



# Telstra & Microsoft part ways

In a quiet announcement before the election, the controversial, 18-month-old marriage with software company Microsoft to form On Australia was pronounced dead.

While neither party will admit to it, industry insiders have indicated that the pair had irreconcilable differences which became apparent almost from the outset. Telstra refuses to discuss what happened, claiming it would be unfair to talk about it until the Telstra board meets to formalise its decision to acquire 100 per cent equity in On Australia.

According to On Australia's marketing director, Tim Pethick, the so-called buy-out will be more of a 'nod and a wink' between the two parties than a real exchange of cash.

On Australia was a bold attempt to perfect the notion of a 'proprietary network' which would offer users a secure, porn-free environment with content filtered by Microsoft. But it

was clear early on that there was little incentive for Internet users to pay to be part of an exclusive network when they could access the vast network independently at a very low cost.

The writing was on the wall last December when Microsoft announced that it was focusing its Internet aspirations more on the World Wide Web.

The new chief of the Internet service provider, Ozemail, Mr David Spence said the failure of the joint venture was not unexpected within the industry. He said all over the world, telcos have been trying to get more involved in the Internet and, so far, most of them have been spectacularly unsuccessful.

Spence said there was concern among smaller Australian ISPs that Telstra had become the Goliath of the industry. '[We're] a bit worried that they can throw so much money at [the Internet] without needing to

make profits for some time,' he said.

But the Australian Competition and Consumer Commission (ACCC) appears unconcerned about claims that Telstra is in a position of conflict with its carriage and content roles on the Internet.

ACCC spokesman Ron Cameron told *CU* that the Commission would continue to monitor On Australia only as part of its ongoing interest in the communications industry.

There is no doubt however that On Australia subscribers are currently getting a faster service than subscribers connected through Telstra-owned backbones.

The 6 megabit per second On Australia link to the US, used by just 20,000 subscribers, is definitely faster than the much-maligned Telstra Internet (formerly AARNET) link which, even at 18Mbps, still lags way behind demand. □

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## Telcos object to Net bypassing telephony

**THE DEVELOPMENT** of new software which enables voice to be carried via the Internet is starting to worry some of the world's major telephone carriers.

In March, the America's Carriers Telecommunications Association (ACTA) - an organisation which claims to represent over 130 long distance US carriers - filed a petition with the Federal Communications Commission (FCC) seeking urgent action to stop companies selling the technology which enables long distance phone calls via the Internet.

In Australia, Telstra has admitted that it is investigating the software packages for its own purposes but that 'the jury is out' as to whether they present a real alternative to current telephony. At this stage, an Internet

call requires both PCs to be equipped with the same software and voice quality is low.

Even so, more than 20,000 people around the world regularly use the Internet for long distance dialling, according to the technology research firm, International Data Corp.

An ACTA media statement of 4 March said there was a 'growing number of companies' which were selling 'software programs with ancillary hardware options that enable a computer to transmit voice conversations.' 'This, in fact, creates the ability to 'bypass' local, long distance and international carriers and allows for calls to be made for virtually 'no cost', the statement said.

It is this aspect of the technology which is clearly worrying the telcos -

most of which heavily rely on telephony for their profits.

According to the ACTA, average calls via the Internet could cost as little as US3.3 cents per minute compared to around US22 cents per minute for the average residential long distance call.

The ACTA argued that it was incumbent on the FCC to exercise jurisdiction over the use of the Internet for 'unregulated interstate and telecommunications services'.

'Technology may, once again, be surpassing government's ability to control its proper use,' it claimed.

Within two days of the ACTA petition being filed, the FCC issued a Public Notice seeking comment on the issue - 'astonishing speed' claimed one US communications lawyer. □