

PIPE EXPLAINS

Why we agree with Telstra on Conroy's FTTN network data request

TELSTRA

Advocacy program helps Telstra expand its NextG network coverage

TELCO IN A BOX

Wholesaler signs \$60m three year deal to source Telstra services

COMMUNICATIONS DAY

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Elders may reduce stake in Opel joint venture, as Optus seeks more rural funds

Rural and regional retail powerhouse Elders is seeking to reduce its stake in its Opel joint venture with Optus, according to industry speculation. According to sources close to the deal, Elders has been the less enthusiastic partner in the 50-50 joint venture which won a 2007 grant to supply a mix of WiMax and ADSL2+ broadband to a range of regional hotspots. The move comes after revelations that Optus is seeking more government funds to service regional and rural Australia, this time to specifically fund new standard telephone connections.

Optus yesterday did not specifically deny speculation that Elders is seeking to reduce its stake. "Optus and Elders continue to work collaboratively in the Opel joint venture," an Optus spokesperson told CommsDay. Elders Telecommunications general manager Jason Horley did not respond to CommsDay's calls yesterday. There were also suggestions yesterday that Elders itself might reduce its involvement in favour of its investor owner Futuris.

According to the latest Australian Securities and Investment Commission records filed just last month, Opel is effectively still a 50-50 JV with Optus and Elders holding one share each.

Opel currently has four directors: two represent the Elders' side of the business—Horley and Les Wozniczka—while Paul O'Sullivan and Jeann Low represent Optus. O'Sullivan is the Optus CEO and Low its CFO.

Although Opel was awarded the contract by former communications minister Helen Coonan in June last year, it is yet to receive funds from the government. While still in opposition, Communications Minister Stephen Conroy was openly hostile towards the Opel funding, criticising the proposed use of WiMax technology and deriding the government's speed and coverage claims.

Last month, \$100 million of the Opel funding was "rephased," being pushed by the government into the next financial year. Optus CEO Paul O'Sullivan recently stated that the funds are due to be delivered within weeks, while Conroy has remained silent on the issue. Sources close to the deal say funds were originally due in early February.

At Austar's half year financial results last month CEO John Porter said he was "optimistic" that Opel funding would come through within weeks – Austar has entered into a spectrum deal with Opel. Optus, acting on Opel's behalf, is also believed to have selected Huawei as a supplier of

Shadow communications minister Bruce Billson has called on Conroy to clarify the future of the project. "Rumours are running rife that the Labor government has some ulterior motive in relation to the handling of OPEL, at the same time Senator Conroy is, publicly at least, making re-assuring sounds about the process and progress of the program. The OPEL project is far too important to play politics with," he said.

Last month Telstra public policy GMD Phil Burgess said the Opel contract should be thrown to the Rudd government's 'razor gang', claiming the coverage supplied by the WiMax network would largely replicate Telstra's ongoing ADSL2+ rollout.

VOUCHERS FOR USO? Meanwhile, it has come to light that Optus has asked for more government subsidies to help it service regional Australia.

In a submission made to the Department of Broadband, Communications and the Digital Economy after the last Federal election, Optus proposed replacing the current industry subsidy scheme which effectively helps Telstra offset its expenditures in delivering the universal service obligation. It instead wants a voucher system which would enable any carrier providing a standard telephone service in USO areas to gain up to \$3,000 per connection, fully funded by government at what Op-

tus suggests might be up to \$44 million annually.

Opel could potentially supply such alternate connections via its proposed wholesale network leveraging the Telstra unbundled local loop. Interestingly, Optus argues that if competition emerges in USO areas, as is envisaged under the Opel plans, Telstra might be able to win a greater share of USO funds under the current system. Optus said that customer migration away from Telstra in USO areas has the twin effect of increasing its net costs and reducing its market share—which would reduce its overall share of the USO burden as it could recover more subsidies from competitors.

Luke Coleman

Comment by PIPE MD Bevan Slattery



In defence of Telstra – Why I'm no volunteer

It was 2:30am in my hotel room in Washington DC. I was busy finalising a presentation I was due to give in the next seven hours, and I was nervous. This was, without question, the single most important presentation I have made in my career.

If you want to land a cable into the United States or its territories such as Guam you need to get approval from the US Federal Communications Commission. However, before you get that you need to sign a security agreement with Team Telecom.

Team Telecom is the nickname given to the Executive Branch agencies that scrutinise all new applications to the FCC for serious infrastructure builds such as submarine cables.

Team Telecom is made up of Department of Defense, Department of Homeland Security, Department of Justice and the FBI. These people take national infrastructure seriously and this process is not for the weak-hearted. My presentation covered everything from the major shareholders of PPC-1 and PIPE entities, the country of origin of officers, equipment, suppliers, hardware, remote hands, security of facilities, interception issues, locations of our network operations centres and survivability of same in cases of certain events. This presentation followed a series of questionnaires. These questionnaires provided me with some of my most thought provoking 'due diligence' ever on infrastructure security controls.

About this time I received an email from my executive assistant in Australia with an urgent fax attached. The facsimile was from the The Hon. Senator Conroy's office seeking us to voluntarily handover our information about our entire network for use in his planned open FTTN tender. I immediately contacted the relevant person within the Department and discussed a number of my concerns. In summarised form, the letter and conversation confirmed the following:

- The Department wanted PIPE Networks to 'volunteer' all our commercially sensitive network information to itself and, ultimately, to unknown parties. These parties may include, and are not limited to, possible competitors, other domestic and global carriers, global equipment vendors, investment bankers, consultants etcetra. The Department confirmed that, at this stage, it doesn't know who will have access, or indeed that we may ever be advised who will receive such copies.
- The information is being sought in a highly detailed and portable vector format without any security controls. The information is to be in a Mapinfo format which is unauditible and easily copied via any media from a USB key to forwarding via any free email account. The department had no response as to the security concerns other than 'I understand, but we need it in that format.'
- 'Appropriate arrangements will be put in place to deal with any commercially sensitive information provide in response to this request.' It is explained this arrangement will be by way of a non-disclosure deed which specifies the purpose for which the information is used. Discussions with the Department confirmed that PIPE Networks may not even be a party to the deed, despite the fact that this is our intellectual property. The deed may ultimately be between the Department and the user. No work has actually been performed on such a deed and, as such, one could not be provided to us. There is no understanding of penalties, warranties, destruction of records etcetera. We may have some input to the deed, however, there would be no guarantee of its format, nor that it will be acceptable to us. When asked why we could not be guaranteed to be notified of any party seeking the information, the response was 'well then you would know who may

be bidding and some people may not want you to know who they are.'

- If PIPE Networks does not volunteer the information and in the format specified then *'in the event that voluntary agreement to provide the requested information is not forthcoming the Government has decided to put in place a legislative regime to enable the collection and disclosure of relevant information if that is necessary'*.
- PIPE Networks was given three business days to agree to volunteer

And here is our dilemma. In seven hours I needed to demonstrate to US government agencies located at the B end of the cable that I am, indeed, a responsible network operator with the highest level of control of network infrastructure, access, personnel and information. Yet in three days, the Australian Government on the A end of the system is threatening legislative change unless I abandon those same principles.

I understand what is behind this and how this letter was well intended. However, the apparent lack of awareness of the many issues surrounding the various sensitivities of the network information being sought, the lack of consultation, lack of supporting documentation, lack of time for companies to appropriately discuss with the Department our concerns and an overall lack of framework can only result in one thing: the lack of a meaningful and satisfactory response.

Telstra's management is completely justified in its position to withhold this information and immediately volunteer the network information being sought. In fact it's their responsibility as officers of a public company and as the owner and operator of critical infrastructure of national importance.

At the end of the day we will talk to the government to make sure our concerns are clearly understood, at which point, I would expect that we will be able to agree on a process to provide access to the requested information on a more secure and auditable manner, and with the necessary indemnities. Without this safeguard I am duty bound not to disclose this information as it has presently been requested. I would suspect that any proposed legislation as foreshadowed by the Department to compel carriers to hand this information over various external parties that did not include suitable security arrangements would be dimly viewed by other countries with which we have security arrangements with. But that's for another day.

Telstra coverage advocates boost migration efforts

Telstra claims that its coverage advocate program has 'moved into overdrive' ahead of the planned CDMA network closure date on 28 April, with more than 1,300 visits to customer homes, farms and businesses completed.

According to Telstra country wide director Gary Goldsworthy, the coverage advocate program was introduced in response to the recent statement by the minister for communications Stephen Conroy, that he believes the Next G network footprint is equivalent to the CDMA network but that he wanted Telstra to put in place extra measures to help customers with handset issues.

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“The coverage advocate program is helping as we are proactively calling CDMA customers to discuss their migration options, followed up where necessary with visits to the customer's home, which is proving popular with people living in isolated rural regions ... our coverage advocates have pulled out all stops in the seven weeks since the program's launch,” said Goldsworthy.

Telstra has also launched an 1800 hotline for customer questions and complaints about Next G as well as the shop accreditation program to ensure customers get the right advice and equipment when they move off CDMA.

Sonia Han

F-Secure says mobiles insecure

Digital security firm F-Secure claims that the majority of mobile phones are at risk from spyware.

According to F-Secure, there has been increasing activity with spyware applications for mobile phones. Such applications make it possible to get covert access to all the functions of the affected phone, including recording of phone calls, access to messages and switching on the phone's microphone for listening.

An F-Secure online survey, carried in January 2008, survey 1,169 internet users aged 20-40 across the US, Canada, UK, France and Germany about their knowledge of online and mobile security issues.

The result shows that 86% respondents don't have mobile security while only 28% of them use their mobile device to access the Internet, 21% regard Bluetooth connections safe, and 15% think Wi-Fi connections are safe. Over half of the interviewees think it is up to the individual user to ensure their phones are protected, while 33% expect this to be taken care of by their mobile phone carriers.

“So far there have been about 400 mobile viruses detected... while the mobile threat is low at present, it's only a matter of time before internet criminals start utilizing the growing potential that smartphone usage presents to them,” said Mikko Hypponen, chief research officer at F-Secure.

Sonia Han

\$60 million deal to resell Telstra in the box

Telecoms wholesaler Telcoinbox has signed a reseller deal with Telstra Wholesale to resell its fixed wire and 2G cellular phone network to its service providers' SME customer base. The \$60 million, three year deal extends an existing contract between the two companies, building on a business relationship going back four years.

Telcoinbox was listed at number 7 in BRW magazine's 2007 list of Australia's fastest growing companies and has more than 100 service providers across the country, mainly supporting SMEs with a monthly spend of \$500-\$2,000.

In 2007, Telcoinbox, together with Small Enterprise Telecommunications Centre Limited (SETEL) and the Australian Telecommunications Users Group (ATUG), released the results of a survey on SME telecommunications. The research, based on responses from 5,000 SMEs, found that mobile phone and fixed wire was the preferred form of business communication after email, and that 66 percent of respondent companies were still on 2G mobile phone plans.

Petroc Wilton

Ipernica settles with Ericsson, Longreach for \$30 million

Perth-based intellectual property rights specialist Ipernica has settled its litigation against Ericsson and Longreach in the Federal Court. The three parties have agreed to settle on a no liability basis, in consideration for a cash payment from Ericsson to Ipernica of \$30 million.

Ipernica, a Telstra spinoff previously known as QPSX Ltd, had alleged that Ericsson had not paid royalties on its use of the company's asynchronous transfer mode technology, and segmentation and reassembly licence.

Settlement terms are confidential, but Ipernica expects to retain around \$20 million after payments to its profit share partners.

Petroc Wilton

UXC completes acquisition of Lucid, Getronics

Australian business solutions firm UXC has now completed the acquisition of both Getronics Australia and Lucid IT, announced on 6 and 12 February respectively.

UXC expects the Sydney-based Information Technology Infrastructure Library (ITIL) company Lucid to bolster UXC's consulting and education portfolio, while managed services provider Getronics are slated to strengthen their professional services offering, especially in the unified services area. Both companies will become part of UXC's business solutions group, which has a range of high-profile clients including the RTA, Optus, and the Department of Defence. UXC also announced the acquisition of Victorian SAP integrator Intacct Business Consulting last month.

UXC recently declared first half results with revenue, NPAT and EBITDA all well up over the previous corresponding period, in a half that also included large contract wins with Energy Australia and the Queensland local government infrastructure services. The company is targeting revenues of almost \$600 million for the 2008 financial year, with the Getronics acquisition alone expected to bring a \$120 million annual revenue boost.

Petroc Wilton

WebSpy beta allows watchmen to watch themselves

Australian software developer WebSpy, whose focus is on workplace internet and network activity reporting, has launched a beta version of a module for its Vantage product range that will monitor intranet usage.

The module allows companies to securely distribute and share user activity information at any level they select, meaning that the responsibility for protecting the corporate IT environment could be spread across organisations – even down to the point where individuals could view and analyse their own activities.

According to WebSpy COO, Lagis Zavros, "companies are recognising that issues relating to inside threats need a two pronged attack – protection of their business through reliable security systems and education of the workforce to drive responsible behaviour."

Petroc Wilton

CORRECTION

The article entitled "Verizon: How FTTH became a reality in the US" in yesterday's issue made reference to GEAPON. However, in her presentation, Verizon's Jacqueline Ruff actually referred to GPON. GEAPON, based on IEEE 802.3ah, delivers throughput of 1.25 Gbps both upstream and downstream, while GPON is based on ITU-T G.984 standard and delivers the 1.2/2.4 upstream/downstream Gbps cited in the article.

SPINVOX PINPOINTS MOBILE PHONE IRRITANTS

Voice-to-text technology firm Spinvox has polled its users to identify ten of Australia's most annoying mobile phone habits. The list includes loud playback of multiple ringtones, constant SMS usage during conversations or mealtimes, inconsiderate and public use of speakerphones, and making or receiving calls from public bathroom stalls. SpinVox contends that voice-to-text conversion may help to avoid some of these gaffes.

HOUSING NSW DEPLOYS E-LEARNING PROGRAM

Housing NSW, which provides public and community housing within the state, has engaged Australian e-learning outfit The Learning Group to provide an e-learning program for its staff. Running over the next three months, the program will be used to train 1,000 staff and is expected to save \$150,000 by cutting face-to-face training costs. Donna Seagrave, Housing NSW's Learning and Development manager, highlighted additional advantages. "By creating the material online we're not only reducing our carbon footprint, but we can now offer staff a new level of course accessibility and reduce the time it takes to train," she said.

TWO NEW SENIOR STAFF FOR NORTEL

Nortel has appointed two new senior members to its enterprise team in ANZ. James Lind, who has previously worked with both Cisco and Avaya, will be leading Nortel's Innovative Communications

Alliance with Microsoft in ANZ. Luke Power, formerly of Bluechip Infotech and Cisco, will be managing the firm's SMB channels accounts in SNW, ACT, QL and WA, working closely with Nortel's SMB partners such as Commander Australia.

POLYCOM ENHANCES IBM LOTUS, LOTUS NOTES VIDEO INTEGRATION

Unified collaborative communications solutions provider Polycom has announced an integrated offering to enable users of IBM Lotus Sametime and Lotus Notes to launch HD video and high-quality voice conferences using the click-to-call and click-to-conference functions. The unified collaboration enabled by Polycom RAS 200I is available now through qualified Polycom channel partners.

NEXTGEN APPOINTS NEW NORTHERN REGION SALES MANAGER

Nextgen Networks has appointed Matthew Madden, former Uecomm sales manager, to the position of northern region sales manager, corporate and government. Madden brings along 10-year experience in data services sales. He will be based in Nextgen's Sydney office.

OPTUS UPGRADE DEVELOPMENT BLOCKED BY COUNCIL

Shire of Yarra Ranges councillors quashed plans for a bid by Optus to build an 18 metre slimline monopole in the Healesville area at this week's council meeting. In 2004, Optus was granted approval for the facility but did not act on the permit. The decision was deferred until the next council meeting so that councillors could further investigate the telecommunications policy.

SONY ERICSSON TARGETS STYLE-CONSCIOUS AUDIENCE

Sony Ericsson has launched the new T303 slider phone, which has a mirrored screen, metal housing and chrome finish, weighs 93 grams. The T303/T303c operates on GSM/GPRS 900/1800/1900 phone that will be available in selected markets from mid 2008 in silver or black.

BLUEFREEWAY ANNOUNCES 7.2 MILLION PLACEMENT

BlueFreeway has announced the placement of approximately 7.2 million ordinary shares at \$0.47 per share raising approximately \$3.5 million, to fund non-recurring costs associated with its recent restructure. The company also confirms that it has terminated discussions with Mitchell Communications regarding a potential merger. No due diligence had taken place in relation to the merger.

MOTOROLA LOOKING FOR NEW DEVICE HEAD

Motorola is on the hunt for a mobile devices head, according to CEO Greg Brown. "We've got to get that stabilized," he told analysts of the foundering unit, which has regularly produced losses under a number of different leaders in recent quarters. The vendor faces calls to spinoff its troubled handset business amid a sea of red ink and continual market share losses to its rivals - including the loss of its second place in the global rankings to Samsung Electronics. Brown said he spends 80% of his time working on turning the unit around but added a dedicated unit head could speed recovery. "There's no structural impediment to driving double-digit margins in handsets," he said. Brown warned of a "particularly rugged" competition across the next two years and said Motorola would invest conservatively in Android to boost its software offerings.

NOKIA BACKS MICROSOFT FLASH ALTERNATIVE

Nokia has agreed to back Microsoft's Silverlight video technology and will initially add the solution to its S60 handsets, which dominate the smartphone market with a 50% share. The top phone vendor said it would also add Silverlight support to its S40 handsets down the road but gave no timetable. The pair previously forged an alliance to add Windows Mobile to Nokia phones and later to support mobile Windows Live services. The deal is a key benchmark for Microsoft, which commands just 10% of the smartphone space with its own devices. Silverlight is positioned as a rival to the ubiquitous Adobe Flash technology that currently backs most Web video.