Richard York
Director, Telecommunications
Australian Competition and Consumer Commission
GPO Box 520J
Melbourne VIC 3001
By email: richard.york@accc.gov.au

Dear Sir,

INTERNET INTERCONNECTION ENQUIRY

Thank you for providing ISOC-AU with the opportunity to present a
submission to the ACCC's Internet Interconnection enquiry.

The Internet Society of Australia (ISOC-AU) is a non-profit,
user-focused organisation, which promotes development of the Internet
in Australia to benefit the whole community, including business,
academic, professional, and individual Internet users. ISOC-AU is the
Australian chapter of the worldwide Internet Society, the parent body
of the Internet Engineering Task Force; the large, open community of
network designers, operators, vendors, and researchers which actually
creates the protocols and standards fundamental to Internet operation.
See http://www.isoc-au.org.au

The Current Position
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ISOC-AU supports establishment of an effective competitive market for
Internet interconnection because that provides the most effective basis
for generating user benefit. ISOC-AU has received reports that the
competitive market does not operate effectively. In a situation where
the incumbent maintains a dominant position, there are concerns that
this position may not allow competitive operation of the market.

In addition, the previous response of the ACCC in declaring the 'Gang
of Four' peering arrangement among Tier 1 ISPs has prevented
competitive flexibility in the price of bandwidth and limited the
diversity of ISP offerings. Members of this group have gained
significant market advantage over smaller ISPs that cannot negotiate
comparable traffic savings.

ISOC-AU is of the view that multifaceted peering arrangements can be
established that will provide diversity in the industry and significant
benefit to users. The primary Australian example of this approach is
the WAIX peering point, which involves many large and small ISPs,
and has provided substantial, well-quantified cost benefits both to
the connected ISPs and to their customers.

ISOC-AU Recommendations
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* ISOC-AU is in favour of the declaration of Internet interconnection
  services.

* Interconnection agreements may be either bilateral or multilateral,

and declaration should not favour or exclude any particular method
of interconnection.

* The ACCC should establish pricing principles for interconnection,
  such as cost-based, which also recognise the practicality of
  zero-settlement peering.

Discussion
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There are two approaches to interconnection: bilateral and
multilateral. Bilateral interconnections occur between two ISPs on
specific links between them, and may require ACCC pricing regulation
over a mesh of individual agreements.

Multilateral interconnections are based on peering points, or Network
Access Points (NAPs), with links to multiple ISPs. The infrastructure
for data exchange is shared between the ISPs, and because the
incremental cost of linking to another ISP at the same NAP is
essentially zero, interconnection may take place on a settlement-free
or zero-settlement basis.

The financial and technical barriers to entry for establishment of a
NAP peering point are very low, so while commercial interconnect points
are viable, any potential market dominance would be balanced by the
easy availability of alternate not-for-profit peering points.

ISOC-AU believes that membership of a peering point should not require
any ISP to offer transit of traffic outside the specified region; that
is, ISPs are free to offer transit services at a NAP at whatever cost
the market might dictate.

Yours faithfully,
Tony Hill
For the Directors of
the Internet Society of Australia