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# COMMUNICATIONS DAY

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## Optus: Voda/3 merger may signal spectrum stockpiling

The proposed merger of Vodafone and Hutchison could allow the pair to strategically hold fallow critical swathes of spectrum, warns Optus GM for regulatory affairs Andrew Sheridan.

Yesterday the merger garnered Hutchison shareholder approval while the Australian Competition and Consumer Commission invited industry comment on potential issues around the deal.

"The combined entity will actually have a significant proportion of unused spectrum. That will have some competition impact because, spectrum being a very scarce resource... you could use this as an opportunity to strategically, adversely impact the market," said Sheridan.

"With an industry witnessing substantial growth in mobile broadband, which is a spectrum hungry service, there's increasing pressure to look at meeting that demand and developing to the new technological paradigm around 4G, and further spectrum will be required."

"You overlay that with the [Communication] minister's comments earlier this week about potential delays to spectrum becoming available through the digital dividend; what you want to ensure is that you don't have a situation where one person can hang onto a pool of spectrum and not use that," he continued. "That needs to be considered in light of this merger because the merged entity will be gaining access to a larger pool of spectrum and will essentially have the ability and incentive to hang onto that spectrum. That could potentially have some distortions for the entire industry."



Meanwhile, the Australian Competition and Consumer Commission has invited market comment via a Statement of Issues relating to the merger. In addition to spectrum concerns, the paper raised a number of other questions regarding the proposed deal, including whether the merged entity might be able to hike mobile services prices; whether the integration might be hindered by Vodafone and 3's sharing deals with Optus and Telstra respectively; and whether the withdrawal of Hutchison as an independent competitor might increase the potential for coordinated effects amongst the remaining carriers. The regulator expects to complete its inquiries by 17 April and currently anticipates a final decision on 6 May.

Even as the ACCC released its paper, Hutchison shareholders voted yesterday in favour of the planned merger at an EGM, following approval from the Foreign Investment Review Board and the European Commission.

Petroc Wilton

## Telstra calls for independent cost model review

Telstra has amplified calls for an independent review of two disputed network cost models. Claiming that the Australian Competition and Consumer Commission has created a cost model which "simply would not work", Telstra is pushing for the ACCC to put its Analysys-developed model to the test against Telstra's TEA model in an attempt to finally resolve the cost of copper.

With the ACCC pushing its own cost model for setting ULLS prices, Telstra has cried foul over the lack of independent oversight in its production. The carrier forwarded to new reports to the ACCC on its cost model from UK-based Nera Consulting and Berkeley University's Dr. Robert

Harris, saying a truly independent comparison is needed to adjudicate on the vastly different outputs of each model.

“These reports demonstrate that there are significant flaws in the ACCC’s cost model,” Telstra wrote. “Of most concern to Telstra is that the network designed by the ACCC’s cost model, simply would not work. The estimated cost of that designed network is, therefore, irrelevant to the services that Telstra actually provides.”

Telstra regulatory director Tony Warren said the two reports should act as the catalyst for the ACCC to be stripped of its “judge, jury and hangman” status on setting ULLS prices. Backing calls from Telstra public policy GMD David Quilty, Warren said the industry needs an independent analysis of the TEA and ACCC models to get a resolution on the price of Telstra’s copper.

“We now clearly have two models on the table. The ACCC’s model is clearly affecting people’s expectations in the market... the ACCC is the ‘independent expert’ – but you can’t be independent of your own model.”

Warren pointed out numerous errors in the ACCC model, which he claimed mistakenly excludes hundreds of homes and businesses from its calculations while running imaginary lines which simply could not fit through conduits. But rather than being easily fixable errors, Warren claimed the model was “unsalvageable,” saying calculations were built upon fundamental miscalculations which created a “house of cards.”

Optus government and corporate affairs director Maha Krishnapillai is sceptical the comparison will be effective, calling the idea ‘models at 50 paces’. “I certainly think David [Quilty] is actually genuine in the offer in terms of wanting to solve these sorts of problems, but historically for the past decade or more Telstra has done everything in its power to not share the information sufficiently [and] in a reliable way with the ACCC, and not listen to the umpire.”

Along with the two commissioned reports, Telstra sent its own response on the ACCC cost model – claiming its issues are not with the model’s inputs but its logic. “The ACCC, therefore, stands at a crossroads; it can own up to the Model’s shortcomings and attempt to correct its structural flaws, or lend its name and reputation to a poorly designed cost model taking a giant step backwards in the establishment of reasonable wholesale prices.”

Luke Coleman

## **Internode: Wrong NBN could ruin IPTV future**

Internode MD Simon Hackett has said that IPTV business models could be destroyed if the NBN is rolled out incorrectly. Speaking to the CommsDay Summit on the future of IPTV, Hackett laid out three options for delivering video content services via broadband, fearing that a bitstream NBN could cripple the ability of ISPs to deliver IPTV to a multitude of users across networks.

Option one, Hackett said, was the existing Internet plus cable TV option employed by Foxtel and BigPond. “That world isn’t the new one, that’s the incumbent view,” he said. Option two: ‘Roll your own’ IPTV, which would send a single channel at a time across an internet connection, meaning channels could be unlimited. Unlike cable, ‘roll your own’ IPTV channels are not restricted by bandwidth because only one at a time is sent to an end user, with the intelligence behind the system in the network



“The NBN might help here or the NBN might just destroy this business model forever, but we don’t know which because we don’t know who wins. And if the winner looks like it’s gone for a bitstream model... then it’s dead. Alternatively if [the NBN builder is] really forward thinking in the ways which we’ve heard about, maybe you get an access model that supports multicast, and the reverse happens and every ISP can deliver this to every consumer in the country. That’s an enormously important thing,” he said.

Option three, Hackett said, is ‘pragmatic coexistence’, or “content delivery that is agnostic to the underlying layer.” Like Internode’s recently announced deal with TiVo, this allows for content to be delivered to a device no matter what connection speed is used – using the device to download and buffer content and delaying start times for a seamless viewing.

While Hackett was chuffed with the TiVo model, he said the TiVo software was more fundamental to the paradigm than the TiVo hardware. “I think what we’re leveraging is a software plat-

form, not a hardware one,” he said. “In two or three years time if other people might have a different box to sell, it likely to leverage the same stack to get the job done. It might be a theoretically device-centric world but in practice, the boxes are so throw-away after two or three years.”

Luke Coleman

## ACMA canvasses 400MHz overhaul

The Australian Communications and Media Authority is aiming to shake up the 400MHz frequency band with a number of proposed reforms, including a government spectrum harmonization initiative warmly welcomed by Communications minister Stephen Conroy. The regulator has called for an urgent reform of the band based on its importance and heavy use and has put out a discussion paper, inviting responses by interested parties.

Amongst the proposals put forward by ACMA are the identification of the 403-430MHz range as a harmonised government band; a hike in apparatus license taxes in high density areas to encourage efficient spectrum usage; and provision of a 10MHz duplex frequency split segment within the 450-470 MHz range to open up more flexible technology choices and frequency allocation options.

“The 400 MHz band is heavily used and congested in a number of areas, creating a shortage of land mobile licenses in Sydney, Melbourne and Brisbane. By reviewing the band, ACMA hopes to allow more people to use this spectrum, thereby maximising the overall public benefit derived from its use,” said ACMA chairman Chris Chapman. “The identification of the sub-band 403-430 MHz for exclusive government use provides an opportunity for significant advances towards genuine interoperability.”

“The harmonisation of police, ambulance and emergency services radiocommunications across state borders has been a long-standing goal,” commented Conroy. “The review of the spectrum infrastructure required to do this is a once-in-a-generation opportunity.”

“ACMA’s review of the 400MHz spectrum band presents a nation-building opportunity to improve emergency services and law enforcement intercommunications... I urge all relevant agencies and the state and territory governments to focus on ACMA’s proposals and use the submissions process to identify and explore all relevant issues, and work towards increased interoperability.”

Petroc Wilton

## Contact centres resilient in the face of financial crisis

As companies in the grip of the financial crisis look to retain customers and drive down operational costs, the contact centre industry remains resilient. Following the release of a study, ‘The Global Economic Crisis and the Imperative to Outsource’ conducted by Callcentres.net and commissioned by Convergys, Callcentres.net director Dr. Catriona Wallace and Convergys ANZ senior account executive Max Tennant told CommsDay about trends in the call centre industry, and how telecom-

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munications technology is changing the outsourcing and offshoring landscape.

“The call centre industry, as evidenced by some of the findings in this report, has remained a very important channel to market for organisations,” said Dr. Wallace. “[It] remains fairly robust... mainly because organisations’ main imperative during these difficult times is to retain customers. [The call centre] is an effective channel to market, and the predominant way that customers contact an organisation.”

The reality of the need to cut costs, she continued, was driving new demand for outsourcing solutions. “What we’re seeing is probably a renewed discussion and a renewed interest in outsourcing across the board,” she said. “A year ago, most of the outsourcers would be very uncomfortable talking about cost as a strategic imperative, but... outsourcing is a more palatable conversation now for organisations... with regard to them trying to reduce costs and survive these economic times.”

Australian businesses have historically shown some reluctance towards offshoring and this was borne out in the report, with just 22% of respondents operating call centres overseas. But Tennant suggested that advances in telecoms technology were making offshoring a more acceptable prospect. “IP technologies have enabled operations to, in effect, set up their offshore operation as an extension of their own infrastructure – so that’s given organisations a greater level of comfort around extending their own technology into another office, whether that’s in Sydney, Bangalore or the Philippines,” he said.

“One of the key challenges for Australian organisations has been access to bandwidth between Australia and the other offshore locations, and that’s becoming much more readily available,” added Tennant. “Most organisations buy up their own private links which enable them to really expand their own private network into other locations and countries a lot easier and provide local carrier-grade voice quality, which has been very influential in making offshoring a lot easier.”

Petroc Wilton

## **iiNet seeks legal advice after Conroy ‘gaffe’**

iiNet has sought legal advice after Communications minister Stephen Conroy took a public swipe at the company over an ongoing court case. Only a week after iiNet proclaimed it would not take part in the Federal Government’s ISP filter trial, Conroy went off-script in a speech at the CommsDay Summit to bring up the separate issue of iiNet being sued for allegedly allowing copyright breaches on its network.

With the copyright case currently before the courts, Conroy sarcastically said iiNet had presented a “stunning defence” in claiming it did not know what was being done on its network, saying the defence “belongs in a ‘Yes Minister’ episode.”

iiNet MD Michael Malone said “We’re disappointed that a minister would use his position to interfere in an active court case, especially a landmark case in his own portfolio,” he said. “We have sought legal advice on this. It’s unheard of for a crown minister to try to influence the outcome of an active case.”

Shadow communications minister Nick Minchin issued a joint press release with shadow attorney general George Brandis saying it was “grossly improper” to make the call. “Senator Conroy’s comments were both reckless and irresponsible; particularly considering iiNet was yet to even file that aspect of its defence and has every right to a fair hearing,” Minchin said. “The only purpose his comments served were to get back at iiNet for highlighting serious short-comings in his planned Internet filtering trials and withdrawing its offer to participate.”

Internode MD Simon Hackett also picked up on the quip in his own speech. “[Last year] I had the privilege of speaking before Senator Conroy and I ripped into his... recently released RFP process quite severely, and the next day got a great serve from him for the apparently heinous crime of being right,” he said. “It’s interesting that we saw the same thing yesterday... [when he] ripped into iiNet for being right.”

But Conroy remained unapologetic, with a spokesman writing off the remark as a joke. “Senator Minchin needs to get a sense of humour or more importantly, a broadband policy,” he said.

Luke Coleman

## **Pacnet's partner program targets Australian SMBs**

A new partner program has been released by Pacnet to assist its business partners in delivering telecommunications solutions to small and medium businesses across Australia. Pacnet Australia CEO Deborah Homewood said the new partner program will help Pacnet raise its partner base from over 350 to over 450. It will also lead its partners to contribute a portion of Pacnet's revenue in Australia by the second half of 2009.

The key features of the partner program include the introduction of a Marketing Development Fund that will assist partners in generating new business opportunities; a quarterly discretionary bonus scheme that will give financial rewards to top-selling partners; and a dedicated account manager, a priority hotline for technical support and quarterly briefing forums.

"Our new approach is guided by a desire to be transparent so partners feel integrated within our business and self sufficient. We want to know where partners hope to take their business and we will help them get there with marketing and business development support. Our new benefits in the program allow them to work with us closer to build their business" Homewood said.

In line with this, Pacnet has named Jason Staples as Partner Program Manager, who will lead in implementing the new initiatives.

Kei Contreras

## **VIA IP IMPROVES SVP SOCIETY'S DATA NETWORK**

Via IP has been appointed by St. Vincent de Paul Society to upgrade its WAN infrastructure in order to improve the support it gives. The society's network requirements extend from basic connectivity for smaller sites to supporting large, multiple user office environments. Via IP's network solution claims to provide the Society with a flexible communications platform which will further benefit their work in the community and reduce ongoing operational costs associated with running a large multi site network. Via IP will also be integrating the Society's existing data centre into their privately owned MPLS network to enable diverse routing using a combination of fibre, microwave, copper and DSL.

## **RIM INTRODUCES NEW BLACKBERRY SMARTPHONE**

Research in Motion has released the BlackBerry Curve 8900, a full-QWERTY BlackBerry smartphone. The device features a 512MHz processor, a built-in WiFi and a built-in GPS with support for location-based applications and services. It also includes a 3.2-megapixel camera with image stabilisation, digital zoom, flash and video recording, and a rich media player together with a 3.5mm stereo headset jack and headset. The BlackBerry Curve 8900 supports international roaming through its quad-band feature.

## **ENERGYAUSTRALIA DEPLOYS SMART GRID WITH IBM**

EnergyAustralia has selected IBM for the roll out of 12,000 sensing devices through its network to add intelligence to its infrastructure. The project will enable EnergyAustralia to deliver energy more efficiently and reliably, and allow a greater number and range of environmental solutions to be integrated into the electricity network such as renewable energy. EnergyAustralia's MD George Maltabarow said the project was an important part of the company's initial investment of \$170 million in its smart network rollout. Under the agreement signed in the first quarter of this year, IBM will design and build the system IT architecture to support the project, in which sensing devices will connect with EnergyAustralia's operational systems using a combination of fourth generation and existing technologies.

## **INTERNODE ADDING 50 LOCAL JOBS**

Bucking the trend of ICT industry layoffs, Internode has announced it will add 50 new employees in its customer service, help desk and finance sections. The company said the new staff will be needed to cope with demand, saying it is currently taking on up to 250 new customers a day. "The biggest challenge for us is finding the right people for our customers," said CEO Patrick Tapper, adding that Internode was on track to meet its 2008-09 revenue target of over \$130 million.