From: Beren Scott
Sent: Saturday, 15 March 2008 6:50 PM
To: National Broadband Network
Subject: The Future Of Broadband

To whom it may concern,

To build a future broadband network, one must first examine the issues with the current products on the market. At the moment we have a national Telstra DSLAM rollout which non-transperantly hides the true costs of broadband by averaging out the product between several different area's of Australia which have they're own seperate costs to provide. An ADSL connection varies in it's cost to provide to different area's of Australia. These facts are hidden from the end-user by a one for all price across the whole of Australia. This seems to be Telstra's excuse for why it seems to charge a lot more then the competition for ADSL. The thing is, it is more affordable getting broadband in the city, and that seems to be a fact of life. More importantly, we are slowing down the growth of broadband by attempting to average it's pricing between the city and the regional centres. The problem is, Telstra has the user base to do this, but none of the competitive ISP's can possibly hope to be able to do this themselves.

By giving regional centres the same price as the city, we not only increase the price in the city, but we remove any chance of competition moving out into regional area's. If tomorrow this averaging out were to stop, a regional customer might start paying up to $200 a month, whilst the city user would find their price would drop by $10 - $20. The high cost in regional centres would increase the demand for competition in those areas as the formula for deciding whether to invest in that town would largely depend on a higher price point. At the moment, only Telstra can afford infrastructure in regional areas as the government subsidized fibre to all across Australia. Nobody could do a similar investment whilst the regional centres maintain the same price as the city.

On another note, the issue that seems to be effecting metro area's is a lack of space within the walls of the exchanges. This places a cap on how many non-Telstra customers can exist within an exchange, and doesn't limit how many Telstra customers can exist within the very same exchange. Perhaps this means it's time for a different approach?

A national broadband solution should always start in the most profitable area's, it should start with an economical price, and then it should expand out into other area's when the business case suits it. We have the infrastructure there to do this, fibre running out to most regional area's. All the government needs to do is step in and take back the infrastructure from Telstra. It should never have been sold off with Telstra, and it's in the national interest to maintain control of the infrastructure.

Competitors should be fighting each other for a mix of quality and content, and none of that competition should have anything to do with who's dslams they are using. It should matter very little who controls the dslams in exchanges, as the quality of the product should be determined by other elements which have nothing to do with investment within the exchange. Having said that, under the current anti-competitive regime, dslams make all the difference to the product. The price of using a dslam creates a completely different product where it shouldn't. The price of maintaining dslam equipment within an exchange building is ludicrisly small and non-existant, until you add Telstra's fee's and charges to it. What we have here are a few companies fighting over a simple matter of dslams, when really we shouldn't be having this problem. The price of a broadband solution should never be controlled 100% by who's name sits on a dslam within a building where everyone should be equal.

How does this relate to FTTN? Well, a node is like a mini-exchange, it's small, and the government needs to consider that a larger sized cabinet is perhaps best for competition. A Telstra FTTN would leave the cabinets unable to be upgraded, and hence blocking out competition similar to the way Pair gain works at the moment. At the beginning of the rollout,

all competition should be involved within each cabinet. So the cabinet with a list of street addresses to be served by it, should be made available to all competitors, and each party asked how much of a percentage of the cabinets dslam ports they would like to invest in. The cabinet would have a virtual sub-divide of it's ports, and the virtual-boundaries to be redrawn pending adjustments in that investment. Each port could involve two components, a maintenance fee and an upfront purchase price, which all competition could bid for, such that every port around Australia would have it's own market value similar to how sub-cable has it's own market as well. This would allow ports to be bought from one and another competitor. Additional ports could be installed and added to the market if a single owner were to own too much of a percent of the cabinet, or the demand exceeds supply pushing the market price up. On top of this, a competitor within the cabinet has to maintain a set level of takeup, and hence unused ports over a set percentage unused should be put up on market for another player to offer services over it.

It's a system that takes the dslam out of the equation, and allows everyone to offer services from any cabinet / node around Australia. It's also very obvious that this might increase the market value of a port in a good area, and reduce the market value of a port in regional area's allowing small players to operate small operations within small communities where a larger player wouldn't wish to operate. This also requires that regional backhaul return from Telstra to government ownership, the conversion of Telstra from an infrastructure owner and wholesaler, to just a retail player. This should not effect Telstra's bottom line too much, as most of their money is made in the retail sector, or from overpriced wholesale services which should not exist within the realm of FTTN.

Technology blockers need to be removed, with the entire can converted into a node only system. The current exchanges downgraded, and even local peering services installed within each exchange instead. Government regulation is also required on issues of backhaul, where backhaul prices will make regional expansion not possible.

Competition should only occur within the realms of the quality of a companies products, not within the economics of dslam ownership, and backhaul delivery. Perhaps the backhaul can be designed similarly like the cabinets where competition purchases set amounts of space on the backhaul links, and the government runs more backhaul when the market value is going way too high.

The internet works best when a socialist model is adopted, rather then shear capitalism. It's not working in regards to bringing more competition because it's like playing a game of monopoly where everyone starts with no money and one players starts with all the money. No competition can exist where Telstra is able to muscle everyone else out on volume of customers and monopoly infrastructure alone.

Yours Truely

Beren Scott