

Who needs FTTN anyway?

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Who needs FTTN anyway?



... or five reasons why the national FTTN network debate was a red herring

1) High speed broadband does not need FTTN

Telstra spokesperson Craig Middleton said his company only provided speeds of up to 1.5Mbit/s "because that is what is available to all customers within the current ADSL distance limitations".


While Hackett [Internode CEO] admits that not all customers would live close enough to an exchange to obtain a full 8Mbit/s ADSL connection, "**On most lines ... you can do 3-5Mbit/s ... The average line length in Australia is about 2.2 km.**"



ADSL1


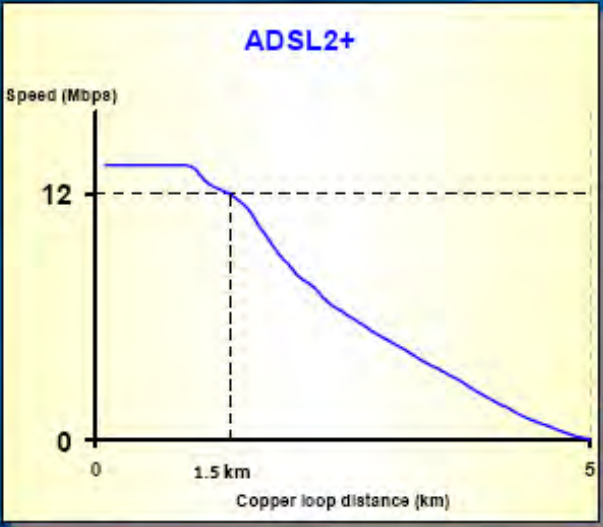
Telstra's Middleton also went on to say that "less than 10 percent of our customers are after that higher speed at the moment," and added that the primary driver for the consumer was price. Furthermore, he said, "Entry-level speed is where the demand is."

1) High speed broadband does not need FTTN

*** Delivering at Least 12 Mbps** 

- Maximising speed from ADSL

100% customer coverage with ADSL2+ for the 5 Major Cities footprint



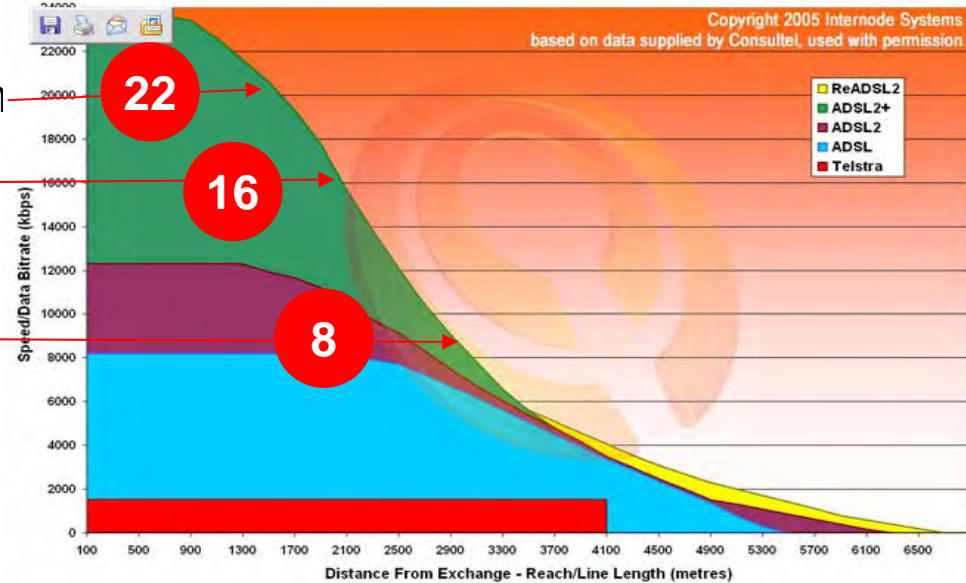
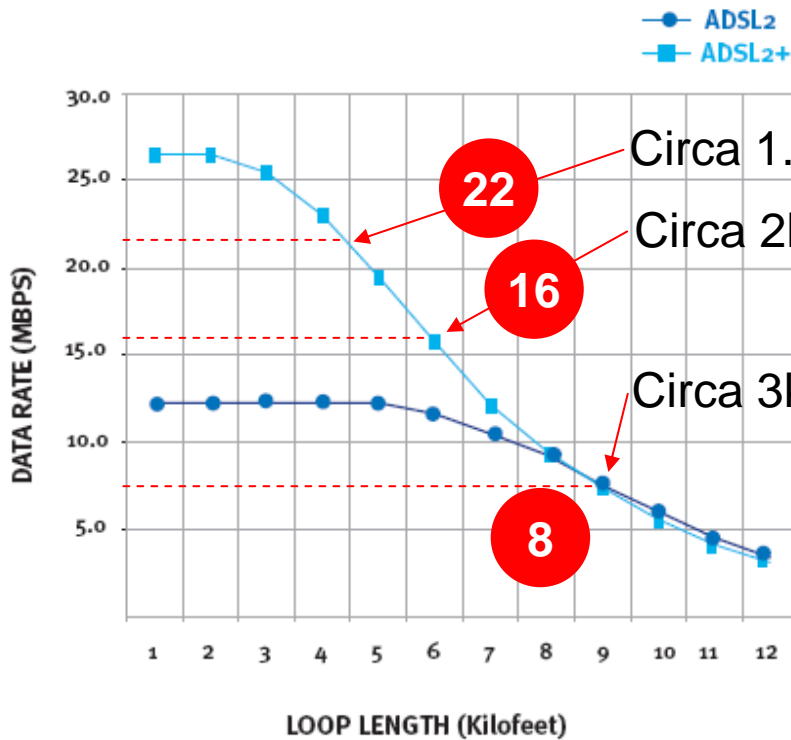
- Two thirds of customers will be served by FTTN, and one third by exchange based DSLAMs



Source: Telstra Technology Briefing, 16th November 2005

1) High speed broadband does not need FTTN

Figure 8: ADSL2+ doubles the maximum data rate.

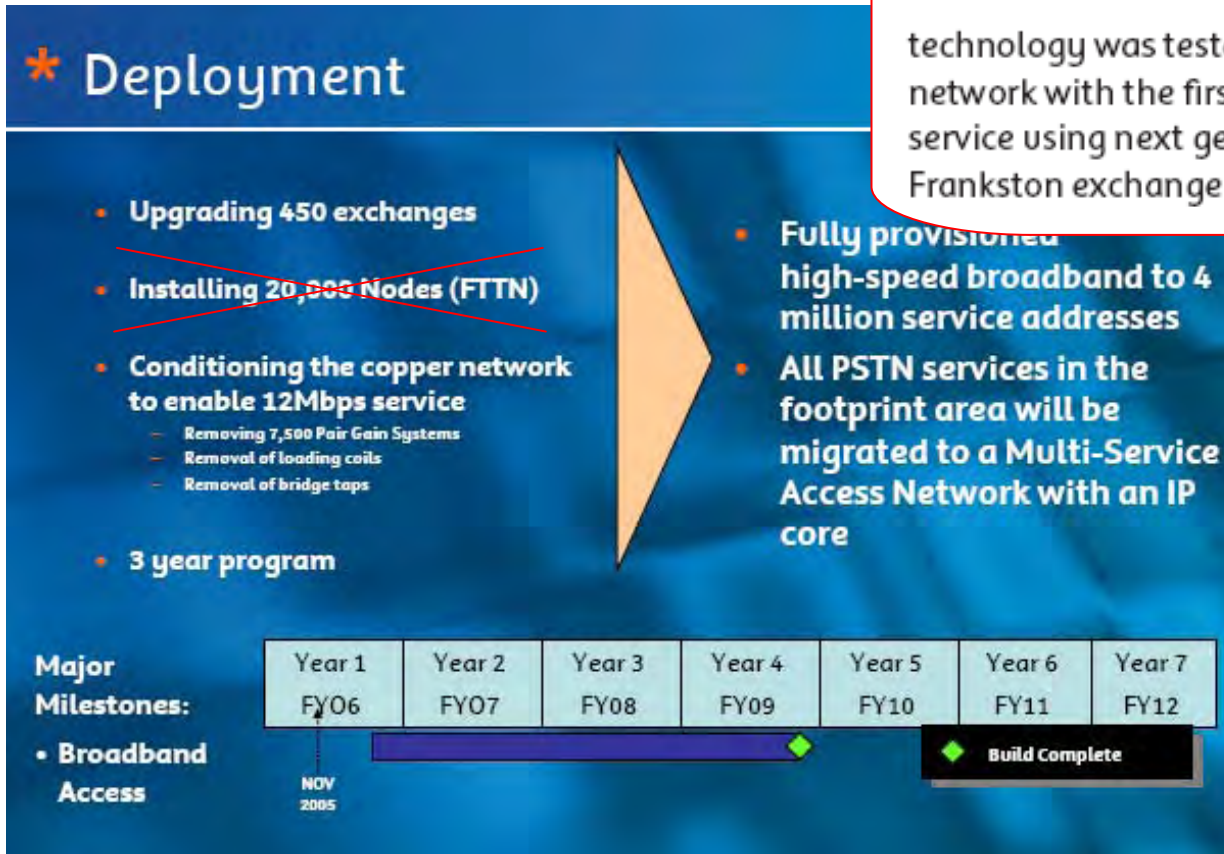


Source: ADSL 2 and ADSL2+: The New ADSL Standards White Paper, Aware (2002); Internode, from Consultel (2005)

1) High speed broadband does not need FTTN

- With LLU, many Australians already have access to high speed broadband
 - Even ADSL1 can achieve speeds of 5 Mbit/s plus for many lines
 - ADSL2+ can be used to deliver broadband at above 10 Mbit/s downstream (and 1 possibly growing to 3Mbit/s upstream)
- HFC and other flavours of DSL are also possibilities – HFC in particular
- Despite some network constraints, a large majority of households can be reached without the need to deploy fibre much deeper into the network
- Few international operators are planning FTTN network roll-outs. Instead, just like Telstra, they are rebuilding their core networks along NGN principles
- With increased investment from competitors, and Telstra's move to meet / beat the competition, this number will now increase rapidly ...
- ... with access charges likely to become more affordable, probably including an end to capped plans

2) Telstra will still implement much of the 'FTTN' programme



In February Alcatel IP-DSLAM technology was tested and integrated into the Telstra network with the first customer connected to a new ADSL service using next generation access technology at our Frankston exchange in Melbourne, Victoria.

'A progress report on Telstra's transformation', July 2006

Source: Telstra Technology Briefing, 16th November 2005

3) Telstra might not have built out FTTN nationally

- 20,000 nodes were to be built out over three years ...
- But experience says this may well have been scaled down over time:
 - some (or many?) nodes may have ultimately been considered uneconomic
 - some exchange build and copper reconditioning may have reduced the need for additional nodes
- Also, once regulatory certainty had been achieved there could have been an incentive to slow, lengthen or curtail the FTTN investment programme
- Finally, the FTTN was not an especially significant part of Telstra's transformation programme

4) Regulatory protection would have effectively locked out facilities based competition

- There never was a 'fast' or 'slow' broadband choice facing Australia
- Service level (rather than price / resale) competition has been proven to drive innovation and penetration
- Co-location at the node would have been problematic at best
- Resale of the FTTN network combined with the poor economics (and possibly physical impossibility) of co-locating at the node would have dramatically reduced broadband competition

5) FTTN was never going to solve the rural connectivity problem

- FTTN was not scheduled to go outside the five metros

Fears that the metro LLU pricing is ‘too cheap’ are misplaced

- Some of the same commentators that previously argued that an LLU based approach would lead to slow broadband, now say that competition will be too fierce
- International experience shows that service competition drives price, innovation and penetration
- Most of the access network assets employed are close to fully depreciated
- If the wholesale provision of LLU is truly uneconomic, then it should show up in Telstra’s wholesale accounts under its OSP
- ‘Too much’ competition will hurt the shareholders of new entrants, not broadband consumers

Summary: The collapse of the FTTN 'deal' is actually a good thing for broadband in Australia

- The 'Government' made the right decision in not agreeing to the regulatory framework called for by Telstra
- The gain would have been perhaps increasing average access speeds from 7-8 to 12 Mbit/s in exchange for an access 'lock down'
- Uncertainty surrounding Telstra's FTTN plans has held back broadband for 12 months
- High speed broadband at affordable prices will now come more rapidly to metro Australia as competitors eat away at each other's new found profit margins ...
- ... unless Telstra is able to maintain the level of uncertainty through judicial appeals
- Fears that LLU is 'too cheap' are misplaced as the main risks of 'overheating' will be borne by shareholders in the competitors
- **It is now competition rather than regulation that will drive broadband penetration in Australia**

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