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**INFORMATION ECONOMY**

**Presentation to OECD**  
**Workshop on Internet Traffic Exchange**  
**7-8 June 2001**

**Issues in Internet Charging from**  
**an Australian Perspective**

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Australia

## Slide 2

There is a need for consensus  
among governments.



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## Slide 3



- Skilled workforce.
- Labour market conditions.
- Deregulated telecommunications market.
- Research capability.
- Right financial climate for innovation.

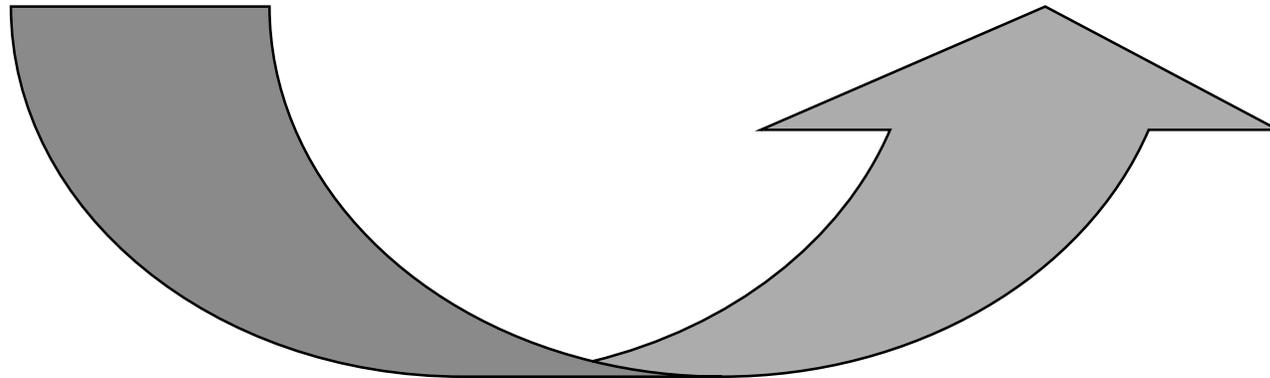


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## Slide 4

Australia had one of the OECD's  
higher growth rates in the  
1990s.



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## Slide 5

# What is Australia doing?

- Supports open access to its markets and
- Fair competition within its markets.



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## Slide 6

### Economist Intelligence Unit report

- Australia second in international readiness for e-government
- reflecting Australia's commitment to open markets within a comprehensive governance framework.



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## Slide 7

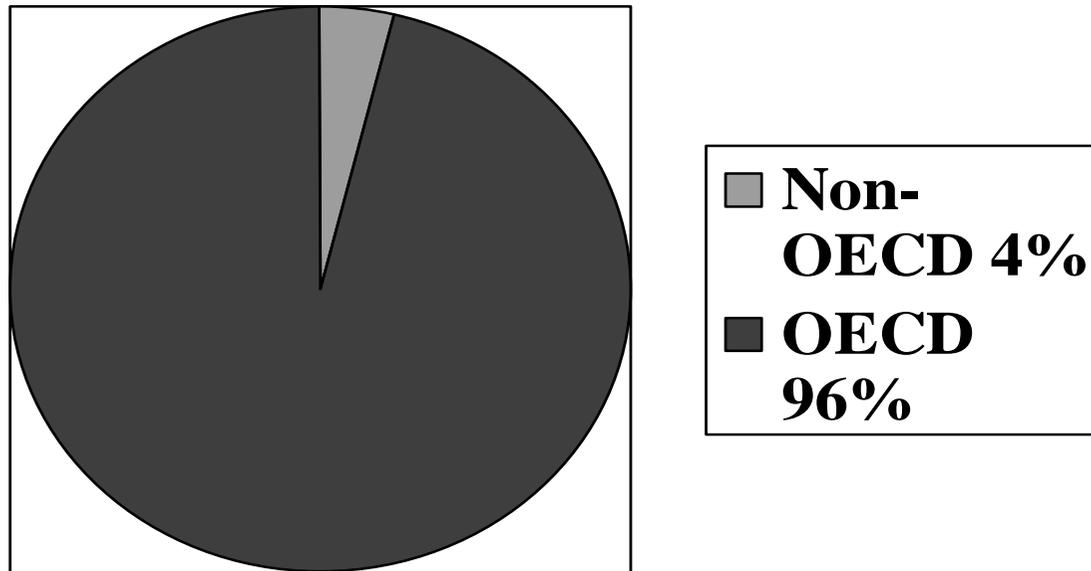
# Structural Convergence

- Affects all knowledge and transaction-intensive services industries, including telecommunications, finance, broadcasting, education, health, and retail.



## Slide 8

# World Share of Internet Hosts Oct 2000



(Source: OECD Communications Outlook 2001)

## Slide 9

# International Internet Charging Arrangements

How international Internet charging arrangements affects competition.



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## Slide 10



- Telecommunications historically provided by government with heavy regulation,
- IT has been free market with little or no regulation.



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# Slide 11

## Internet

- Telecoms perspective - service of hauling and delivering bits;
- Internet entrepreneurs - selling connectivity.



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## Slide 12

Concentration of global traffic in Tier1s

- 1 Non-Tier1s pay all transport costs to and from Tier1s, regardless of usage.
- 2 Tier1s on-sell “global connectivity” provided by other networks.
- 3 Smaller and more distant networks at a greater disadvantage.



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## Slide 13

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- 4 Cost penalty on remote economies works against decentralising global information economy and reinforces US-centric Internet.
- 5 Investors outside the US buy into Tier1 model to gain Tier1 traffic exchange status, further concentrating investment in one market.

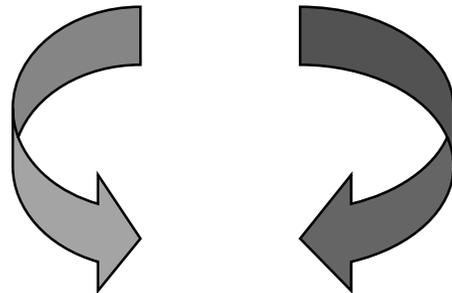


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## Slide 14

Carriers and ISPs from outside the US pay for international packet transport to and from the US, plus “port charges” for access to US network facilities.

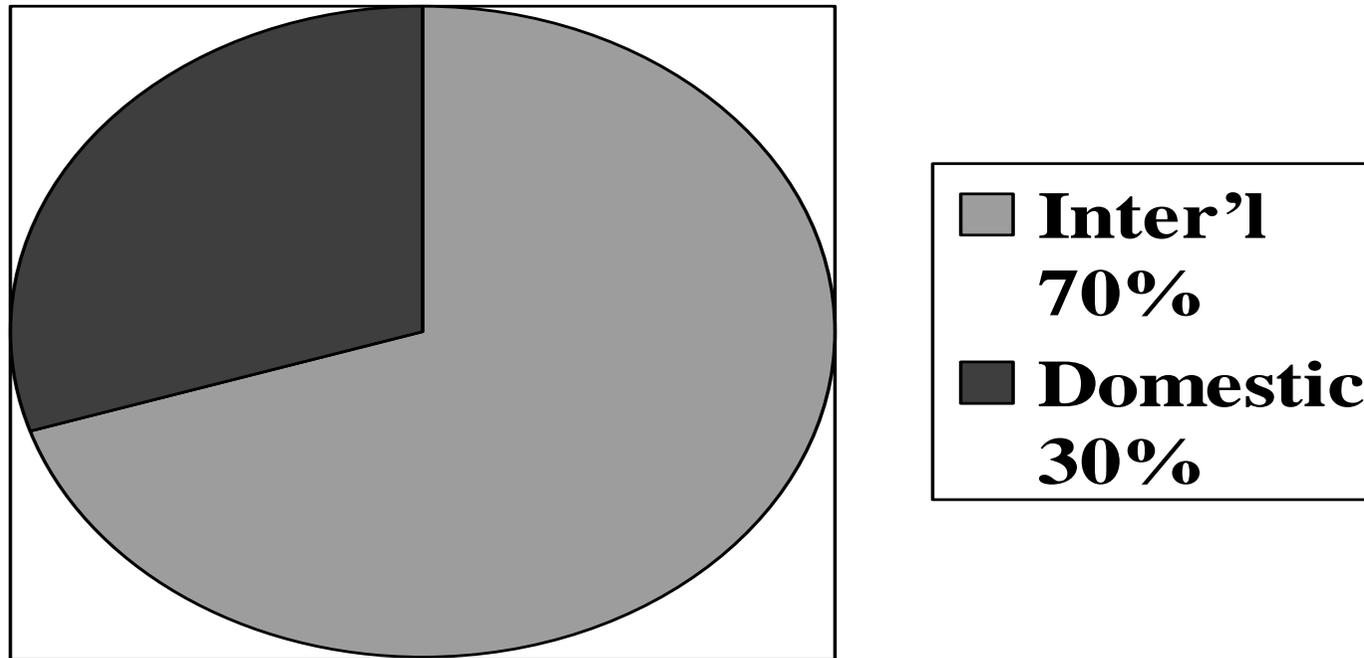


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# Slide 15

## Australian Internet Traffic

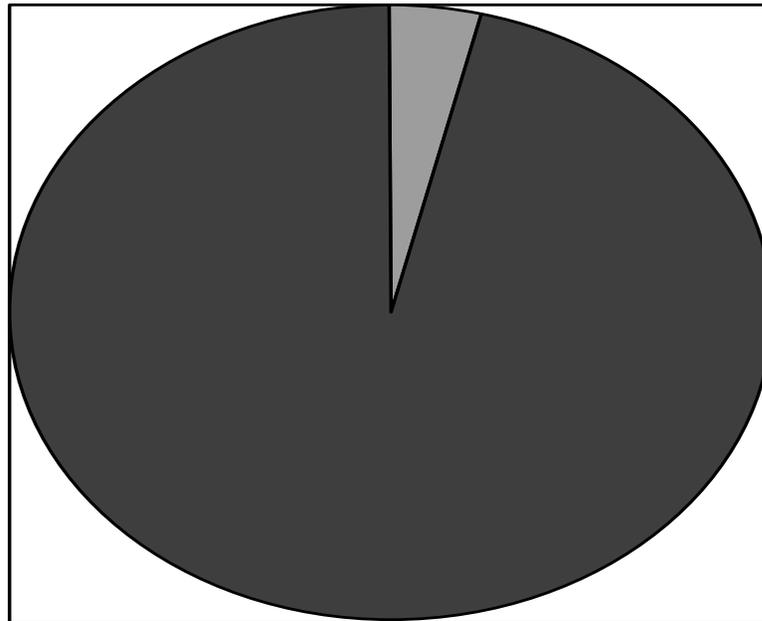


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# Slide 16

## Australian Telephony Traffic



■ **Inter'l 4%**

■ **Domestic  
96%**



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## Slide 17



Australia is competitively disadvantaged

- ISPs have less funds to invest in networks;
- higher costs to content and applications providers;
- higher cost of doing business; and
- higher prices paid by our Internet users.



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## Slide 18

### International Fora and Internet Charging

- Australia has raised, particularly in:
  - APEC
  - International Telecommunication Union and
  - the World Trade Organisation.



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## Slide 19

### Conclusion

- Robust business models are not yet in place.
- They are essential to the long term growth of the Internet and the distribution of benefits.



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