

What Conroy, Quigley, ACMA, Pipe Networks, Alcatel Lucent, Juniper, Ericsson, Telstra Wholesale said

What a real fibre entrepreneur thinks about the NBN's business case

COMMUNICATIONS DAY

WEDNESDAY 21 APRIL 2010

AUSTRALIA/NEW ZEALAND EDITION, founded 1994

ISSUE 3732

ACMA gets tough on consumer protection: "We're not waiting for anyone anymore"

A drastic shakeup is looming for telco regulation as the Australian Communications and Media Authority takes a hard line on bringing consumer protection up to speed.

And the federal government is throwing its full weight behind the initiative, seeking to empower the ACMA to create new industry standards for consumer protection – with transgressors risking penalties of up to a quarter of a million dollars.

Speaking at the CommsDay Summit in Sydney, ACMA chair Chris Chapman said that the ever-increasing complexity of telecoms systems and accelerating convergence augured “the end of a framework built around simple voice services.”

While acknowledging the efforts of the Telecommunications Industry Ombudsman and its connect.resolve campaign, Chapman said that “early indications since the campaign stopped are such that we are not confident that this improvement is going to be sustained.” He dismissed the “ad-hoc incrementalism” necessary to adapt the legacy regime to tackle issues like premium SMS price shock, saying that “to put it bluntly, the ACMA is tired of playing catchup.”

To get the regulator onto the front foot, Chapman announced an entirely new consumer protection strategy, dubbed ‘Reconnecting the Customer’ and designed both to combat existing issues and forge protections for consumers going forwards. The twelve-month strategy is set to encompass:

- an ACMA inquiry into the “vexed issue” of telcos’ customer complaint handling
- a stronger ACMA role in the Communications Alliance’s review of the Telecommunications Consumer Protections Code
- the establishment of a regulatory forum to promote heightened collaboration between regulators, government organisations, user and consumer groups
- a thorough investigation into how current consumer safeguards fit the contemporary landscape – and whether co-regulation can be sustained.

Chapman also pledged that the regulator would “lift its general facilitation game” with improved stakeholder engagement – but warned that it would not shy from heavy-handed legal action where collaboration alone proved inadequate for consumer protection. “If we see that there is general misconduct or some broad market failure in the telecommunications sector, then we will consider choosing some egregious examples of that misconduct or failure and testing those examples in the courts,” he said.

“I am nailing the Authority’s colours to the mast. We’re not waiting for anyone anymore.”

ACMA’S A\$250,000 HAMMER: Communications Minister Stephen Conroy, meanwhile, welcomed the ACMA’s initiative and detailed a range of complementary measures from the Federal Government. These included a planned Telecommunications Act amendment allowing the regulator to develop industry standards for consumer protection, at ministerial discretion – with failure to comply incurring penalties of up to A\$250,000 for corporations and A\$50,000 for individuals.



“Unlike a consumer code, a consumer protection standard will be developed by the regulator, who will need to balance the interests of consumers with those of the industry,” said Conroy. “It will be directly enforceable by the ACMA and therefore, it will be a more powerful and flexible instrument.”

The minister revealed additional plans for further amendments to allow consumer-related Service Provider Determinations to be made, and consumer protection codes to be varied rather than replaced – a bid to fix what he called a “cumbersome and inflexible” industry code development practice. He also noted a number of consumer-centric provisions in the Competition and Consumer Safeguards Bill (currently stalled in the Senate), including proposals to strengthen the Customer Service Guarantee and the Universal Services Obligation, and new enforcement powers for the ACMA including the ability to issue infringement notices.

Petroc Wilton

Conroy, Quigley hit back at NBN ‘misconceptions’

The two key figures in the national NBN rollout, communications minister Stephen Conroy and NBN Co CEO Mike Quigley, hit back at detractors of the project in keynote speeches at yesterday’s Comms-Day Summit in Sydney. The pair tackled a range of concerns including the commercial viability of the project, the wholesale-only status of the network, and the potential to use cheaper wireless technologies.

Intending to “blow away a few misconceptions,” Quigley said that his comments to a Senate committee last week suggesting that the investment would need a 30-year payback period had been taken out of context. “The suggestion that we won’t generate a return for 30 years is wrong,” said the NBN Co head.

Quigley claimed that the project would be EBITDA-positive before the end of construction and would be net-income positive a few years afterwards, adding that the government’s equity contribution would be paid back during the life of the project, which he said was a normal timeframe for a telecom project.

WIRELESS CLAIMS: He also suggested that some commentary regarding the potential to use a predominantly wireless approach to make broadband available was misguided. “I’m a big fan of wireless but we have to be realistic and we need to clear up the misconception that it’s either wireless or fixed, because as we know it’s both,” he said.

Quigley produced some internal research that showed with contention ratios of 5 to 1 and use of the entire digital dividend spectrum, 80,000 cell sites would still be necessary to provide 5Mbps wireless access across the country, compared to only 16,000 cell sites in use by the entire industry today. He added that on LTE networks you would only get a maximum 75Mbps speed, assuming a strong signal and only one user per cell.

“It’s no accident that fibre to the premise is happening on a worldwide basis” Quigley said. “And even if you did have 80,000 cell sites, what would you connect them with? Fibre!”

WHOLESALE FOCUS: Meanwhile, both Quigley and Conroy were at pains to emphasise that the NBN would stick to its original wholesale-only remit, with Quigley suggesting that there would also be wholesale-competition in network layers above NBN Co.

For his part, Conroy dismissed suggestions that the NBN Co could become another vertically-integrated operator and also noted that the return on investment from the venture would be “utility-style returns” but that it would be an enabler for the rest of the economy.

“As we have continually pointed out, the NBN will be the enabling, wholesale-only digital platform upon which the economy operates, innovates and competes in the 21st century,” Conroy said in his keynote. “Any examination of the NBN must also take into account that it will not be a vertically-integrated operator, or a small scale niche provider. It will be a ubiquitous wholesale-only provider.”

But he also conceded that the exposure draft legislation had caused problems within the industry by suggesting that NBN Co be allowed to offer retail services under certain conditions.



“We understand there is industry concern on elements of our NBN Co exposure draft bill and we are carefully considering the feedback before we finalise the legislation,” he said.

MISSING REPORT: Conroy also hinted that the long-awaited implementation study would provide much of the missing business and operational detail that the opposition and industry commentators had been calling for, noting that it will be released before the Budget on May 11.

“As much as I would like to give this ‘scoop’ to the CommsDay Summit, unfortunately I will not be releasing the report today,” he said, adding that the document was over 500 pages long and contained 84 recommendations.

“It includes advice among other things on the detailed operating arrangements, network design, financial analysis, the structure of the company and the legislative framework around how the NBN should operate,” he said, also noting that its release would allow for more informed NBN discussion in future.

Geoff Long

Pipe CEO calls for NBN 2.1

Outspoken Pipe Networks CEO Bevan Slattery has called for a complete rethink on the NBN project, stating flatly that the project is economically irresponsible and that it will inevitably fail.

Delivering a keynote at the CommsDay Summit in Sydney, Slattery noted that his credibility was on the line but also pointed out that he’d made the call that the NBN in its original incarnation would not go ahead and predicted the same fate would befall the current NBN plans unless they were changed.

“History says we have some credibility in this area,” he said.

Slattery stated bluntly that it would not be possible to get a “reasonable commercial return” under the current rollout plans. “A 30-year payback is not a commercial return. This is the real issue – you will not get a commercial return on this project.”

He claimed that once taxpayers realise that they have been misled, then the rollout would be halted at perhaps just 70 percent of the population, leaving the people most in need of broadband still with no viable form of access.

“The people that don’t have broadband will be stranded again,” he said.

NBN 2.1: Rather than scrap the project altogether, Slattery proposed plans for what he dubbed NBN 2.1, which would involve targetting underserved areas with a mixture of fibre and wireless and input from the government of \$10 billion.

He said NBN Co had enough expertise to refine the project so that it would benefit more underserved areas. “Get NBN Co in consultation with experts and industry to create a modified blueprint for NBN, still keeping the core principles of wholesale-only, majority FTTH but with FTTN and wireless,” he suggested.

Under the Slattery proposal, priority would be given to the core network and distribution networks, which he said could create positive change in just four years. “It will be much easier to negotiate with the incumbent once you have the core and distribution sorted out,” he suggested. “Use government funds to deliver NBN service to those that will generate the highest improvement in productivity and social need and benefit.”

“We’re talking about modification, we’re not talking about throwing anything out. It’s a socially responsible investment in commercially unviable areas, that’s what this is about,” he concluded.

WIRELESS PUSH: Slattery wasn’t the only speaker advocating a greater policy bias towards wireless. BigAir CEO Jason Ashton pointed out that wireless broadband was set to overtake fixed broadband as the predominant access network for consumers by the end of this year. As a result, he claimed wireless could scuttle NBN Co’s plans for 12 million users of the new infrastructure.

“My concern is that all the time and effort with NBN to provide fixed access may amount to nothing.



We may end up saying ‘Why did we bother?’ Consumer wireless adoption is growing and will have a significant impact on the NBN business case,” he stated.

He said he was wary of suggestions that there was pent up demand for higher-priced fixed access plans, noting that most users today don’t buy faster but more expensive broadband plans. “I have serious doubts about the take up as it’s being indicated,” Ashton noted.

The BigAir CEO conceded that services such as IPTV and video on demand would “not travel well over wireless”, but countered that fixed wireless services were a more economical choice in underserved areas and were faster to implement.

“The speed to market advantages of wireless are often a deciding factor in competition with fibre infrastructure. There will always be a role for deploying wireless in high speed infrastructure.”

He also pointed to some of the improvements in fixed wireless technology, noting that Gigabit radio systems had dropped in price by more than 50 percent, while 10 GB Ethernet point to point wireless systems were expected to be available in the next two years.

Geoff Long

CommsDay Industry Pulse: 33% support NBN 2.0, 34% oppose

Australia’s communications industry executives are evenly divided on whether or not they support the Australian Government’s National Broadband Network plans.

CommsDay released its 2010 Industry Pulse survey results last night at its annual dinner in Sydney, based on 301 polled CommsDay readers—representing senior management and officeholder positions amongst Tier 1 and competitive carriers, network suppliers, regulatory agencies and other telecom organisations & companies.

Asked whether they supported the NBN 2.0 policy, 34% said no, 33% said yes and 33% said they don’t know.

Then asked if they would personally buy equity in NBN Co given what was known about it, 62% said no, 17% said yes and 21% said don’t know.

On other questions:

- 52% said that the growth of wireless broadband to the point where it is rivalling DSL’s numbers would place more pressure on the NBN policy;
- 44% said the NBN was the greatest uncertainty facing telecoms this year, with 24% nominating the future of Telstra.
- 54% said new undersea cable capacity would lead to a price war but just 13% thought it would lead to a repeat of the 2001 bandwidth bubble;
- Asked what the hottest technology was in 2010, LTE came no 1 followed by the iPad. But when asked what was the most over-hyped technology, again LTE came first, followed by the iPad and then FTTH/NBN.

Interestingly, 48% said their organisations were expanding into new markets this year, with 26% doing nothing different and 25% cutting prices.

The Pulse is in its second year and was released last night at the CommsDay Vocus Annual Dinner.

Grahame Lynch

Juniper, Alcatel-Lucent urge focus on potential, not politics, for high-speed networks

Debate around high-speed networks must transcend political wrangling and access technology arguments to explore the potential for a range of innovative applications – or risk that potential never being realised, argue Juniper and Alcatel-Lucent.

Representatives from both firms delivered addresses at the CommsDay Summit in Sydney, emphasising an immediate and pressing need to stimulate trans-sectoral thinking about what benefits ubiquitous

high-speed broadband might bring. Alcatel-Lucent Australia MD Andrew Butterworth warned that waiting for the NBN or other projects to be completed could see Australia fall behind the curve.

“If we wait for critical mass before we start the innovation cycle – then other countries are going to leap ahead,” he told CommsDay. “High speed broadband is going to become a reality – so now we need to think about how we’re going to use it.”

Butterworth suggested that the lowered access barriers resulting from the planned NBN could see “a whole new class of organisation” joining the comms sector, with firms from healthcare providers to media outlets becoming specialised niche service providers. “We see a future ecosystem where there is a many-to-many relationship between retail service providers and the millions of homes and organisational premises,” he said. And he urged the industry to look beyond the politics of a national infrastructure deployment to engage with these potential new players sooner than later.

“We can be, and we should be, more active in the marketplace to help everyone understand what this thing can do... and I’d encourage all our competitors to do the same,” he added. Alcatel-Lucent is currently considering investments to help galvanise related innovation.

JUNIPER’S US\$50M INNOVATION SPUR: Juniper is already providing tangible incentives for developers pushing the potential of next-generation networks with a global US\$50 million fund dedicated to the purpose. But the firm’s APAC VP for service providers, Matt Kolon, emphasised the need to provide a network to support innovation of this kind.

“What service providers have to be able to do for customers is to innovate themselves and allow others to innovate. You can’t do it by yourself, no service provider can – not Telstra, not Optus, not anybody in the US,” Kolon told CommsDay. “We’re getting to a spot where this cloud of networks is providing access to everybody... the innovation that represents is what has to be fostered by this network.”

And Kolon warned against getting too consumed against debate over the access technology. “Fibre to the home has become a codeword for really good service – but people don’t experience the network, they experience the service,” he said. “As a consumer, what you want is for this thing to happen so that your quality of experience can go up... so you get access to an infrastructure that’ll allow you to get the services that you want, from plain old internet access up to anything that you can imagine. And the mechanism by which it’s delivered is kind of immaterial.”

Petroc Wilton

Telstra Wholesale stays focussed on customer satisfaction, undeterred by separation threat

Telstra Wholesale will focus on customer satisfaction as it looks to trial an open access model, the firm’s wholesale GMD Paul Geason told the audience on the first day of the CommsDay Summit.

Geason reaffirmed Telstra Wholesale’s commitment to customer service in the midst of market distractions such as the prospect of separation and the NBN rollout.

“Customer service is an absolutely critical element for Telstra right now. This is reflected in key targets. Everyone at Telstra now carries KPIs with respect to customer service and satisfaction,” he said.

Geason told the delegates assembled that he is undeterred by the new challenges the telco’s wholesale arm faces. “Despite the prospect of some sort of separation, despite the emergence of NBN Co and its effects on the market...at Telstra Wholesale we are taking it on the chin and staying focussed. There will be wholesale markets in the world of NBN Co and we are excited about that.”

Geason took the opportunity to announce the introduction of an open access FTTP trial at Point Cook, Victoria. “This is our fibre to the premises trial...which we have had quite a lot of interest in from our customers. We want to ensure that they can participate in that program with wholesale offerings of that fibre infrastructure also.”

Telstra Wholesale will continue delivering product innovation, promised Geason, as he introduced the firm’s business data access service. “It is an offering which tries to take out the complexity of the technology choice that customers have when thinking about business data access.”

Miro Sandev

AMTA to Government: time for action on spectrum

The Australian Mobile Telecommunications Association has called out for timely government action on spectrum delivery to capitalise on surging mobile demand.

Speaking at the CommsDay Summit, AMTA CEO Chris Althaus reiterated that “AMTA strongly supports the government target digital dividend of 126Mhz of contiguous UHF spectrum in the range of 694-820 MHz. AMTA also contends that the maximum value of the digital dividend will be achieved when the full 126 MHz is used to deliver mobile telephony and broadband services in Australia.”

Althaus pointed to AMTA research detailing the growth of 3G subscriptions in Australia by 88% in 07-08 and a further 44% in 08-09 – accounting for more than 50% of all mobile subscriptions – as evidence of the need for further spectrum allocations in this space. “Mobile broadband subscriptions increased by 162% in 08-09 to 2.1 million and made up 25% of all internet subscribers in June of last year,” he added.

He also cited an AMTA and Access Economics study that revealed that the mobile telecommunications sector made a total contribution of A\$14.20 billion to the economy. “The study reveals that the sector is punching above its weight inasmuch as it contributes more indirectly (A\$7.63 billion) than it does directly (A\$6.47 billion). It is a key enabling technology,” Althaus explained.

AMTA is expecting 70% of mobile data traffic to be video related. “Volumes of that level are going to place high stresses on infrastructure, including radio frequency spectrum,” concluded Althaus.

Miro Sandev

Ericsson: cash-stash on offer for enterprising operators

Ericsson believes there will be significant revenue growth opportunities for operators in the shift to what the firm envisages will be a world of 50 billion connected devices by 2020. But to take advantage of these, argues the vendor, operators must be willing to consider new business models.

“If operators could generate just \$1 ARPU per month for each of the additional 42 Billion connections by the year 2020 this would translate to half a trillion dollars of telecoms revenue for the industry each year,” noted Sam Saba, Ericsson Australia NZ MD.

New business models could address the interest in connectivity that is emerging, according to Saba. He revealed that an Ericsson survey conducted across the UK and US found that 25% of the respondents aged 15-49 willing to spend \$29-\$46 to connect their gadgets.

Saba advised that “operators must also give consideration to their specific network requirements to support these new business models, such as scalability and capability of existing network functionality.”

Miro Sandev

COMMS ALLIANCE RELEASES NBN PASSIVE OPTICAL PAPER

Australian comms industry peak body the Communications Alliance has released a draft paper defining the passive optical infrastructure for the National Broadband Network. Developed by the Technical Working Group of Comms Alliance’s NBN project, the paper touches issues such as factors impacting the optical budget, dimensioning parameters, and testing challenges. Submissions are due by 7 May.

AARNET TO PUSH SPEEDS OF UP TO 100 GBPS WITH NBN

Chris Hancock, CEO of the Australian Academic and Research Network, has claimed that researchers at the institution could be running speeds of up to 100Gbps once the NBN is rolled out. “Most homes in 2010 will be receiving up to 1-20Mbps. Our researchers are now running between 1-10Gbps. This will reach 100Gbps per second when NBN is completed. We expect to be running to the edge, the researchers desktop -which is different to the gate of the university – speeds of up to 100Gbps.” Hancock also suggested that while the general populace may not need speeds of up to 100Mbps, research centres will certainly need these speeds as soon as 2010.

Vodafone plan triggers Commerce Commission rethink on MTR

A new prepay plan from Vodafone has seen the Commerce Commission rethink its earlier recommendation on mobile termination rates.

Vodafone's plan, launched last week, allows prepay customers to get 200 minutes of voice calls for NZ\$12. The deal includes calls to any land lines, but only applies to mobile calls made on Vodafone's network. At 6 cents per minute, the plan is markedly cheaper than any other mobile offer in New Zealand. It represents a huge discount from Vodafone's standard 89 cents per minute rate. More importantly, because of MTRs, it poses a significant competitive threat to market newcomer 2degrees.

In February, the Commerce Commission recommended Telecom NZ and Vodafone's final undertakings MTRs to Communications Minister Steven Joyce. The alternative would have been government regulation. The recommendation was a split decision with two commissioners voting for and one against.

One reason behind the Commerce Commission decisions was a belief the differential between on-net and off-net calls would fall. Vodafone's latest move has widened the gap.

Earlier this week Joyce asked the Commerce Commission whether the new on-net plan is material to whether smaller operators can compete with Telecom's and Vodafone's on-net rates. A media statement issued yesterday by Telecommunications Commissioner Ross Patterson said it could be.

He said the plan "may have the potential to affect the basis for the Commission's recommendation in the final report."

2degrees has previously argued Telecom and Vodafone could use on-net plans together with relatively high MTRs in a pincer movement to smother competition.

Vodafone has argued the new NZ\$12 deal can't be seen as an on-net plan because it allows calls to any landline. The company responded to forum comments on Geekzone.co.nz yesterday, saying "the Commerce Commission has raised some points and we hope to discuss it with them as soon as possible."

Telecom NZ issued a media statement calling for a "speedy resolution to the ongoing investigation into mobile termination rates." The company also asked for the investigation into Vodafone's new rate to be separated from the broader MTR question.

The statement quotes Tristan Gilbertson, group general counsel, who said: "we still prefer a self-regulated outcome, which will provide immediate certainty to customers and the industry."

Gilbertson said Telecom NZ doesn't differentiate between on-net and off-net calls on its XT network. However Wellington telecommunications consultant Steve Biddle said the company offers a NZ\$1 plus GST fixed rate for calls up to 60 minutes to any call terminating on the Telecom NZ network. He said if the Commerce Commission has issues with Vodafone's pricing surely this must also be worth investigating.

Bill Bennett

TELSTRACLEAR PLANS TO CUT UP TO 170 NZ WORKERS

The Engineering, Printing and Manufacturing Union said yesterday TelstraClear plans to move up to 170 call centre jobs from New Zealand to the Philippines. Yesterday's news follows a five-month study conducted by the company to see whether it would be cheaper to outsource the work. Around 75 workers at the company's Christchurch office were told on Monday it was likely their jobs would be cut. The company also has a call centre in Parapararumu near Wellington. In a statement, EPMU organiser John Kerr said: "We've been making the case to keep these jobs in New Zealand since last November when TelstraClear said they were conducting a feasibility study into shifting their call centres offshore. Today they told us they thought the case for going offshore stacked up."

Real fibre entrepreneur disputes NBN bullishness

Can the NBN generate a commercial rate of return? Senator Conroy says just wait for the implementation study. Mike Quigley says the business model tells him it will, notwithstanding that he told the Senate Select Committee last week that it could be 20 to 30 years before the government got a equity return. Now Quigley believes the company will be EBITDA positive before the end of the build and “we’ll be repaying all government equity in 20 – 30 years”. But respected industry leader Bevan Slattery says of the NBN “you can’t get a commercial return – you can’t do it.”

Slattery’s view is at odds with the whole concept of the NBN as a commercial venture which the government believes will initially attract up to 49% private sector equity and be a candidate for full privatisation within five years of the build being completed. Yet if its to attract private sector interest the return will have to be well above 10% despite all the hype about the NBN as a utility which would satisfy investors with a low rate of return, comparable to water gas and electricity.

The utility argument is a persuasive one. Quigley says the NBN is merely doing the plumbing, as though the network was a risk free collection of big pipes. Unfortunately that’s not how the markets see telecoms, especially NGN investments – telecom networks are high risk compared to the single product, reticulation networks found in the utility sector. As Babcock and Brown found out when they tried to structurally separate the Irish incumbent Eircom, the markets won’t buy the wholesale, utility argument – telecoms is too a risky business.

But you don’t even need to go to the markets to start to question the wisdom of sinking \$30-\$40 billion into a wholesale only network. If it was such a gold plated proposition why aren’t others pursuing it? It might just be it doesn’t work. There is of course no example of a national, structurally separated networks other than Singapore, hardly a ‘fit’ for Australia and the smaller examples aren’t traveling too well.

The municipally owned Utopia FTTH network in Utah which planned to cover 250,000 premises only has 20,000 subscribers after six years and the US \$600 million municipal debt that now underpins it has doubled. In Holland the commercially driven Reggefiber rollout hit funding difficulties in 2009 as it set out to pass 500000 homes. It was bailed out by the Dutch incumbent KPN which now owns 41% of the network and KPN is selling FTTH services from its strength as a vertically integrated operator. There has been little demand from other service providers for Reggefiber’s open access wholesale offerings.

And simple logic suggests that if you are going to repay equity within 20 to 30 years NBN Co will need around \$7 billion a year, earned solely from wholesale access. NBN Co claim they’ll only occupy a small part of the value spectrum, perhaps no more than the 25% of the revenues that Axia’s Art Price believes will lie at the transport layers in the age of NGN.

That means the value of the fixed line access market in Australia will have to more than double to accommodate the NBN and NBN will have to capture every access dollar because the NBN will just be carrying bits and the value from new ‘un-thought of’ applications will accrue to RSPs. All those bits are unlikely to stack up to a commercial return and as Bevan Slattery points out expecting the NBN to generate commercial returns is not merely a big ask – it’s unsustainable.

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