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East or west – which is best?

Telstra is rumoured to be looking for more international capacity to the USA. But, what we need is a new cable on the west coast.

Telstra is reported as considering the build-buy case for additional capacity from Sydney to the USA [1]. If a new cable is needed, it should look the other way; to Perth. And it might find government support necessary; but not with regulation!

Monopoly pricing in abundance

Since the news is not official, it is not clear where REACH fits in. Telstra could be bluffing as a negotiating tactic with REACH and other cable operators over pricing.

There is abundant capacity on Southern Cross, the main cable system to the USA. It has a potential capacity of over 1,000 Gbit/s with only 240 Gbit/s lit and approaching 50 percent active so an inexpensive upgrade is looking likely. There should be competitive tension to resell capacity between the cable owners (who include neither Telstra nor REACH) and also with the Australia-Japan Cable where Telstra and PCCW have substantial use of data capacity and which also has the potential for 800+ Gbit/s and is only lit to 80 Gbit/s.

Similarly, there is currently abundant capacity on the west coast with SEA-ME-WE3 but it faces even less competition from the small and aged Jasurau cable. Similarly, new west coast capacity has been mooted (the NAVA and A2A cables in 2002 and SIAC currently). But, the capacity over-hang from the existing SMW3 cable with potential to drop prices threatens the return on the US\$100m investment in a new cable.

Solving the impasse

I was part of a team that looked at these issues in depth earlier this year [2]. We concluded that while there was no role for regulation, government (state and federal) has several options that could be used to help overcome the impasse due to capacity over-hangs.

For example, a contribution from the “Connect Australia” fund to the US\$100m capital cost of a new cable would help connect Australians to the world; not just each other.

Also, governments can provide “anchor tenants” that help guarantee economic fill on a new cable. The part that Big Science plays in driving the demand for Big Pipes gets less notice than YouTube or MySpace. The report in the AFR on 29 September that Australia is a step closer to gaining the world’s largest radio telescope got less than eight column centimetres. It is called the square kilometre array telescope [3], which seems a bit of a misnomer as it will spread over 3,000 kilometres. This project alone will require the equivalent of Australia’s current use of international connectivity. A decision is not imminent but the quality of international infrastructure will be a key factor.

West, is best

Australia is too reliant on the east coast which accounts for about 90 per cent of our international capacity. Historically, the development of international connectivity has reflected the status of the USA as the centre of economic gravity and the Internet. But, this is changing with, particularly, China and India emerging as economic super powers. Australia has strong business and research links with countries to its north. For connection to Japan and the USA, east coast routing can be superior both on price and performance. However for South East Asia and Europe, direct access from west coast offers better performance. Perth is the “front door” to Asia and Europe.

AARNet handles communications for Big Science in Australia and while it has 10 Gbit/s links from Sydney to the USA, the biggest unit of capacity it can get out of its Perth gateway is 155 Mbit/s.

Another important argument for the west coast connectivity is security. Perth is Australia’s second international gateway and can provide route diversity for all Australian traffic. For file sharing applications on sites such as like YouTube and MySpace, the increased latency going to the USA via Singapore and Japan should not be a major issue.

I must conclude with our report’s warning that *“Unable to compete with some countries on labour costs, and remote from major markets, Australia faces the challenge to find new ways to participate in global production systems and global markets from a geographically remote location. Its international communications infrastructure will be an essential ingredient, without which the challenge may prove insurmountable.”* [2]

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[1] Communications Day, 6 October

[2] Gibson-Quai-AAS “Big Pipes” April 2006 www.wa.gov.au/tiac/ictforum/reports.html

[3] <http://www.skatelescope.org>