

Big player's rivals say an independently owned broadband network will be viable concern

# Telcos fibre plans a challenge to Telstra

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A consortium of telecommunications companies led by Optus, Macquarie Telecom, iiNet and PowerTel have unveiled their own push to construct a \$4.1 billion fibre to the node (FTTN) broadband network — with or without the dominant industry player Telstra.

The consortium wants to set up a special purpose company to create the broadband network that would provide industry-wide access and pricing structures for what could render the telephone exchange-based broadband services now used by Australians redundant.

The consortium players say they want to include Telstra in their FTTN broadband plans, but Telstra is pushing to get regulatory approval and concessions for its own \$3.1 billion plans to run fibre optic cable into thousands of Australian neighbourhoods.

The Telstra rivals say they will create a company called SpeedReach to build the network, arguing an independently-owned network would be viable if Telstra elected to not proceed with its own FTTN broadband plans.

They claim a jointly constructed FTTN network that included Telstra would reach one million more businesses than the four million Telstra said it would reach with its own

proposal.

But Optus chief executive Paul O'Sullivan said the consortium would be able to cover "a much reduced footprint" if Telstra did not join the group.

"More than likely it would mean you would get infrastructure that would be funded for more densely populated areas, so you would absolutely get a two-tiered Australia," Mr O'Sullivan said at a launch of SpeedReach in Sydney.

The broadband push comes as Telstra reportedly enters advanced stages of talks with the Australian Competition and Consumer Commission about potential regulatory concessions for its FTTN plans.

Telstra argues that such a big investment would not be viable under regulations that now guarantee retail rivals access to its telephone and broadband infrastructure and set pricing for these services.

FTTN will operate by putting so-called nodes in suburban streets that will be connected to telephone exchanges by fibre optic cable. The nodes will be connected to homes and businesses by cheaper copper wire.

This will replace current technology where broadband transmission devices are put in Telstra-owned phone exchanges by Telstra and its rivals, with the broadband signals sent down the copper wire phone

lines that run from the exchanges to millions of homes and businesses across Australia.

This technology is highly limited because broadband speed falls significantly more than 1.5km from Telstra exchanges, whereas running high-speed fibre into neighbourhoods will minimise the use of slow and low-capacity copper wire.

One major problem, particularly for iiNet after it has invested more than \$20 million in its own broadband transmission devices, is that the current technology could become redundant if copper wire is ripped up between the exchanges and neighbourhoods.

Shares in iiNet have lost around 75 per cent of their value over the past year amid concerns, prompting the Perth-based group to enter into a rescue deal with Sydney-based PowerTel in late May.

Paul Broad, chief executive of PowerTel and now an iiNet director, said PowerTel would be happy with an arrangement that had strong governance mechanisms and a managed process to move from the current technology.

Telstra, meanwhile, implied that the consortium's proposal had little substance and said its plan amounted to "building a tent on a skyscraper".