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### Alcatel Aust. welcomes global restructuring

The CEO of Alcatel Australia has welcomed the company's recent global restructuring saying it reflects the way the Australian company has been operating for some time.

### Redfern Broadband gets another \$US 11 million

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A massive disruption to the global Internet by a new worm enlivened an otherwise quiet news week which saw Vodafone announce its Australian and global subscriber data for the last quarter. Next month, the start of court hearings in the One.Tel liquidator's attempt to recover for creditors \$19 million paid to directors could make for some interesting news.

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## Alcatel Aust. welcomes global reorg

**The CEO of Alcatel Australia has welcomed the company's recent global restructuring saying it reflects the way the Australian company has been operating for some time.**

Alcatel announced, just before Christmas, that it would restructure globally into three divisions each dedicated to a distinct market: fixed communications and mobile communications (network infrastructure and terminals) for carriers and service providers and private communications, which will address markets other than telecommunication carriers, such as enterprise, space and large institutions.

Alcatel's global CEO, Serge Tchuruk, said: "The implementation of this new organisation is also an opportunity to better ensure a greater efficiency in the execution of the ongoing restructuring plan. It will reduce costs while positioning the group as a solutions-oriented company, fully market-driven." The company said it anticipated the fixed network business to account for 40 percent of sales and the other two 30 percent each.

**We've been saying to the rest of Alcatel that it needed to move towards a solutions focus rather than silos, and now its done that.** - Ross Fowler, Alcatel Australia

Alcatel said that each group would be responsible for "developing end-to-end network solutions optimising and guaranteeing performance and quality of service," would offer its customers "a range of services to reduce operating expenses, based on long term partnerships," and would "design communication solutions to provide new revenue streams with a broad range of value added applications".

Its previous structure, still listed on its web site, is Service Provider, Enterprise Networks; Consumer Products, Space; Optronics and Additional Businesses which embraces transport automation, batteries, power converters, motors and gears, radio frequency systems, vacuum technology and printed circuit boards.

### From silos to solutions

Ross Fowler, CEO of Alcatel Australia, told *Exchange*: "Globally Alcatel was divided into a whole lot of silos: broadband networking, switching and transmission. To a large extent locally, we converted those into solutions for our customers. We've been saying to the rest of Alcatel that it needed to move towards a solutions focus rather than silos, and now its done that."

He said Alcatel Australia had previously achieved its customer focus with an overlay layer that mapped the global Alcatel organisation to the local customer organisation.

"I think that will still be needed but they'll be able to spend less time internally developing solutions, leaving that to Alcatel, and spend more with the customer."

Former Alcatel Australia executives, Ron Spithill and Mike Quigley have played a major role in driving the restructuring, Fowler said and will have significant roles in the new organisation. Quigley, currently head of Alcatel's US operations, will move to Paris to head the largest business unit, fixed communications, as well as retaining his current role. Fowler's predecessor, Spithill, is currently based in Shanghai as head of Asia Pacific, and "is playing a very big role in making sure we have this solutions focus," Fowler said.

### ACCC to publish carriers' market data

The ACCC is proposing to require the regular release of basic 'market indicator' information: revenue, usage, market share and market growth information for a range of retail and wholesale telecommunications services provided by Telstra, Optus, Vodafone, AAPT and Primus.

The proposals are contained in an ACCC report outlining its views on the further public disclosure of information collected via the telecommunications record-keeping rules. Currently Telstra, Optus, Vodafone, AAPT and Primus are required to provide information under these rules.

The commissioner responsible for telecommunications, Ross Jones, said. "It would appear that release of this information will improve the transparency of ACCC decision-making. It will also assist stakeholders in making submissions to the ACCC on such matters as the development of competition in telecommunications markets... This proposal would mean that a comprehensive industry-wide set of authoritative data about market developments would be publicly available. Importantly, it will complement the Government's plans to implement a more comprehensive accounting separation regime for Telstra". The final report follows the release of a draft report in August 2002. The report is available at [www.accc.gov.au](http://www.accc.gov.au)

### Telstra, Foxtel seek digital TV exemption

The ACCC has issued a discussion paper on applications lodged by Telstra and Foxtel to be exempt from access regulation of digital pay TV services. They have requested exemption on the basis that, prior to undertaking the necessary investment they require certainty about the terms and conditions upon which access to these networks may be granted to third parties. Foxtel and Telstra have already provided court-enforceable undertakings on access for competing pay TV operators to Telstra's digital HFC network and Foxtel's digital satellite and cable set-top units. The undertakings were provided last year to meet the ACCC's competition concerns about the Foxtel-Optus content supply arrangements. The ACCC says it will assess the exemption applications "in an open public process. All available information will be taken into account, including relevant material

"We have been through so much in Australia in the last year its very heartening to see the corporation aligning to what we want it to be and having Ron and Mike at senior levels has helped us get that message across," Fowler said.

Two years ago Alcatel had about 1280 employees in Australia and New Zealand, excluding the now defunct submarine cable business, and is now down to around 800. Fowler said: "I think that is about the right level but it depends on how the market goes. We have to be very flexible."

The majority of the company's business in Australia is still in fixed networks but the company has been enjoying some recent success in the mobile handset market and believes it has the product to address the growing MMS and SMS market.

"We did a large handset deal with Optus last year and had very good sales in the lead up to Christmas...[and] We have done very well with Vodafone in New Zealand." Fowler estimated the company had about three percent of the market overall and about 10 percent of the prepaid handset market.

### **Focus on mobiles & access**

On the mobile network side, Alcatel supplies the IN platforms supporting Vodafone's prepaid and VPN services but Fowler said that Alcatel's main focus now was positioning itself for future sales, with its role in the Adelaide-based experimental 3G network operated by m.Net as a key component of this strategy. "We're doing work with several carriers on multimedia applications based on our Nextenso platform, but it's very embryonic.

"All the carriers are worried about networks become commoditised and they want to have intelligence in their networks to give added value to customers. Nextenso is our first big foray into that area," Fowler said.

Nextenso is a proxy server designed run a range of applications which enable mobile operators to add value to content sourced from other platforms. The main customer to date is French mobile operator, Orange, and Nextenso is also running on m.Net as the application development platform.

According to an Alcatel press release announcing the trial of the Nextenso platform on m.Net it "supports SMS, WAP, MMS, GPRS and 3G applications. The program provides access to APIs such as centralised database, caching and content studio to further enhance the development possibilities...applications can be validated and demonstrated over a variety of mobile networks and on any type or brand of mobile handset."

Alcatel and m.Net recently provided a week-long training session in Nextenso to a number of companies, including South Australian developers LisaSoft, Kukan Studio, Lync Software, Chimo, Recall Design and i2Net.

Another future market on which Alcatel has its sights is optic fibre in the access network. "In the past R&D in fibre optics was about getting the most bits over the longest links as reliably as possible," Fowler said.

"Now it's about getting bits as cheaply as possible to homes under widely different conditions. Access is where the future is because there is huge capacity in the backbone. We believe it is becoming economically feasible to put fibre into the home as opposed to new copper...We think the turning point is about two to three years away, but this means we have to be working on it now."

### **Stronger than expected Q4 result**

Alcatel earlier this month announced that fourth quarter 2002 sales should grow in the "high twenties [percentage] sequentially as a result of a stronger-

provided in the assessment of Telstra's and Foxtel's previous undertakings".

The ACCC seeks comments by 28 February 2003 and expects to issue a draft report in May 2003 followed by a final report in July 2003.

Recent changes to the telecommunications access provisions in Part XIC of the Trade Practices Act enable a carrier or carriage service provider to apply for, and receive, an exemption from access regulation prior to investment in a telecommunications service or the ACCC declaring access to that service. Previously an exemption order could only be granted where the service had become a regulated service.

### **Nextep expands ADSL coverage**

Nextep Broadband says that its broadband network coverage will be available nationally from 3 February 2003 with the addition of services in South Australia, Northern Territory, ACT and Tasmania. Nextep is supplementing its own network by reselling Telstra's network in areas where it does not have coverage. Nextep has also launched two new products: Nextep Private Network and Nextep Teleworking Access.

Nextep Private Network is a nationwide extension of a virtual private network service previously only available in Victoria, SW, Queensland and WA. Nextep Teleworking Access is a means for businesses with private networks to connect employees' homes securely to the network. It provides 512/128 bps ADSL connection and is available in metropolitan areas.

### **AAPT wholesales Vodafone to vRoam**

AAPT is now wholesaling a range of mobile services, provided over the Vodafone network, and has named international roaming service provider, vRoam, as its first customer. vRoam offers overseas travellers an alternative to the mobile carrier's international roaming service by providing the customer with an in-country mobile number and diverting calls to their Australian number to that overseas number. It claims costs are much less than carriers' international roaming services. It currently offers services in New Zealand, the UK, Europe, South Africa and Australia.

### **Toyota opts for SingTel IP-VPN**

SingTel has been chosen by Toyota Motor Corporation to provide, manage and support



than-expected seasonal pattern and thanks to sustained sales mainly in broadband equipment and mobile infrastructure".

The company said that fourth quarter income from operations "should be around break even [at Euro 4.1 billion] even after reserves on inventories of Euro 150 million...with cost cutting proceeding well in line with plans." The company is due to publish its fourth quarter and year-end results on 4 February.

The announcement sent the company's share price up by 20 percent, but CEO Tchuruk cautioned against excessive optimism. He was reported by Reuters at a news conference saying that it would be dangerous to read too much into the figures because telecom operators were likely to keep cutting capital expenditure this year. "The fourth quarter is a strong quarter because of seasonal factors...The first quarter is sort of the opposite."

Nevertheless, Tchuruk was reported as saying he expected the company would return to profitability some time in 2003 as it continued to cut costs and restructure.

## Redfern Broadband gets another \$US11 m

**Australian optical switching and transport systems developer Redfern Broadband Networks (RBN) has closed its third round of funding, raising \$US11 million from its existing investors, and has indicated it is close to announcing its first success in the Australian market.**

Chief financial officer, John Ranieri, told *Exchange* that the company had not sought funds from other than its current investors, who had invested in proportion to their existing shareholdings leaving these largely unchanged. The largest shareholder is Redfern Photonics with 76 percent. Other shareholders are Allen & Buckeridge, Macquarie Technology Ventures, Optical Capital Group (OCG) and Paecal Investments. This latest round brings the company's total funding since its inception in 1999 to \$US40 million.

**"We hope to be able to announce something in the Australian market very soon". - Richard Lauder, RBN**

RBN's first, and to date only, product is the RBN8200, an opto-electronic multiplexer designed for use by carriers constrained by fibre capacity in their access networks as they seek to rollout broadband access services (Exc 14/47, p6). Most sales to date have been in the USA where distributor, Advanced Fibre Communications (AFC), has been successful selling the product to telcos in the rural USA, an area ill-served by cable networks, to support ADSL services.

RBN has flagged plans to tackle other markets and to increase its product portfolio. Ranieri said the majority of the funds would go to R&D but there would be some allocated to sales and marketing, including a push into the European market.

The company's chief marketing focus to date has been Asia. Chief technology officer, Dr Richard Lauder, told *Exchange* at ITU Telecom Asia in Hong Kong in December 2002 that the company was close to signing an Asian partner. "One of our objectives [at Asia Telecom 2002] is to close that deal. We have had two trials in Hong Kong with a potential partner and we will hold one in Japan next week."

### Australian announcement soon

However he was this week unable to report significant progress on this front. "There is nothing we can actually say at this point. We made good progress

its telecommunications network throughout the Asia Pacific, using the SingTel ConnectPlus IP-VPN MPLS based service. SingTel will provide Toyota with international voice service over the same network.

### AAPT signs for four more ACIF codes

AAPT has signed up to a further four ACIF codes: commercial churn; customer transfer; mobile number portability; and life threatening and unwelcome calls. In June 2002, AAPT signed up to ACIF codes covering billing, credit management, complaints handling and customer information on prices, terms and conditions.

### Vodafone links up with Yahoo!

Vodafone Australia has launched a service enabling its customers to receive, read and reply to messages from their Yahoo! Messenger and Yahoo! Australia and NZ mail accounts using SMS. Yahoo! Messenger is an online messaging service, Yahoo! Mail is a free online email service.

Telstra announced a similar deal with Yahoo! in mid 2002 and Vodafone shortly afterwards announced that it would provide access to Microsoft's Hotmail message service via SMS for its customers.

### Quadtel to sell Panda anti-virus software

Quadtel is to be the exclusive Australian distributor for anti-virus software from UK company, Panda Software, which has products for corporate, SME and home users. According to Quadtel, Panda, with offices in 40 countries, is "currently the leading European anti-virus software developer...The quality of Panda Software's products has been endorsed by major industry watchdogs including ICISA Labs and Checkmark."

To assist in the facilitation of the marketing and sales efforts required, Quadtel has placed 12 million shares through their corporate advisors, London Partners, raising \$120,000.

### TNZ wheels in PR aid for AAPT

Telecom New Zealand communications head, Jane Austin, has joined AAPT on what is understood to be a temporary assignment assisting chief executive David Bedford with stakeholder and brand strategies. Austin, Telecom's general manager of corporate communications for the last three years, has been replaced by Philip King, general

at Telecom Asia and we have had significant trips to various parts of Asia. We are fairly confident we will be able to say something soon."

Ranieri, added "We are continuing to pursue that market aggressively. We are going to augment our sales team." The sales team currently operates from Sydney, but "We will have some sort of presence in Asia. We are fine turning our thoughts on that," Ranieri said.

The company appears to be making progress in the Australian market, where it would seem to be well-placed to help Telstra progress its ADSL rollout plans. Lauder told *Exchange* in December that the company had not trialled its technology in Australia, but said "Alcatel [a major supplier of ADSL equipment to Telstra] would be an ideal partner for us to sell into Telstra".

This week he said: "We hope to be able to announce something in the Australian market very soon".

RBN will give no indication of what its next product will be but Lauder said it should be announced mid year, followed by another major product announcement towards the end of the year. In parallel with these developments there will be several releases of additional features on the 8200 focussed around new applications and driven largely by feedback from the company's end user carrier customers. "For example there's a strong push into the triple play of voice, video and data over ADSL," Lauder said.

#### **A new CFO**

Ranieri has only recently been appointed CFO. He was a former colleague of CEO Peter Chambers at mobile billing software company LHS. Chambers was CEO and Ranieri in charge of global mergers and acquisitions. He moved to a similar role in another mobile billing software company, Sema, which acquired LHS and which was itself subsequently acquired by Schlumberger.

Ranieri told *Exchange* he would be based in Sydney for the next few months and once the company's San Francisco office is established would probably divide his time between the two.

## **Australia Day Honour for new ACIF chair**

***ACIF's chairman elect, Neville Stevens, has been made an officer of Order of Australia in the general division of the Australia Day Honours List.***

His award is for "service in the field of public sector administration, particularly overseeing the implementation of reforms in the information technology and telecommunications industries, and to the community through executive membership of a range of cultural and artistic organisations".

Stevens' appointment as chairman of ACIF was announced in December following the resignation of Warwick Smith. Stevens resigned from the public service in 2001 after a twenty year involvement in the communications and IT sectors, including five years as deputy secretary, Department of Industry, Technology and Commerce, three years as secretary, Department of Industry, Technology and Regional Development and eight years as secretary, Department of Communications, Information Technology and the Arts.

Stevens told *Exchange* this week that he was "still coming to grips with ACIF and all the issues involved," but he believed his role as chairman was to "to make sure the board works effectively".

"An organisation like ACIF relies very much on its members' contributions and the trust of its members. I think this is very good at the moment and I

manager finance who joins the executive team as general manager corporate affairs. He previously spent five and a half years as investor relations manager at Telecom. - *Adrienne Perry*

#### **TelstraClear expands IP net**

TelstraClear has finished a \$NZ7 million expansion of its Internet protocol network for business customers in Hamilton, Tauranga, Palmerston North and Dunedin. The move ups the ante for customers in regional centres who have been largely reliant on Telecom NZ for broadband services. TelstraClear's IP service offers access at speeds of up to 1Gbps. - *Adrienne Perry*

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#### **Telstra raises \$NZ180m in NZ market**

Telstra has raised \$NZ180 million in the New Zealand market, after launching a corporate notes programme in September aimed at raising \$NZ200-300 million. Some of the money will go into TelstraClear. Telecom New Zealand expects to go overseas this year with a \$NZ400 million bond to refinance current debt on a longer-term basis. - *Adrienne Perry*

#### **3Com switches NZ distributors**

3Com Corporation has signed a new New Zealand distributor agreement with Ingram Micro and terminated its NZ distribution agreement with Renaissance. Ingram Micro had previously carried 3Com's connectivity products, but will now carry the company's full range of switches. 3Com products are also distributed in New Zealand by Tech Pacific. Ingram Micro NZ is a subsidiary of Ingram Micro of the US which claims to be "the world's leading wholesale provider of technology products and supply chain management services". It was ranked 75 in the Fortune 500 in 2002.

see it as part of my role to make sure that continues."

Stevens, who will chair his first board meeting on 11 February, said he was "keen to consult with board members outside board meetings to understand the issues developing for them, what they think is important and where ACIF can make a contribution".

"Obviously corporate governance has to be followed and I think there is a responsibility for the chairman in that area....Also in working with staff and being available as a sounding board for [CEO] Johanna [Plante]."

Stevens said he believed it was important for ACIF to look at what is happening overseas in international bodies and on how that experience could be applied in Australia. "Information does flow pretty freely around the world and I think you can draw on that experience without spending a great deal of money".

## services

### BigAir goes commercial

***BigAir, the company which has been trialling fixed wireless broadband services in Sydney using wireless LAN technology, has quietly moved to a full commercial offering.***

BigAir was launched in September 2003 as a trial in inner Sydney suburbs and quickly closed off applications from would-be participants saying it had been overwhelmed by demand. It is providing high grade broadband services using 802.11b technology over distances of up to 2kms between base stations and window-mounted antennas in customer premises (Exc 14/37, p3).

Chief technology officer, Rob Gillan, told *Exchange* this week that "the trial is well and truly complete. We have paying commercial customers and we are adding customers on a daily basis."

**"The trial is well and truly complete. We have paying commercial customers." - Rob Gillan, BigAir**

He declined to say how many customers the company had or the rate at which new ones were being signed on, but said "It's not a large number. We are still making sure the back office is functioning correctly.

However, we are looking in the next month to expand numbers rather radically."

Promotion of the service to date has been by limited direct mail in the target suburbs and by word of mouth. "Our web site gets hundreds of hits per week from people interested in getting service," Gillan said.

This is despite the fact that the web site has not been updated for several months, and does not indicate that commercial services are on offer, promising only that "BigAir is now on track to offering full commercial services in the following suburbs within the next month". Gillan said the site was due to be updated shortly.

#### Prices to be posted shortly

There is currently no indication of prices on the site and Gillan declined to give specifics but said they would be posted to the web site shortly. He promised that customers would get "more for the same sort of price [as other broadband offerings]...Our service will be better than anything else. It will have QoS with SLA and significantly more speed and performance. Moreover we will connect in hours or days rather than weeks or months."

#### Reach becomes first AsiaSat-4 customer

Reach has become the first customer for the AsiaSat-4 satellite, signing a lease for a C-band transponder. Reach currently uses AsiaSat-2 to provide satellite services to global carriers, broadcasters and corporate customers and also provides tracking, telemetry and control (TT&C) services to AsiaSat from its Hong Kong teleport facility. Its earth stations in Hong Kong and Sydney will provide AsiaSat-4 uplinking and connectivity services.

AsiaSat-4, the largest in AsiaSat's satellite fleet, is scheduled for launch in the second half of March 2003. It will be located at 122 degrees and will provide C-band coverage throughout Asia and focused Ku-band beams for East Asia and Australia. AsiaSat-4. It will have 28 C-band and 20 Ku-band transponders including the four broadcast satellite service transponders to be used for Hong Kong's direct-to-home services.

#### Reach deal completes Intelsat global net

Intelsat has signed an agreement to lease teleport services from Reach's Stanley teleport in Hong Kong, and says the deal represents the completion of Intelsat's assembly of its global terrestrial infrastructure used to offer its GlobalConnex portfolio of end-to-end, integrated network services. Intelsat customers will be able to use the facilities in Hong Kong for uplinking, downlinking and digital video broadcast platforms, in addition to Internet and private line services. The teleport's location gives it visibility of Intelsat satellites in both the Pacific and Indian Ocean regions.

Intelsat's network infrastructure now includes teleports in California, Maryland and Germany, and fibre interconnected points of presence in Los Angeles, New York, Frankfurt and London.

#### Reach to build HK teleport for New Skies

Reach will install a 13 metre Ku-band antenna at its Hong Kong gateway to providing dedicated access to New Skies' recently launched NSS-6 satellite for the delivery of voice, video, data and Internet services throughout the Asia Pacific. New Skies has also signed agreements with Singapore-based ST Teleport and the United Kingdom's Kingston inmedia. In the USA, New Skies has partnered with WiTel Communications for services through its Los Angeles teleport, and with Verestar,



BigAir uses its own wireless links to connect in its base stations, and also has some of its own fibre in buildings. Gillan claimed that " We only have one router hop from our network to the Internet, so we are getting very good performance, sub 10 millisecond latency. You get 20 times that from DSL alone."

To speed up customer connection times the company has changed its connection model and is now connecting only via an ethernet interface, where previously it had to open up a customer's PC and install driver software. "We're aiming to get installation times down to half an hour," Gillan said.

He said there would be "sub one hundred dollar plans that will be very competitive with the \$50 and \$60 per month residential offerings, but we are not actively going after the residential market."

The BigAir service is symmetrical, unlike ADSL, and this feature gives it a great deal of appeal to businesses, according to Gillan. "Typically businesses upload half as much as they download. With residential customers, it's about 10 percent."

BigAir is currently using two base stations and offering services in Glebe, Ultimo, Pyrmont, Chippendale, Balmain, Darling Harbour, Darlington, Sydney Central, Redfern, Surry Hills and Darlinghurst. Gillan said the company was in advanced negotiations for the installation of a further three base stations. The company was granted its carrier licence in October.

## regulation

### Messaging issues: wider than numbering

**Australia's mobile carriers are forging ahead with trials of premium rate messaging services in anticipation of numbers being allocated for these, but the ACA has called for industry to address the wider long term issues of messaging.**

The ACA recently issued an options paper on numbering changes to accommodate premium rate SMS and MMS services and announced in it that all four mobile carriers were gearing up for trials using existing 18 numbers (Exc 15/1, p2).

**"We believe it is really important for industry to get together and work out how they want the messaging market to evolve over three to five years time." - Neil Whitehead, ACA**

implications for industry codes: for example, there may be a need for changes to the complaints handling code; and the wider commercial issues of messaging services.

"The numbering plans is one issue potential holding back this market, but I suspect the commercial ones are greater issues," he said. "We believe it is really important for industry to get together and work out how they want this market to evolve over three to five years time."

In particular, the ACA and industry are at odds over the best long term option for implementing premium rate messaging services. The ACA wants an any-to-any interconnect model. Industry favours an on-net model where

which operates an international gateway in Brewster, Washington. In Australia New Skies is upgrading its own teleports in Sydney, Adelaide and Perth to handle the anticipated market demand for NSS-6.

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#### Parents pump Eur300m into Sony Ericsson

Sony and Ericsson have announced a Eur300 million capital injection into their cellular handset joint venture, Sony Ericsson Mobile Communications. The move follows disappointing results from the JV and suggestions from Ericsson that it might pull the plug.

Last October, on the first anniversary of its formation, Ericsson CEO, Kurt Hellstrom, was reported by the *Wall Street Journal* saying that Ericsson would not continue "pouring money" into the venture unless sales of its products improved quickly. He was quoted as saying that Ericsson needed to see real acceptance of the new range of handsets within the next two quarters, or it may be forced to pull out of the loss-making venture. According to BWCS Wireless News, "the top brass at the joint venture are gambling on the success of the soon-to-be-launched T300 phone, which will be relatively cheap and will provide a colour screen for games. If this proves a hit with the handset buying public, then Ericsson will continue to back the venture."

Sony and Ericsson also announced Sony Ericsson's fourth quarter results. Unit shipments for the quarter were 7.1 million, four percent higher year-on-year and 42 percent higher than the third quarter. Net sales for the quarter were Eur1,235 million, 18 percent up year on year and 42 percent up on the previous quarter. Net

each carrier will have a direct link to the service provider and will bill its customers for use of the service.

Sean Kennedy, manager regulatory policy for Vodafone, told *Exchange* that the trials would be set up using an on-net model and he suggested that the ACA had become "transfixed with the idea of any-to-any connectivity".

### **Interconnect v on-net**

Kennedy said: "We disagree that the interconnect model is the long term preferred option. Vodafone has been doing this sort of thing globally for a couple of years. We were one of the leaders in these commercial messaging services and all the successful ones have been on-net. There are additional costs in having an interconnect model."

Whitehead admitted that "the feedback we are getting is that the interconnect model is just not a goer in the short term," but he re-iterated the ACA's view "a potential concern with the on-net model is the opportunity for regulatory gaming," and said that it was unsuitable for wider use of messaging services.

"The options paper talks about the ability to send SMS from other than mobile numbers, and about the concept of dual use. What would happen if people with hearing or speech disabilities want to send SMS from a handset to a mobile phone or visa versa? That's a potential development overseas and here. I think for that to work you will need an interconnect model. I can't see it happening in an on-net model."

Kennedy however refuted suggestions that the on-net model would lead to regulatory gaming. "We think commercial messaging will create incentives for both parties to come to agreement." He also suggested that carriers would have to set up arrangements with only a few content and service aggregators, acting on behalf of the content and service owners and this would speed up the introduction of services via the on-net method.

Kennedy suggested that the main demand for premium messaging services would be competition and voting type services. "They are the ones that tend to be most successful overseas. It's those where you have perhaps a 60 second TV ad that you need to have a short and easily memorable number."

### **More than competitions and voting**

However the need for more general support for text messaging in current and future networks has been identified as a key issue by organisations representing the speech and hearing impaired. They claim that the ability of such people to communicate is actually diminishing as networks evolve and are unable to support their obsolete teletype technologies. ACIF is holding a seminar in February to address this issue (Exc 15/1, p4).

Whitehead said that the Australian Interactive Marketing Council, a spin-off from the Australian Direct Marketing Association and chaired by David Burden, CEO of Legion Interactive, had shown willingness to take the initiative of stimulating industry debate on the topic and was planning a meeting in Sydney on the morning of February 7. "I predict it will be the first of many meetings dealing with these kind of issues," he said.

The ACA will hold its own meeting in Sydney the same day, and one in Melbourne the following Monday. It has to date addressed the issue mainly from a numbering perspective, but is likely to shift focus to deal with the wider issues. "The first thing is for the ACA to decide what position it take going forward," Whitehead said. "It's quite possible we will form a group to look at some of these wider SMS issues."

loss was Eur69 million, a year-on-year improvements of Eur 75 million and of Eur 70 million on the previous quarter.

### **Sprint offer legacy to IP-VPN migration path**

Sprint has launched a range of products, dubbed SprintLink Frame Relay, SprintLink Packet Private Line and SprintLink Virtual LAN designed to help customers transition from legacy to IP-based services. According to Sprint's managing director, Australia and New Zealand, David Eagle, "These new Sprint products allow a gradual migration to a secure IP network with little or no disruption to the business applications being supported."

Sprint claims it is the first global provider to offer products based on layer 2 tunnelling protocol version 3 (L2TPv3) which supports IP encapsulation of numerous layer 2 protocols and provides authenticated tunnelling to allow Layer 2 traffic to securely traverse a native IP core. Sprint says it has implemented L2TPv3 across its entire IP network "without having to re-engineer the network or change its architecture".

According to Sangeeta Anand, vice president of product management for the Cisco Internet Technologies Division in the US, "L2TPv3 was pioneered by Cisco in collaboration with Sprint."

### **Philips joins Chinese 3G standard bandwagon**

Datang Mobile Communications Equipment Co, Philips Electronics and Samsung Electronics have formed a joint venture company, T3G, to design and license core TD-SCDMA chipsets and reference designs for mobile terminals and end-user equipment. The company aims to provide a complete solution (reference design, hardware and software) for handset manufacturers and cellular phone design houses in order to have the first commercial TD-SCDMA handsets available by 2004.

According to Datang, "the availability of the T3G reference design will speed up the development of cost-effective dual mode TD-SCDMA/GSM handsets in China, a factor which will ease operators' migration from second to third generation networks. With limited capital outlay operators will be able to immediately increase capacity, enabling them to improve profitability by building subscriber numbers for 2.5G and 3G services simultaneously. Operators will



# technology

## Singapore backs smart home technology

*Technology from Australian intelligent home gateway developer, Portus, has been selected by Singapore's Infocomms Development Authority for a \$A800,000 trial in Singapore.*

Portus is a member of one of the three consortia selected for the trial which will see its units installed in around 30 homes in Singapore. Other members of the consortium are Beyond Online, which will provide broadband content for trial participants, Asian property developer Capitaland and its Australian subsidiary Australand, and Air Gateway, a Singapore based developer and provider of GPRS based mobile applications, 24 percent owned by Singapore Telecom. Air Gateway will develop systems to deliver messages from the Portus system to mobile phones via SMS and MMS.

According to Portus managing director, Tim Lindquist, the Portus device, its DIAS advanced services gateway is "one box that replaces all other boxes in the home".

It incorporates the functions of a DSL modem and ethernet switch for broadband Internet access, an 802.11 WLAN base station to connect users' PCs to the Internet and bluetooth and data communications over mains power cables.

Bluetooth, according to Lindquist, "is incredibly useful for high speed connectivity... there are a lot of niche bluetooth products we can pickup and run with, for example bluetooth energy monitoring modules from a US company."

He said Portus was also developing its own video surveillance camera which would communicate over bluetooth. Portus uses class 1 bluetooth in the DIAS which, according to Lindquist, is capable of communicating over distances of up to 100 metres.

The powerline communications technology is low speed only and is designed for simple appliance control (dimming lights, turning appliances on and off) via a module plugged into a power point.

"Our system goes in with absolutely no wiring," Lindquist said. "You don't use a separate security system or an automation system. This makes it very cost effective for any service provider."

The DIAS also has a separate RF interface to accept signals from passive intrusion detectors, a standard security system product.

### Operations centre planned

Portus, however intends to be more than just the technology developer. "We are positioning ourselves as a gateway operator. We will have an operations centre to manage the installed base of gateways," Lindquist said.

The company is looking for partners in the telco, security and utility industries to take its product and services to customers. Any one of these could be the primary interface to the customer and partner with others to deliver the full range of services.

"Its very attractive for telcos because each service increases revenue across their copper and increases loyalty... For utilities such as electricity, gas and water it enables them to do remote meter reading for only the cost of the module in the meter."

therefore be in a position to roll out reliable mobile broadband services in line with demand."

TD-SCDMA was developed by Datang and Siemens as a Chinese 3G cellular standard. It is claimed to have a number of advantages over the competing 3G technologies.

### LG to manufacture i-Burst gear

Korean company, LG Electronics, has signed an agreement with ArrayComm to manufacture and distribute base stations and wireless modems for ArrayComm's i-Burst wireless data system. Commercial product availability is expected in the second half of this year. According to James (Jong-Eun) Kim, CEO and president, of LG's telecommunication equipment and handset company, "This agreement represents a multibillion-dollar opportunity for our company... Not only do we expect to become a leading provider of wireless broadband products for the Korean market, we also see many promising new markets around the world for this technology". LGE plans to have its wireless modems ready for CKW Wireless's commercial deployment of the i-Burst system in Sydney in the third quarter of this year.

### User identity standard progresses

The Liberty Alliance Project, formed in 2001 to promote the development and deployment of open standards for sign-on and authentication of users to online services, has ratified the final version of its 1.1 specifications, incorporating feedback on a draft version released in November 2002. According to Simon Nicholson, chairman of the Liberty Alliance Business and Marketing Group, "Liberty-enabled products are being planned and delivered to market, and members are talking about implementing the specifications in a variety of interesting ways to solve important business challenges".

The final 1.1 specifications is available at <http://www.projectliberty.org/specs/index.html>

### Avaya Unified Messenger adds Domino version

Avaya has introduced an IBM Lotus Domino version of its Avaya Unified Messenger, which offers single-mailbox access to email, voice mail and fax messages from any phone or PC. The product currently supports Microsoft Exchange. According to Avaya, "Using the familiar IBM Lotus Notes or Microsoft Outlook onscreen in-

For this reason, Lindquist claimed, companies such as Intermoco, formerly Australon, which are offering only remote metering via wireless networks, will find it hard to compete.

Portus claims that its system "will be affordable for most consumers – comparable in cost to that of a basic home security system". Future applications are planned for health monitoring, which it says "will be invaluable for aged care or for monitoring family members with conditions such as diabetes".

The company is hoping to start trials in Australia shortly after the start of the Singapore trial, and to have a commercial service operating by the end of 2003. "We have not signed anything yet, but we have been talking to utilities," Lindquist said.

### **Sophisticated browser interface**

Customers control the DIAS via a web browser interface from a purpose built control pad in the home and via the Internet from outside. According to Lindquist, this interface is one of the key Portus technologies. "Ours is a very sophisticated full vector graphics interface, not HTML based. It's where we are building a lot of our intellectual property to make sure users get same interface in or out of home."

Aspects of the DIAS technology are already patented in Australia and patents have been lodged in the US and Europe.

The DIAS uses the Open Services Gateway Initiative (OSGI standard). OSGI was founded by 15 companies in 1999 with the aim of "providing a forum for the development of open specifications for the delivery of multiple services over wide-area networks to local networks and devices, and accelerating the demand for products and services based on those specifications worldwide through the sponsorship of market and user education programs," according to its web site.

Today it has over 60 members including service and content providers, infrastructure/network operators, utilities, software developers, gateway and set-top box suppliers, consumer electronics/device suppliers (wired and wireless) and research institutions." Portus, however is not listed as a member on its web site.

Portus was formed in 1998 and has received funding from AusIndustry under its Commercialising Emerging Technologies program. Other seed funding has come from the company's founders, in particular Jim Service, chairman of ActewAGL and Transact and deputy chairman of Challenger and Australand. It was his connections with Australand's Asian parent, Capitaland, that led to the company getting involved in the Singapore project, Lindquist said.

### **Whatever happened to SmartWorld?**

In 1999, *Exchange* reported on the formation of another Australian company attempting to address the same market as Portus, IHG. It claimed to have developed "the world's first commercially available residential electronic gateway able to monitor and control multiple utility services in the home." (Exc 11/44, p9). The company subsequently changed its name to SmartWorld Corporation and listed on the ASX. However, despite forming subsidiaries in the US and Greece, and claiming installations in 18,000 homes, the company went into administration in September 2001, this being the last news entry on its website. It is no longer listed on the ASX nor listed in the White Pages. However there is a recorded message on the number given on its web site. *Exchange* left a message requesting information but had received no response at press time.

box, Avaya Unified Messenger enables workers to access, store and manage voice mail and fax messages, in addition to email, from a single desktop mailbox. The solution also allows users to access, forward and reply to messages, including email, from any telephone, providing an easy way to check and manage messages and workflow without logging on to a PC. Find-me/reach-me features give workers more control over how, where and when they can be contacted, without having to navigate complicated forwarding procedures." In addition, employees can use the IBM Lotus Notes web interface to access the complete feature set of Avaya Unified Messenger.

### **i-Burst trialled in Korea**

ArrayComm has announced completion of a trial of its i-Burst broadband wireless technology with South Korean carrier, KT Corp, using equipment manufactured by Kyocera Corp and LG Electronics. According to ArrayComm, KT now plans to evaluate the i-Burst system's service capabilities using multiple cell sites in a dense urban environment during the first half of 2003. Services to be trialled will include interactive video/data conferencing, voice over IP, gaming, wireless LAN interoperability, Web surfing and video streaming.

### **Cisco to focus on mid-sized IP market**

Cisco Systems has announced "a complete Internet protocol communications program for mid-market (50 -to 1000-employee) companies that want to benefit from the improved productivity and cost savings associated with a converged IP voice, video and data network". According to Bruce Laird, vice president and general manager of Cisco's Integrated Communication group "[SMEs] also tend to have small IT staffs and rely heavily on resellers and integrators as trusted advisors and business partners. The Cisco IPC program for the mid-market provides both solutions that are best-suited for medium-sized companies and the educated, experienced partners they need."

Specifically, Cisco has announced support on the Cisco ICS 7750, IP PABX for the Cisco Unity Unified Messaging 4.0, the

# letter to the editor

## ACA response to *Worst Case Base Case*

*The ACA has responded to an Exchange column which questioned the finding by the Allen Consulting Group, included in the ACA's annual performance report, that the economic benefits of telecommunications competition amounted to \$10 billion annually.*

Readers of *Worst Case Base Case* (Food for thought, Exc 15/01) regarding the Allen Consulting Group report to the Australian Communications Authority (ACA) entitled *Benefits Resulting from Changes to Telecommunications Services*, may not appreciate the ACA's responsibilities under the *Telecommunications Act 1997*. They might also misunderstand the ACA's purpose in requesting the report. Readers may also be led to the conclusion that the production of the report was undertaken in less than transparent circumstances - such conclusions would be completely wrong.

Section 105 of the Act requires the ACA to report to the Minister for Communications, Information Technology and the Arts about the performance of telecommunications carriers and service providers in regard to consumer benefits as well as consumer satisfaction and quality of service.

For the measurement and reporting of consumer benefits, it helps to attribute economic values to consumer benefits because this establishes a consistent and empirical foundation for the analysis. While there may be other approaches to the evaluation of consumer benefits, the economic modelling approach has broad acceptance among industry analysts and specialists for its objective and empirical basis.

The ACA selected the Allen Consulting Group (ACG) following an open competitive tendering process. Furthermore, the ACA has confidence in the integrity and validity of the data used in the exercise, the Monash-Telco model used for the calculation of benefits, the analysis undertaken by ACG and the contents of the final report.

The documentation of the Monash model is available from the Centre of Policy Studies at Monash University. It has been subject to peer scrutiny and criticism and found to be very sound. The telecommunications-specific data used in the construction of the model was provided by industry representatives.

Reform of the Australian telecommunications industry, and developments in the industry since the reform began, have delivered substantial and measurable benefits to the community. The ACA's intent in commissioning this work was to shed some light on the nature and scale of these benefits.

Allan Horsley

Member

Australian Communications Authority

Cisco Customer Response Solution Software 3.0, call centre system and a has doubled the product's analogue - and digital-trunking capacities. Cisco has also introduced several educational, marketing, training and financing programs designed to help its channel partners "to be trusted IPC advisors and to shorten their own sales cycles".

### **Damovo to distribute Ceragon fixed wireless**

Damovo as entered into a world-wide marketing agreement for Ceragon Networks' FibeAir family of point-to-point fixed wireless systems, designed to operate at frequencies from 6 to 38 GHz providing IP, SONET/SDH and ATM links. Ceragon claims over 100 customers in 40 countries. It also claims to have been "the first fixed wireless technology provider to break the 155Mbps capacity barrier in high-frequency bands, the first to commercially deploy a wireless 311Mbps system... [and the first to deploy] a high capacity fixed wireless system with a built-in SONET/SDH add-drop multiplexor."

### **AT&T Wireless enters WLAN with Wayport**

US cellular operator, AT&T Wireless, has entered the US Wi-Fi (IEEE 802.11b) market with the introduction of its GoPort service. It has also reached an agreement with Wi-Fi hotspot operator, Wayport, which will give its customer access at Wi Fi hotspots operated by Wayport in 10 airports and almost 500 hotels across the USA.

### **iPass to go public**

Internet roaming access provider, iPass, has lodged a registration with the US Securities and Exchange Commission for listing of its shares on NASDAQ. No details of the share price or the number of shares to be offered have so far been provided.

### **CORRECTION: Airspan CPE prices**

In last week's *Exchange* we reported that the price in the US for CPE for Airspan's wireless local loop system was around \$US1500. According to Airspan, the list price for a data only terminal starts at \$US504 and for an integrated voice and data terminal, \$US930. Airspan also says that New Zealand customer, BCL, which is rolling out a large network for dairy company, Fonterra, would enjoy substantial volume discounts on these list prices.



## Weak arguments for structural separation

*Telecommunication analyst and consultant, Juan Merchan, examines the competitive and regulatory arguments behind proposals for structural separation of Telstra, and fails to find them compelling.*

Telstra's competitors see structural separation as a key in promoting competition and consumer welfare. They argue that, as a vertically integrated provider and monopolist of the customer access network (CAN), Telstra has a commercial interest to frustrate the provision of services to its competitors in preference to its own Retail division

Underlying this theme are two hypotheses. The first is that Telstra's conduct has adversely impacted on the financial performance of its competitors and hence reduced the degree of competition in the industry. The second is that the existing regulatory measures have been insufficient to reduce Telstra's monopoly power in the local loop.

### Is Telstra's conduct to blame?

A number of factors have influenced the performance of the telecommunications sector following the dot.com crash in April 2000. Among these are: the business strategies of the companies; the economic environment and market for telecommunications services; and, the regulatory pricing measures such as the CPI-X price caps.

In a seminal paper on structural separation in the US, published in the summer 2002 issue of the *Yale Journal of Regulation*, Robert Crandall and J Gregory Sidak argue that "faulty business strategies" pursued by the new entrants and not the incumbent local exchange carriers (ILEC) conduct "are to blame for many

CLEC (competitive local exchange carriers) failures".

The evidence in Australia tends to support this hypothesis. During the dot.com boom, management and board members threw out well-tested economic and marketing principles that drive sound, strategic decision-making. Optimistic business plans were developed with no regard to the timing of capital expenditure, the high fixed cost nature of the industry and the time needed to develop revenue streams.

By 2001, the outcomes of these decisions were obvious. Some companies like One.Tel went to the wall. Others found themselves unable to meet targets and carrying substantial losses and dwindling cash reserves. Investors lost confidence; share prices dropped and cash became scarce. Companies reacted to these pressures by reviewing their business models, appointing new management and embarking on cost and capital saving and the divestment of non-core functions.

**Table 1: Underlying free cash flow<sup>1</sup>, to June 2002**

(\$M)	2001	2002	Improvement
Hutchison*	-132.0	-136.0	-4.0
Powertel*	-75.7	-20.2	+55.5
Austar*	-112.9	-50.0	+62.9
Uecomm*	-74.4	-9.3	+65.1
FlowCom	-30.8	-7.0	+23.8
Amcom	-13.1	-7.4	+5.7
Macquarie Corporate	-40.5	-7.4	+33.1
B Digital	-28.3	-10.2	+18.1
Mobile Innovations	0.4	0.2	-0.2

1. Underlying free cash flow defined as operational cash flow minus CAPEX

\* The results shown for companies marked with the asterisk are half yearly results to June 2002.

Source: Company reports and Juan Merchan estimates

Table 1 shows the latest financial results to end June 2002 for a number of listed companies in the Australian market. The Table highlights that a return to sound strategies has started to pay dividends. The Table shows most companies have significantly improved their underlying free cash flow position over the previous corresponding period - even though most still register negative levels. Nevertheless, this finding tends to suggest that that the policies pursued by companies has a greater influence on their financial health than Telstra's anticompetitive conduct.

### Grounds for structural separation?

Notwithstanding that the industry's poor performance was mainly self-inflicted, it may still be argued that past regulatory measures have been insufficient to deter Telstra from frustrating competition and engaging in anticompetitive conduct by slowing down the process and cross-subsidising its own Retail division. The introduction of new legislation in 2002 suggests that Government and regulators have responded to industry's concern regarding Telstra's conduct. But this has not stopped the calls for structural separation. These calls are based on the assumption that the new measures are not sufficient to deter Telstra's anticompetitive conduct and that the only remedy is structural separation.

On the first point it is of course too early to assess the efficiency and effectiveness of the new regulatory measures introduced last year. So any calls on this ground are premature. The hypothesis that structural separation represents a Utopian recipe to address

(continued on page 16)

**• Ex cathedra, meaning "from the chair", is a column for authoritative comment by industry stakeholders. We would welcome your contribution, but it should be no longer than 700 words. Please email enquiries or submissions to stuart@3rdwave.com.au.**

## A Mixed Bag

*There is a considerable amount that is good in the Broadband Advisory Group's report but it is mostly the same old leave-it-to-the-market message and an insufficient response to the broadband challenge.*

The report is at its best when it sees broadband as a critical part of our "nation building" and signals that government is committed to fair, reasonably priced access for all Australians. It is right also in looking for more from industry associations and it makes practical suggestions regarding demand aggregation, use of brokers and national coordination of the elements required to form a broadband network (although there appears to be no recognition that these initiatives are at odds with everyone-for-themselves market competition).

Of course, there's the usual exaggerated claims one comes to expect when reports are written on new technology industries: as with IT and computers and the atomic age and the jet age, broadband is going to produce a "paradigm shift ... [and] transform the way people live, work and do business". Yeah right. But below the hype, broadband looks like it will be useful and government needs initiatives to improve the number connected and, as the BAG stresses, the effectiveness with which broadband technologies are used.

### Downhill from here

All that is a good start but, alas, from there it's downhill folks. It was too much to expect that the BAG would review the policy emphasis on competition but there was no need for it to pursue the terms of reference straight down the leave-it-to-the-market *cul de sac*. The BAG did not hold back; it stated the current policy orthodoxy with a rather incautious directness: "the principal strategy for the government is ... to rely on the private sector ..."

The BAG aims to create "a lean regulatory regime" and it lists promoting "market arrangements" as one of their goals – a statement which confuses means and ends. Nonetheless, the BAG wants the market to ensure incentives for investment while advancing the long term interests of end users. Are they then unaware of the considerable evidence that competition can be at odds with both these goals? For example, when there are economies of scale so that one producer provides the service more cheaply than two, competition can fail to provide the right incentives to invest in optimally-sized networks – as with Telstra's current underspending on capital equipment in Australia.

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**"The stress [of the BAG report] is not on its welcome recommendations for equity and nation-building ... but on encouraging 'efficient market entry'."**

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Competition from new entrants can also fail to promote the long term interests of end users – as with the One.Tel debacle. And reliance on competition does not necessarily lead to lean regulation – consider how much has been spent on the USO contestability pilots (don't think how much more will be spent trying to rejig them) and consider the legion of advisers, lawyers and consultants that feed from the policy process now that competition is the mantra.

The BAG was apparently cautioned on this basic issue of the role of competition by its foreign experts. The report tells (albeit at p2 of Appendix 3 and giving no details) that these advisers had discussed "whether facilities-based competition remained the best approach" and had noted that in some situations "it can make sense" to restrict competition, even if only

"in the interests of developing a more competitive market in the long run". Some of them even thought that *new* technology could not be developed by the market but "requires a national vision". Seems that the experts were equivocating on competition.

### Pro-competition, anti-government

But the BAG seems to have missed that and has stuck to the pro-competition, anti-government line. While the experts' views are back in the appendix, the section in the main body headed "Role of Government" repeats the "pertinent observation" by the chairman of the FCC in the US, that making policy-making amounts to drawing up a list of demands for "policy widgets" which government expects industry to provide without payment. That not only overlooks the fact that the government is already a billion dollar player and hands out millions in assistance each year, it also implies that making demands on the industry would be an illegitimate exercise of the authority of our elected and accountable government – a view that might play in the US but is distinctly un-Australian.

If competition were all that mattered, then the only policy that matters is competition policy – so why debate the strategy; why have a BAG? And, in the end, that is the position the BAG adopts. The stress is not on its welcome recommendations for equity and nation-building, which could open up the policy agenda, but on encouraging "efficient market entry" which means government need not do anything, other than add to the responsibilities of the already overburdened ACCC.

*Paul Chapman*

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## The week in retrospect

***A massive disruption to the global Internet by a new worm enlivened an otherwise quiet news week which saw Vodafone announce its Australian and global subscriber data for the last quarter. Next month, the start of court hearings in the One.Tel liquidator's attempt to recover for creditors \$19 million paid to directors next month could make for some interesting news.***

Meanwhile, in a side issues to the ongoing One.Tel debacle, it was reported that one of the directors in the liquidator's sights, Brad Keeling, had placed his three privately owned companies into administration. Apart from One.Tel's liquidator, he is also being pursued by the Australian Taxation Office for a "substantial amount", according to a report in *The Australian*.

### **Prepaid lifts Vodafone**

Vodafone Australia reported 188,000 net new connections for the December quarter, twice the number in the previous quarter, taking its customer base to almost 2.5 million, almost half (47 percent) prepaid. In the March and June quarters combined, new additions were only 46,000. However most of the growth has been in low-ARPU prepaid customers, up from 37 percent of total in the March quarter.

Overall the company reported a decline in ARPU across all customers which it attributed to "strong growth of No Plans (ie no access fees to pay back handset subsidies) but said that it was seeing healthy growth in customers despite the phasing out of handset subsidies and "ARPU is expected to stabilise".

Of its total customer base it classified six percent of prepaid and seven percent of post as "inactive". ARPU for postpaid customers was \$869 per year and for prepaid \$312.

Globally Vodafone reported an increase in its customer base to 112.5 million, including over four million "organic net additions in the quarter" (ie not added through acquisitions). It claimed that 12 month rolling ARPU in all key European markets had increased and said data revenue stood at 16 percent of service revenue in December, up from 12.7 percent a year earlier.

Telstra and Optus are due to announce their quarterly figures in February.

### **Reach eyes shift to Hong Kong**

*The Australian* reported this week that Reach was "considering a plan to shift the responsibility for monitoring its international telephone traffic to Hong Kong," and suggested that such a move could have "national security implications." Monitoring is currently provided by Telstra under a contract which will expire shortly, the report said.

Similar security concerns were raised with the sale to SingTel of Optus, whose satellites are used extensively by Australia's Department of Defence. However these concerns appear to have been allayed.

### **Internet slammed by worm**

Another worm, dubbed SQLSlammer, caused major disruption to the global Internet, leaving many system administrators with egg on their faces: it attacked servers running Microsoft SQL exploiting a vulnerability for which Microsoft issued a patch back in mid 2002.

According to one US report, "Since about midnight [Friday 24 January] EST almost every host on the Internet has been receiving a 376 byte UDP payload on port ms-sql-m (1434) from a random infected server. Reports of some hosts receiving 10 per minute or more. Internetpulse.net is reporting UUNet and

Internap are being hit very hard. This is the cause of major connectivity problems being experienced worldwide."

The worm was reported to have disabled seven out of the 13 root DNS servers on the Internet. The worm itself caused no damage but simply sought to propagate itself by seeking out and infecting vulnerable servers. In doing so it generated enormous amounts of traffic, causing widespread disruption.

According to C Net Associates' Hong Kong based Anti Virus Emergency Response Team (AVERT) "Since the worm's discovery late Saturday (Hong Kong time), AVERT has received reports from all over the world, including Asia where Internet traffic has been affected. News agencies have reported disruptions throughout the region, notably in South Korea where it is claimed that up to 70 per cent of the country's Internet crashed."

"This is a high-risk worm which is spreading rapidly and causing significant disruption to global Internet traffic, including Asia," said Leo Chan, Network Associates' regional engineering manager for North Asia. "About 150,000 to 200,000 servers have been compromised so far.

The problem, however was relatively short-lived and because the worm did not affect corporate information systems and end-users' PCs caused nowhere near the disruption of early notorious worms/viruses such as Code Red and Nimda.

However it will have reminded IT managers of the need for vigilance and the importance of security, and no doubt boosted the sales prospects of managed security providers, whom, one hopes, would not have left systems in their care exposed for six months after the issue of a security patch.



## Ten Years Ago...

From Exchange 29 January 1993

- **Telecom readies for GSM launch**

Telecom Mobilenet's GSM network will offer coverage of the Sydney, Melbourne and Brisbane metropolitan areas as well as Canberra, the Gold Coast, Adelaide, Perth, Geelong and Newcastle at its launch, scheduled for 1 April.

- **Vodafone first with SMS**

Vodafone plc, one of the UK's two cellular network operators, says it has successfully completed the world's first short message text transmission over a GSM network. Short messages of up to 160 alphanumeric characters were transmitted to, and displayed on, a Nokia 1011 mobile telephone connected to the Vodafone GSM network using a short message service (SMS) centre, developed for Vodafone by the Sema Group. Chris Gent, managing director of Vodafone, said that SMS would open the door to a whole series of new value added services. He expected some of these to become available later this year.

- **Optus' first annual return**

In its first annual return, covering the period from 6 November 1991 to the end of the financial year, Optus Communications Pty Ltd posted a loss of \$5.6 million. The results reveal that, in addition to the \$800 million figure Optus bid to become the second carrier, the company spent \$34 million on its licence bid. Optus paid \$500 million in cash to the Government up front and will pay the remaining \$300 million in four equal six monthly instalments commencing on 10 January 1995.

## Appointments...

- **New president for NEC**

NEC Corporation has appointed **Akinobu Kanasugi** as its new president with effect from 28 March when the current president, **Koji Nishigaki**, will retire. He will be appointed vice chairman **Kanasugi** is currently president of NEC Solutions and executive vice president and member of the board.

## Mergers & Acquisitions...

- **Cisco beefs up security portfolio**

Cisco Systems is to acquire privately-held Okena, a developer of next generation network security software based in of Waltham Massachusetts, for \$US154 million in shares. Okena's software is claimed to provide threat protection for desktop and server computing systems by identifying and preventing malicious behaviour before it causes harm.

"The acquisition of Okena reinforces Cisco's commitment to leadership in the network security market and is part of a significant initiative to more tightly integrate network and endpoint security," said **Richard Palmer**, vice president and general manager, Cisco Virtual Private Network and Security (VSEC) Business Unit. Okena's technology "intercepts all operating system, file system, configuration, registry and network requests, preventing malicious activity from occurring". The company was founded in 1999. Its 52 employees will join Cisco's VSEC business unit

## Reports & Surveys...

- **Global OSS market surveyed**

Dittberner Associates has release a study of over 170 operations support systems/ business support systems vendors and their software offerings, claiming it covers "virtually every known supplier of software, hardware sub-system and integration services, constituting the specialised OSS/BSS industry". According to Dittberner, OSS was "considered a backwater of the telecom industry in the past" but the market is now "one of the very few bright growth spots in the recently troubled carrier industry," and "combined global revenues for all related OSS/BSS activities generated in excess of \$US44 billion, significantly larger than had been previously estimated." Details <http://www.dittberner.com>

- **If music be the food of mobiles**

According to a new report from UK consultancy, BWCS, music content is a money-making service for mobile operators, who are busy

crafting alliances with device manufacturers, third-party developers and global media giants that will allow them to be key players in the mobile music value chain. The report "examines the mobile music offerings that are in the pipeline, as well as the opportunities around services to deliver lifestyle content and promote mobile communities". Details <http://www.bwcs.com>

- **Yankee surveys Australian CRM market**

According to a new Yankee Group report, *Vendors in Australia Look to CRM to Lift Them Out of the Economic Doldrums*, large and small Australian companies, like CRM vendors, are facing shrinking margins and stagnant market growth, compelling them to find ways to maximise revenue from existing customers and better target potential customers. According to report author, Michael Kelleher, "A key finding is that CRM vendors are now unable to ignore the mid to lower sector of market revenue opportunities. Even heavyweights like SAP must look below their usual thresholds for additional revenue sources."

- **Global phone call stats**

Telegeography has published *TeleGeography 2003*, its 13th annual survey of international telecommunications traffic. The report provides route-by-route call volumes for over 120 countries, plus carrier market shares, voice-over-IP route rankings, mobile traffic statistics, and analyses of international call costs, prices, and revenues. It shows that the USA accounted for about on quarter of all international phone calls in 2003, that Mexico was the most popular destination for calls from the US, but India the fastest growing. <http://www.telegeography.com>

- **Asian WLAN market taking off**

A Gartner Dataquest report, *Public WLAN Services Finally Picks Up Speed*, provides an update of market developments and analysis of the service issues faced by public WLAN operators in Australia, Hong Kong, Japan, Singapore, South Korea and Taiwan. According to Gartner, the main driver for service acceptance is the improving service coverage, especially in the major Asian cities of Seoul, Singapore, Hong Kong, Tokyo and Melbourne. Of all the operators, it says KT (formerly Korea Telecom) is the most aggressive, with plans to roll out 16,000 hot spots by end 2003. [http://www.gartner.com/DisplayDocument?doc\\_cd=111106](http://www.gartner.com/DisplayDocument?doc_cd=111106)

- **Yankee guide to choosing IP-VPN**

A new Yankee Group report, *Enterprises Find Selecting an IP VPN a Tough Decision*, "analyses the types of enterprises likely to consider an IP-VPN and provides a selection criteria model to help businesses make the right choices". According to Yankee, "The typical enterprise considering the switch to IP-VPN currently uses wide-area networking technology, such as frame relay, private line or ATM...The goal of this model is to demonstrate which IP VPN choice would best support the bulk of a corporation's sites." [www.yankeegroup.com](http://www.yankeegroup.com)

## Loose Ends...

- **Fry your brains and your chips**

*Exchange* received an anonymous letter this week claiming that "Fast food giant Mcdonald's is teaming up with Australia's leading mobile phone giants Telstra and Optus to install very high powered, high speed, mini-base stations in all Mcdonald's 750 Australian outlets". The rather garbled statement talked about "a hybrid version of the American 802.11 standard...extensively upgraded to provide access to mobile customers through mobile enabled laptops and handhelds."

The writer expressed concern about "the health risks to young people" from "high-powered emissions radiating in the restaurant".

We're not sure what they are talking about. Wi-Fi hotspots, which are very low powered, would make some sense (McDonalds in Japan has rolled them out) but underneath the golden arches does not seem like the first place your average mobile executive would choose to go online.

McDonald's public affairs spokeswoman, Kristine Mullen, denied there was any truth in the story. Telstra Mobile's Virginia Murphy was not so definitive "we are always examining possible locations". However, if the general public every gets the idea that Wi-Fi has brain-frying potential convincing them otherwise might be no small challenge.



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anticompetitive behaviour remains questionable. Structural separation does not *per se* remove market imperfections. Regulatory measures would still be required to control the conduct and behaviour of Wholesale Co, as it would own the network. More importantly, to the chagrin of Telstra's competitors, Wholesale Co would still be able to price discriminate between them and Retail Co due to Retail Co purchasing power. And no doubt this would lead to more industry complaints and calls for the introduction of further regulatory measures to curtail the conduct of Wholesale Co and its relationship with Retail Co.

Based on the evidence available, it is unclear that a mandated structural separation of Telstra would lead to a less regulated and more efficient, competitive industry structure. It was these uncertainties, amongst others, that induced the Pennsylvania Public Utility Commission to retreat from its initial recommendation to structurally separate the wholesale and retail divisions of Bell Atlantic-Pennsylvania.

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