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Scrapping in the CAN – overseas approaches

Major service providers are staking their immediate futures on copper just as Telstra plans to bin it. The best outcome here is shared access to new infrastructure; if the price is right.

The conspiracy theorists will say that Telstra's new fibre to the node network strategy is intended to cut the ground from under the feet of competitors whose "*quasi facilities-based*" investments rely on copper.

This suspicion will be reinforced by Telstra also seeking to obtain an access holiday on its new CAN (customer access network). More charitably, there is nothing radical in the planned modernization. Other incumbents like Verizon, BT and Deutsche Telekom (DT) are doing it.

International cases

Verizon is the first major US incumbent to announce a commercial fibre-to-the-premises roll-out branded as FiOS. This will deliver download speeds from 5Mb/s to 30Mb/s compared with 1.5Mb/s and 5Mb/s on ADSL and cable respectively (although Cox Cable will offer a 15Mb/s service where it competes with FiOS). The FCC has indicated it will forbear regulation of information services; which is what is encouraging Verizon, SBC and Bell South to roll-out fibre.

DT has announced a A$4.8bn fibre-optic roll-out delivering up to 50mb/s in 50 German cities by the end of 2007; with 10 of these from mid 2006. This is subject to getting an access holiday. Earlier this month the Government indicated that it was granting exclusive access for 2-3 years, although the European Commission has "*serious concerns*".

BT's new generation network (NGN) programme (21CN) is currently more about migrating to an all IP network than rolling out fibre. Ofcom identified a number of regulatory issues in relation to NGNs in its November 2004 consultation paper and its September 2005 final report on the Strategic Review of Telecommunications foreshadowed another consultation in the Northern Spring 2006 on regulatory approaches to higher bandwidth broadband and NGN access.

One factory, one provider?

Of course, Telstra does not want to keep and maintain a copper network once fibre is in-place. Verizon is removing copper lines as it installs fibre "*because we cannot afford to operate two networks*". Even though Verizon has promised to resell (unregulated) access to its new network, exclusivity and the de-commissioning of copper is not such an issue in the US where less 40% of broadband connections are ADSL (vs over 70% here) and incumbents account for over 95% of ADSL (vs less than 45% here).

As the table shows, Germany is an extreme case where an access holiday seems least appropriate. All but 2.8% of broadband connections are provided over the incumbent's copper and the incumbent has over 80% retail broadband market share. And, now it wants a monopoly on fibre too!

Australia looks like it has more in common with the UK, even though cable competition with the copper network is less fierce than in the UK. Regulators in both countries are committed to open access on new local networks, although Ofcom seems to be thinking harder than the ACCC about how regulation should be modified to ensure efficient and timely investment.

	Aust. Jun05	UK Mch05	USA Dec04	WG Mch05
1	39.0	24.2	37.2	80.3
2	27.7	29.3	60.7	2.8
3	44.7	34.3	95.7	82.7

Sources: ABS, ACCC, Telstra, FCC and ECTA
1 is incumbent share of broadband market
2 is non-ADSL share of broadband market
3 is incumbent retail share of ADSL market

Slam dump?

On my cursory inspection of the facilities access code [1] and without access to the commercial agreements and a lawyer, it seems to me that Telstra is not obliged to provide a service that it does not provide to itself. But, it must give long notice periods and compensate access seekers rearranging their networks.

Of course, the access seekers or some intermediary could buy the obsolete copper to the node at, presumably, scrap value from Telstra. But, why would you want to use copper from the exchange when fibre is deployed to the node? In the words of Daniel Briere (Telechoice), "*when you've built the highway, it's time to abandon the goat paths*".

The Conroy (ALP) plan to have a third party build the new local loop is, of course, just another monopoly. It is difficult to see how it could make money on wholesale alone; this is why Telstra wants some guarantee over access prices and/or retail exclusivity.

As always, the answer to combining open access with new infrastructure investment lies in access pricing. Let's hope Ofcom provides some possible answers next year because it does not look we are going to find them here!

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[1] Schedule 2 and Annex B of TAF's Access Code which pre-date ULLS declaration in August 1999