invested and it would be a great injustice for it to fall into the hands of private corporate interests.

The Australian government needs to seriously analyse the current situation and take note of past mistakes, before it goes ahead with it's ever growing privatisation agenda.

The decisions today will have far reaching implications, for everyday life (rural/city) and businesses reliant on Australia's telecommunication network.

Lets hope the right decisions are made.

Issue A

The capacity of the Australian telecommunications network, including the public switched telephone network, to deliver adequate services to all Australians, particularly in rural and regional areas;

Having spent significant time in a number of rural townships in South Australia and Victoria, I have a good understanding of the current rural internet offerings.

Predominately the best rural offerings at the moment is Telstra Bigpond 56K Dialup, as seen below.







Plan Name	Profile Monthly Fee **	Monthly Allowance *	Additional Usage **	Personal Web space	Number of included mailboxes	Technical support	General Info & Terms & Conditions
Internet Light Plan	\$5.95	2 hrs [^]	\$3.95 per hr	No	1 [^]	\$14.95 per contact	
Internet Regular Plan	\$15.95	7 hrs [^]	\$3.95 per hr	Yes - 10 MB	1 [^]	No additional charge	
Internet Frequent Plan	\$28.95	300 MB download ⁻	\$0.20 per MB	Yes - 10 MB	5 ⁻	No additional charge	
Internet Mega Plan	\$38.95	450 MB download [#]	\$0.20 per MB	Yes - 10 MB	7 ⁻	No additional charge	
Internet Frequent Plan (12 Month Contract)¹	\$24.95	300 MB download ⁻	\$0.20 per MB	Yes - 10MB	5 ⁻	No additional charge	
Internet Mega Plan (12 Month Contract)²	\$34.95	450 MB download [#]	\$0.20 per MB	Yes - 10MB	7 ⁻	No additional charge	

Figure 1. Extract from dialup* pricing table from Telstra.com
* Over PSTN Public Switched Telephone Network

The above offerings are a common (PSTN) 56K based service which also boast the waiver of any timed STD charges incurred calling distant Point of Presence (POP), via *Telstra BigPond Home Nationwide Access Number (0198 308 888)*. This service is available over any PSTN connection and is of reasonable quality where residents are within distance of an exchange.

Up till the introduction of these plans, many townships had a local ISP POP offering a limited service. Often these ISPs would also offer additional computer support services and resell various other various equipment. For many, this was essential to covered any short fallings in internet service revenue.

With the introduction of the (essentially subsidized) Bigpond plans, many of these rural

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ISPs could not compete and closed business. For many rural ISPs it was always a uphill battle to provide an effective rural internet service. Telstra extort significant charges for communication links back the CBD. For a rural ISP to support approximately 50 dialup users simultaneously, would require them to have Telstra install a OnRamp 20 service at several hundred dollars a day. On top of that they would require 50 incoming lines at a significant line rental cost.

With the recent push to introduce rural un-timed calls, businesses will be able to resell similar internet services without the STD burden and compete directly with Bigpond. But for many, this has come way too late and many ISP/computer support businesses have long since closed shop.

The dust has since settled, Telstra Bigpond now have little if no competition from rural based ISPs and the rural community is now left with a skills gap. Getting professional computer support, specially in regards to providing assistance in setting up basic internet services is difficult to find.

In summary it is of my opinion that PSTN based internet access is of sufficient quality and availability to rural communities and has so been for sometime. However the increased quality and service levels have been at the expense of local internet support, which is an important factor when calculating accessibility. I also see no measures in place protecting rural communities from further increases in internet costs as near all local competition has been out priced by Telstra Bigpond.

Issue B

The capacity of the Australian telecommunications network, including the public switched telephone network, to provide all Australians with reasonable, comparable and equitable access to broadband services;

The current state of broadband in Australia is poor by international standards. Plagued by numerous technical problems and regulatory issues, broadband has managed to stay on it's feet, through concerted efforts to hide the disturbing facts from the greater public.

Ever since the introduction of broadband to Australia, it has had to deal with ever growing number of hurdles.

Cable

First generation broadband, commonly referred to as cable, is essentially an internet service overlaid on top of traditional Optus cable TV services. Optus cable was stopped early in it's tracks, when it met resistance from local government. Many local governments were persuaded to opposed the deployment of overhead cables, after a backlash from residents concerned over the unsightly appearance they would cause.

Predominantly this occurred in South Australia and Western Australia, where many areas never saw the deployment of cable. However Telstra/FoxTel were able to make up the shortfall, through already established access rights to overhead infrastructure, although internet service is rarely available in these instances.

This first round of internet offerings was a huge boost and it was envisioned that it would promote the development of a whole new industry. With the price being approximately \$60 AUD and offering fast permanent connections, the offerings demonstrated good value considering they didn't impose artificial data limits. Hence a large number of internet enthusiasts took the offers up.

In recent months cable providers have made drastic changes to cable internet terms of service. Early this year, Telstra was first to implement a hard limit on the service of 3GB* and just 2 months ago Optus followed suite. These services were previously sold as unlimited and as a result many customers have discontinued the service, as it offers little value now.

*Topic expanded below in xDSL

Satellite

During this phase several companies including Telstra, release a Terrestrial service, referred to as satellite. Initial offerings only provided a small speed advantage over modem. Also these services required the use of a modem for outbound traffic (i.e. HTTP page requests etc). The bulk of the information was transferred on the satellite downstream (>64Kbits).

While initially satellite looked to be a great solution to Australia's vastly spread population, it was soon realized the technologies greatest enemy was price and the fact it was not suited to many application sensitive to latency (delay). Such applications involving time sensitive data and multiplayer games could not be used across the satellite service. For these reasons satellite is not a popular choice.

Just recently the above issues were confirmed in a report announced on ZDNet.

<http://www.zdnet.com.au/newstech/communications/story/0,2000024993,20266362,00.htm>

In the last few months, two way satellite was introduced, removing the need for a PSTN modem connection, but at the cost of increased latency and price. Satellite is seen as a last choice by many users as its uses are restricted to basically web browsing/ email/ newsgroups and video.

xDSL

Commonly know as ADSL, it was initially introduced by Telstra. DSL technology is only employed on the local loop or last mile as some call it. The rest of the network is built upon standard ATM and other technology.

Telstra initial offering was some what disappointing. Initial trials of the service allowed customers a full 1500/384kbits. At the launch of the service it was revealed customers could only expect a 3rd of what US counter parts received for the same price (\$80AUD). Many users were disappointed at Telstra's insistence to cap the speed by a 3rd (512/128kbits), but signed up for the service regardless, knowing the service was clearly advertised as unlimited (data), subject to an acceptable use policy (AUP).

Around the middle of 2001 TIO and ACCC demanded Telstra specify what was acceptable use after several users were remove for excessive usage in Telstra's eyes. After much debate, user banned from the service were reinstated after it was found Telstra did not clearly specify what was acceptable.

By the end of the year Telstra adjusted the AUP several times, specifying the new limits of 3Gbytes to the service would apply across cable and ADSL and further put outrageous penalties in place (35c/MB). This was later reduced to 13.5c/MB after it was publicized several users blindly went over their limit and incurred several thousand dollar bills.

The outrage caused by Telstra imposing such a small limit on their broadband services caused much debate. It was further heated by the fact Telstra arrogantly included upload data in the usage, going against well established principles, of ISPs only charging for downstream data.

The other point of major debate was how Telstra could justify charging near 5 time the price for excessive data. Data included in the 512/128kbit plan was less than 3c/MB, yet data over the 3GB limit was 13.5c. Once again Telstra seen fit to rewrite the rules of economics, where "the more you use, the more it cost s".

Buy the time the 3GB restriction came into effect, Telstra employed a usage meter that users could check regularly, to determine the amount of data they had transferred via the service.

To date, this usage meter has performe d poorly. Often several days behind and missing whole days together. Hundreds if not thousands of users have complained about the lack of a reliable usage meter, but all calls have fallen on deaf ears. It only takes a few seconds to browse Australia largest independent broadband forum at <http://www.whirlpool.net.au/> to see how frustrated users are over the inaccurate user meter. On a handful of occasions, Telstra has admitted to errors and refunded users, but this only happens when a large number of users are effected by the same error.

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At this point, Telstra still remains the dominant supplier of ADSL service despite the recent increases in cost and illogical practices.

With the lack of competition in the ADSL market and absolute zero competition in the cable market users must stay with Telstra or go without.

Telstra Wholesale xDSL

The wholesale of ADSL has been a rough road, with many ISP accusing Telstra of fixing prices, to prevent competition. Initially Telstra refusal to allow competitors access to the local loop prevented many competitors from entering the DSL market early, taking advantage of the clear demand.

After many ISP lobbied the government, the ACCC investigated Telstra's practice and found them guilty of structuring prices unfairly as well as using exclusive local loop access to gain an unfair advantage in the market. Telstra remains unpunished for these clear infringements.

As events unwound, Telstra was able to sign up many thousands of customers, satisfying much of the market demand and as a result has the largest ADSL customer base.

Since the ACCC action, many ISPs have taken the opportunity and flooded the market with new offerings. Unfortunately most are still above the price of Telstra's own offerings and other have ad hoc conditions. The few that are marginally better are not worth changing to, as the installation costs out weigh the benefit.

Currently the general consensus among broadband users (<http://whirlpool.net.au>) is Internode Systems Pty. Ltd. provides the best value and support.

Based in Adelaide, Internode's, Simon Hackett (MD) has become somewhat of an ambassador for broadband through his involvement through the Whirlpool forums. As a consequence Internode has gained a lot of users over the last few months, as Telstra customers finish their contracts.

Simon has provided great service to the Australian public through his continued involvement through <http://whirlpool.net.au>. I would highly recommend speaking to him and requesting his expert comments in this area.

Simon can be reached at Internode via simon@agile.com.au or on +61 8 8223-2999

Rural broadband offerings

Due the nature of DSL technology and the cost of installing infrastructure, Telstra has so far ignored rural communities. While many township satisfy the requirements for ADSL, Telstra has so chosen to ignore the rural market.

While this may mean competitors can potentially take advantage, the greatest hurdle is the costs Telstra extorts for OnRamp and DDS Fastway services. These costs (several thousand dollars a day) prohibit anyone from supplying ADSL in rural communities.

While the access hurdle to the local loop may have been solved, Telstra's monopoly on dedicated data links is the greatest obstacle and things are set to get worse if core infrastructure is privatized.

Issue C

Current investment patterns and future investment requirements to achieve adequacy of services in the Australian telecommunications network;

Telstra's monopoly in the supply and service of ADSL and other infrastructure is far from an attractive environment for investment.

Investment into three key areas need to happen before we will see any improvement in the current situation.

1. Further funding for the establishment of rural<->capital data links, in the form of fibre optic .
2. Funding for independent rural broadband initiatives, enabling ISPs to establish ADSL, wireless and other broadband technologies for rural centres.
3. Funding for the establishment of a public utility, which will offering local and international internet data, at near cost. Filling the need for affordable internet data will be key in stimulating the internet industry in Australia, especially broadband.

Issue D

Regulatory or other measures which might be required to bring the Australian telecommunications network up to an adequate level to ensure that all Australians may obtain access to adequate telecommunications services; and

Unfortunately in the current climate, where many small enterprises have little if no buying power, Telstra has been able to extort unbelievable amounts of revenue for the little service they provide.

In climates where there is sufficient competition, anticompetitive laws ensure price collusion is stamped out. The Australian internet and broadband climate is clearly monopolized by Telstra. Telstra's practice of forcing enterprises of all sizes to sign NDA's, before they can be quoted on services is corrupt. It allows them to discriminate against competing businesses and offer special deals to customers were they have invested interest. Customer have no power and cannot determine whether they are been taken for a ride.

Chris Anderson's (Optus CEO)

(<http://australianit.news.com.au/articles/0,7204,4505577%5E15306%5E%5Enbv%5E,00.htm>) recently called for Telstra wholesale prices be made public as in the case of British Telecom. I have to say, I strongly agree. The benefits of this system to all enterprise in Australia would be enormous. Not only would all wholesale customers be playing on a level playing field, it would make it clear which companies are providing value.

Issue E

Any other matters, including international comparisons, which are deemed relevant to these issues by the Committee.

Below is a couple of comparisons from US and Australian carriers offering ADSL/Cable services. Specifically, the most noticeable differences are the unlimited data, short contracts and free installation.

Company	Service	Install	Data/Limit	Cost/Month
Verizon	ADSL 1500/128kbits	Free/3 Month Contract	Unlimited Data/Time	49.00 USD
Covad	ADSL 1500/384kbits	Free/1 year Contract	Unlimited Data/Time	49.00 USD
Bellsouth	ADSL 1500/128kbits	Free/2 Month Contract	Unlimited Data/Time	45.00 USD
Pacbell	ADSL 1500/128kbits	Free/3 Month	Unlimited Data/Time	50.00 USD
Optimum Online	Cable 10Mbit	Free/ NoContract	Unlimited Data/Time	32.00 USD
Earthlink	Cable 2000/384Kbit	Free/No Contract	Unlimited Data/Time	42.00 USD

Courtesy of <http://DSLReports.com>

Company	Service	Install	Data/Limit	Cost/Month
Telstra ADSL	512/128kbits	\$399.00/3 Month Contract	3GBytes - 13.9c/MB after	111.45 AUD 94.95 AUD with long distance preselection
Internode	512/128kbits	\$139.00/3 Month Contract	4.5GBytes – 15c/MB After	99.95 AUD
iPrimus	512/128kbits	\$189/18 Month Contract	3GBytes – 15.4c/MB after	95.00 AUD
Telstra Cable	uncapped/128kbits	\$399.00/3 Month Contract	3GBytes - 13.9c/MB after	87.95 AUD

Courtesy of <http://www.broadbandchoice.com.au>