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### ***FttN – The Elephant in the Room***

Please find attached a commentary by PIPE Networks Limited (ASX:PWK) CEO and Managing Director, **Mr Bevan Slattery** which appeared in yesterday's *Communications Day* publication and referred to by Mr Michael Sainsbury in his editorial "**A lot of talk and very little policy in the telecommunications debate**" appearing on page 32 in today's *The Australian* newspaper.

#### **ENDS**

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## The Elephant in the Room

We are facing one of the biggest issues as an industry – ever. We have politicians, journalists and voters all convinced that faster broadband regardless of cost is a must-have and that FttN in itself will solve all the problems. Cost to the consumer, taxpayer and competition appears not to be the issue. The uninformed are seriously, considering proposals from 2 parties seeking to create a new monopoly \*and\* take over an old monopoly. Public comment and submissions have revealed that both proposals are seeking to cut the copper at the node, which would have the effect to 'strand' the competition at the exchange. No if's, no but's, no choice. You've just been 'node'd!

I find the lack of intelligent discussion, disclosure and public consultation in shaping FttN policy breath-taking. The 'Expert Panel' dealing with FttN is made up of very few recognised industry experts which I am sure are trying to deal with the issues in a diligent manner, yet simply does not have the technical depth to deal with the multitude of issues which confront them.

Let's be clear here. When you cut all the copper, you cut all the copper. That means the copper to the home, big corporates in the high rise buildings and to the 1.3+ million SME's around Australia. Too much focus has been on about getting faster internet access. But what about those services which connect offices together such as frame-relay, DDS, alarm systems, ISDN, Megalink and PAPL? What is going to happen to all those SME's in metro Australia which have their 2, 10 and 30 phone lines delivered over ISDN when the copper get's cut? Obviously they will now be required to 'migrate' to the new network. Telstra and the G9 must be rubbing their hands in glee. Can you imagine holding the monopoly on delivering phone lines to almost every consumer and SME? Take a minute to even consider the large scale disruption to companies like Powertel, Primus, AAPT, Macquarie, Soul and others which have a high level of voice business delivered over their own DSLAM's. At some stage, possibly not at their choosing they'll lose the ability to deliver a 30 line PRI phone service at a cost base of \$30 and be forced to pay wholesale \$500-\$900 for the same service. Imagine if they have signed a 5 year voice deal with a major national client in multiple cities based upon delivering on their own existing infrastructure. Who is going to wear any increase in the cost of delivering the same service 'via the node'? More importantly, who is going to compensate the carrier providing these services for all the time and effort in working with EVERY customer and the new monopoly in migration? The government? The new monopoly? The customer?

Where's the fairness test for consumers and competing carriers? Why should the carrier or consumer be financially disadvantaged because of well intended, but ill-considered policy? What is the path for ensuring legacy services are able to be continued \*and\* without an increase in cost? Where's the 'telecommunications fairness test' which ensures carriers and ultimately the consumer are protected? We are being told ADSL2+ and the 'node network cannot co-exist then how can you easily migrate? It must be a turn off ADSL2+, turn on the 'node' right? Unless of course it's not true. And here is the elephant in the room that no-one seems to notice and that is:

With some effort in spectrum planning and CPE specification there is no real technical reason why a vdsl2 based FttN network cannot co-exist with the existing adsl2+ based exchange networks over the same copper local loop.

It's true. If you had believed otherwise, then you've been hoodwinked. In the first half of next year you will begin to see this actually be formally ratified by ACIF right here in Australia. ISP's will be able to run VDSL2 DSLAM's capable of offering speeds of 25mb/s downstream and 5mb/s upstream 1km from the exchange along side existing ADSL2+ services from the exchange. Furthermore, you'll be able to run the same VDSL2 from the node and ADSL2+ from the exchange. So if there is no technical reason for cutting the copper and wiping out the hard investment dollars of competitive carriers, then why do it?

It's simply because there's no better rent than monopoly rent and as the Soviet leader Nikita Khrushchev once observed, "Politicians are the same all over. They promise to build a bridge even where there is no river." They've discerned there are votes to be had by bringing about "faster broadband" so they propose to do so by any means and whatever the cost.

Not so long ago NSW voters wanted a cross city tunnel in Sydney and got one. It was all going well until the harsh reality hit home that some of their local roads were blocked off or diverted simply to generate suitable demand and 'justify' investment. These roads were fine and used by many motorists. There was no operational reason requiring their closure or diversion. Suddenly voters soon realised that they lost the choice of using a still suitable road and were forced to use a more expensive toll-road and as angry as they were about losing that choice, there was no going back, well at least for the next 15 years or so.

The current FttN proposals are about building the National Cross City Tunnel and both sides of the political spectrum and considering diverting EVERY single road including yours, not because there is a technical or operational requirement to do so, but simply because they are being told that the FttN business case doesn't stack up otherwise. That's the most absurd justification for wiping out exchange based competition I have heard since being in this industry and creates much laughter amongst my international colleagues, until they realise that it's actually no joke. It's then the laughter stops...

So here are 10 questions I pose to both Senators to figure out what they stand for this election in terms of telecommunications:

1. If there is no technical requirement to cut the copper under FttN would they consider to do so, simply to ensure a commercially non-feasible system becomes feasible
2. If the answer to 1 is 'yes', then would they accept that they should also disconnect both HFC networks and all mobile/wireless broadband networks for the same non-technical reasons?
3. If your answer to 1 is 'yes', will the government provide a 'telecommunications fairness test' to ensure users are not financially disadvantaged

by any FttN plans or is FttN going to be the 'Workchoices' of the Telecommunications industry?

4. Much is hyped about the FttN 'triple play'. Assuming watching HDTV consumes 5Mb/s of bandwidth per end user, what will it cost for a provider to deliver one HDTV stream from a US channel hosted in the US to an end user per month? (noting that it costs approximately \$250 per month to get 1Mb/s of wholesale Internet capacity)

5. Will you implement an FttN monopoly and interconnection framework against the express opinion of the ACCC that it is against the interest of consumers and competition? If so, why and/or on what basis?

6. With so much importance being placed behind OECD numbers and statistics, has either party sought the opinion of the OECD on any proposals to reduce competition and its effect on the market and if not, will they?

7. There are already two FttN networks in metro Australia being the Optus and Telstra HFC networks which can provide over 30Mb/s+ to the end user. If there is such a compelling requirement for high-speed services then can you please explain why according to OECD reports these networks have achieved such a poor penetration compared to 'inferior' xDSL technologies?

8. To ensure that any FttN monopolist does the 'right thing' will government make it a "Condition Precedent" that any FttN monopolist must first provide FttN services to all of the portion of 98% of Australia not currently being serviced by competitive carrier ADSL/HFC infrastructure BEFORE they get access to the areas which have? Surely you must agree those who are currently living without need to be serviced before those who have?

9. Much is hyped about 'E-Health' benefits for end users. With most Australians having access to telephones for decades how often have you been able to consult your doctor over the telephone without going into his/her practice (and given the choice how many would want to)?

10. Finally, of the countries in the OECD broadband rankings higher than Australia, which countries have a government sanctioned FttN monopoly? More to the point, which countries in the OECD rankings have a government sanctioned FttN monopoly in which the government has agreed to disconnect all competitive carriers ULL/LSS access to ensure the FttN monopoly investment 'makes sense'?

I'm fundamentally for FttN as a technology. I just don't agree with needing to give an exclusive monopoly on all access (FttN and non-FttN) to achieve it and I think you'll find neither does the OECD.

**Bevan Slattery**  
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