



29 March 2008
Senator the Hon Stephen Conroy
Minister for Broadband, Communications and the Digital Economy
Deputy Leader of the Government in the Senate
Suite MG70
Parliament House
Canberra ACT 2600

Dear Senator the Hon Stephen Conroy,

In line with the majority of Telecommunication industry insiders involved in this debate I am an interested party. My companies future is at risk due to FttN (see disclaimer at end), however this is not the only reason I am concerned. In fact I find the current voter interest in "broadband" both incredibly exciting and incredibly worrying. In the general media I see many stories about FttN and the 12Mbps download speeds that all Australians deserve access to. I do believe that we need to make high speed broadband services available to all Australians and that this will deliver economic benefits for years to come. I am not convinced that 12Mbps is the magic number, as I personally think that the current ADSL 2+ speeds are more than sufficient for the services that people actually want to pay for.

What I don't see and what really worries me about this debate is that there seems little attention to the 'haves' and the 'have nots'. With the large DSLAM deployments by the likes of iinet, Internode, TPG, and Primus backed up in an increasing number of exchanges by Dark Fibre backhaul, customers that have access to these services are surely the 'haves'. Currently there is good competitive choice, with three or more carriers vying for your business all offering a range of services at a range of reasonable prices that accurately reflect the costs of providing high speed broadband services in Australia. In fact, how TPG makes a profit at the prices they charge is a mystery to me. Of course there are a small number of voters in these exchange areas that can't get a decent service and we need to rectify this, but all in all I expect these 'haves' to be fairly happy with the services on offer to them. Of course they want cheaper broadband; it's human nature to do so, particularly with the popular media so fond of pointing out how bad and expensive broadband is in Australia.

My view is that the voters who need the Australian Government's assistance are the 'have nots'. These 'have not' voters are those that live in areas with no competition or in areas with no real broadband offerings, or even those in largely 'have' areas that, for vagaries of the existing copper network, can't get a reasonable broadband service. These 'have nots' are currently not offered high speed broadband services, simply because it is not economically viable. These are the voters that the Government of Australia should be subsidising.

The proposals for the FttN seem to me to not be about the 'have nots'. It seems to be all about decreasing competition. The current proposals are targeting the areas where they think there is a commercial return, areas which in the most part are already well served by an increasingly competitive market place (Eftel and Uecomm are just two of the companies still planning new rollouts of competitive copper based services). It seems to me FttN is only going to take us back to the days of one network operator with a monopoly on last mile services. How this could be good for the voters in the long run is beyond me. The only scenario that seems remotely feasible is separating the network from retail operators. Any company that owns the only last mile network and also has a retail arm is bound to try and get an advantage from this situation for their shareholders.

Government regulation would seem to be another solution, however the government has had only moderate success in forcing competition on the existing incumbent operator. As a current ULL access seeker I am paying \$30 per month for a service the ACCC says should cost \$14.30 in band 2 (Metropolitan Areas). Whether either side is correct about the costs is largely irrelevant. The point is, I am paying the incumbents charges, not the charge that the government dictates in the name of competition. I am not sure what lever the government is going to use to suddenly bring the new monopoly provider into line and then keep them in line?

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The FttN debate also seems to focus mostly on the last mile. I find this focus strange as the last mile is currently only an issue for the 'have nots', for the 'haves' there are other greater issues. In my opinion increasing the speed in the last mile, will only further impact the current bottlenecks in our Telecommunications networks. The worst of these must surely be exchange backhaul (where there are no competitive options like Dark Fibre) and international capacity on our major undersea cables. According to the Internet Industry Association "Sixty-six to 80 percent of data is imported from overseas, mainly the US". I liken FttN to building five driveways from your house to the street. This allows you to go flat-out until you hit the shared traffic network where you are bound by all the old constraints such as other users and peak congestion periods.

I also find the rush to tender unseemly and worrying. What is driving this sudden need to have this new service that we, (particularly for the 'haves') can't live without? Surely the only thing that haste will bring is mistakes. Given the long term thinking that seems to mark the rest of the Rudd Government's plans, I find the haste in this one area worrying, particularly if we be honest and note that it's something we can, and are continuing to, live without.

In my opinion the first thing that should be done is to work out exactly who the 'have nots' are across Australia. Once we have these hard facts we can look at what options can be offered to provide broadband to these voters. Ideally this will be done in a way that increases the competitive options available for these voters. I would expect that the Government's proposed \$4.7 Billion contribution to improving broadband would get this process well and truly underway. Whether the government could expect a commercial return is up in the air, but if the driving need for this is the long term economic benefits for Australia as a whole, shouldn't this be enough of a return?

In conclusion, I do believe that in the long term a fibre based last mile is technically the best solution. However, we have some major issues to get past before we can achieve the nirvana of one network owner investing in new network for the greater good. I can't see how we can possibly achieve this in the current regulatory environment without substantially lessening competition.

For a new last mile network to be successful, without limiting competition, it must at minimum offer the following:

- 1) **Access to layer 1.** This is available today and allows competitive telcos to differentiate their services by controlling the layer 1 transport protocol of their choice and offering layer 2 services with different features to other operators.
- 2) **Access to competitive backhaul.** There must be no lessening of the current ability to seek alternate backhaul services.
- 3) **Network separation.** The new network must be owned by a company that has no retail operations.
- 4) **Common pricing.** The same price for all competitive service providers.

If these points can't be met then the only solution is to allow competitive forces to decide. The Government can subsidise the 'have nots' and, where competitive options are available, run a FttN network right alongside the existing Exchange based network and let voters decide which service they wish to buy. I think that while in abstract they are choosing fibre over copper, as soon as price and quality are added to their decision, that only price and quality will influence their purchase.

Sincerely yours,

A handwritten signature in black ink, appearing to read "MH", with a stylized flourish extending to the right.

Matt Hollis
General Manager
Demand Broadband Pty Ltd



Disclaimer.

I am currently a part owner of Demand Broadband. We have just completed the rollout of Ethernet over Copper DSLAMs (Ethernet over eSHDSL/g.shdsl.bis) in 4 Exchanges in the Brisbane CBD and inner Metro area (Edison, Charlotte, Spring Hill and Valley Exchanges). Clearly I think the current competitive environment is working, particularly in the CBD and inner Metro areas. The technology we have deployed allows us to deliver up to 5.7Mbps symmetrical services out to approximately 700m radially from the exchange, which covers both CBD Exchange areas in their entirety. We can bond 8 ULLs together to get up to 45Mbps per service. In June this year a new chip-set will be available to double this speed. This will of course have to go through regulatory process before we can offer it.

We are also the first Metro Ethernet Forum (MEF) certified service provider in Australia and we will be offering 10Mbps symmetrical Ethernet services in the Brisbane CBD for a price comparative to a 4Mbps SHDSL service. (approximately 40% to 60% of the current price for 10Mbps Ethernet). If higher quality services for less money is not what competition is all about, I don't know what is.

Previous to forming Demand Broadband I worked for three years at PIPE Networks. This has clearly colored my thoughts on the importance of issues such as exchange backhaul and International undersea cables. Irrespective of whether my belief in their importance is right or wrong, what it did teach me was that you compete by offering services that are better than what the incumbents are offering at aggressively lower price points. This increased competition forces the incumbents to themselves offer better products and services at more competitive prices. This improves the entire industry and drives innovation, and surely is worthy of the support of our government.