

**SONY ERICSSON NO MORE: Sony takes control**

**ACCESS SEEKERS: Want to end to Telstra exemptions**

**GEN-I: Wins deal to build Westpac NZ data centre**

**SOUTHERN CROSS**

**Contracts with Ciena to expand capacity to 40/100Gbps wavelengths**

# COMMUNICATIONS DAY

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## New CEO at M2 Telecommunications

M2 Telecommunications will use today's AGM to officially transition COO Geoff Horth into the position of CEO, taking over from founder and CEO for the past 11 years, Vaughan Bowen. Bowen has stepped aside to concentrate on the company's mergers and acquisitions and carrier relations.

Horth will tell shareholders at today's meeting that the company will continue on its present growth path, which includes looking for new M&A targets, utilising its greater scale from recent acquisitions for business efficiency and positioning the company for the NBN.

In an interview with CommsDay ahead of the AGM, Horth (right) noted that over the past few months he's been working with Bowen for a smooth transition and said that with a strong management team it should be "more of the same" under his leadership.

"We're very respectful of the team that we've got here and we've called the transition Project Evolution, which highlights that it's evolution rather than revolution," he said.

The past two years has seen M2 make a string of acquisitions that have given it a far greater scale, particularly in the SMB space. It also resulted in the company announcing a record net profit after tax of \$27.6 million for financial year 2011, up 72% on the previous year.

Since the results announcement in August, both Horth and Bowen have jointly held a roadshow to investors and brokers highlighting the message that they can expect more of the same following the CEO transition.

"We gave investors a clear message that we don't need to radically change anything to grow our SMB base. We plan to invest more in our sales team, which we consider our core asset, and over the next 12 months we will see an acceleration of measures to utilise that channel," Horth said.

"We've enjoyed some good successes and we want to make sure we don't rest on our laurels. We've spent time on transitioning new companies following recent mergers and we think we've got a very good foundation for growth, but we'll continue to look for efficiencies and to grow our sales."

**NBN OPPORTUNITY:** Looking at the wider industry picture, Horth said M2 was well placed for the NBN environment, having always survived on "reseller margins," but he said others in the sector could be facing more radical change.

"There are number of number of participants that are going to have to change their business model for an NBN world that will run on leaner margins. The biggest challenge for those companies will be to transition the business to an environment where no-one really has an infrastructure advantage. Having said that it's an exciting time to be in the telecommunications space and the NBN is a significant change event," he said.

Horth noted that M2 has been trialling NBN services with Telstra Wholesale and now has both residential and SMB customers in all trial sites. He said that the feedback from customers has been positive, with most noting an improvement in terms of speed and reliability.



However, he said that the company had not finalised any deal with Telstra to be its wholesale aggregator beyond the trials and Horst did not rule out using other carriers or even introducing its own infrastructure for specific points of interconnect.

“Telstra was the first to market but there will be other opportunities with other aggregators and we like the idea of a competitive environment. A lot will depend on if they allow us to fully access over the top applications but we haven't closed the door on any options.”

“We could also look to build in certain POIs, but it's very unlikely as we've always focussed on sales and marketing. Having said that, we have the scale if we thought it was appropriate,” Horst suggested.

The new CEO was also buoyant on the prospects for wireless broadband, citing future growth potential in the application area. M2 is a significant partner of Optus Mobile, but Horst suggested that today's services at the application layer are relatively immature.

“If we think there is an opportunity to package business grade applications with the service we certainly would,” he said. “Any applications that are relevant to our core target market and that can bring extra capability are worth looking at.”

**MERGERS AHEAD:** Meanwhile, former CEO and founder Vaughan Bowen said his new role would have a two-pronged focus: looking for new acquisition targets as well as helping the new CEO manage key carrier relationships. He will also stay on the board of directors.

Bowen gave some insights into possible acquisition targets, noting that while the company would continue to look at M&As that would help it to expand its SMB customer base, it was also on the lookout for complementary acquisitions – such as in the cloud space – that would widen its product suite.

“Cloud is very interesting, without getting caught in the buzz, so our area would be focussed on applications that can be delivered for SMBs, such as hosted PBX and perhaps video conferencing, which is also increasingly making use of the cloud,” he explained.

However, he ruled out investing in data centre infrastructure to host such a cloud environment. “Data centres are not on our roadmap as we believe there is enough capacity from the specialists out there, so we would use other people's environments if we did expand into cloud offerings,” he said.

Over the past few years M2 has acquired a string of companies in the business provider space, with its portfolio now incorporating Commander, People Telecom, Southern Cross Telco and most recently Clear Telecoms.

Geoff Long

## **Ericsson sells out of Sony handset JV**

As CommsDay went to press, reports from Sweden said that Ericsson has finally negotiated terms to exit its JV with Sony. Sony will take full control of the company established in 2001 but which has rapidly been losing marketshare as Apple and Samsung assert dominance.

Reuters said the E1.05 billion deal gives Sony “ownership of certain handset patents held by Ericsson and will enable it to integrate the joint venture's output with its own range of products and online content.”

“We can more rapidly and more widely offer consumers smartphones, laptops, tablets and televisions that seamlessly connect with one another and open up new worlds of online entertainment,” Sony's chairman and Chief Executive Sir Howard Stringer said in a press statement.

## **Southern Cross picks Ciena for capacity upgrade**

Southern Cross Cable Network has chosen Ciena for its planned capacity upgrade, which will see a move from 10Gbps to 40Gbps wavelengths over the next six months and leave the door open for a later upgrade to 100Gbps.

The submarine cable operator said it will use Ciena's 40G+ WaveLogic coherent optical technologies to increase the capacity on each of its seven network segments linking Australia, New Zealand and the USA.

Ciena APAC VP Anthony Mclachlan told CommsDay that Southern Cross will use readily available

technology which has already been successfully deployed elsewhere. He this includes his company's 6500 system, acquired from Nortel last year, to increase the cable capacity and Ciena's 5400 products to upgrade its bandwidth aggregation and grooming capability.

He said the technologies will extend out to the eventual 100Gbps wavelength capacity increase: "The 6500 is card upgradable to the higher capacity and provides a smooth upgrade path."

McLachlan said Ciena's 40Gbps technology is already in use on the network segment on the West Coast of the USA. "Now we'll add it to the wet plant network," he added.

He said upgrading the Southern Cross Cable Network is one of Ciena's largest projects in the region and "is quite extensive because of the way it pulls together key elements of Ciena's portfolio. We're excited about the extent and breadth of the project."

Southern Cross CEO Fiona Beck said the upgrade will increase the network's lit capacity to 2Tbps by the second quarter of 2012, currently the network has 1.2Tbps. She said the upgrade "represents an increase in current potential capacity to over 7.2Tbs, between Australia, New Zealand and the USA."

Bill Bennett

## **Access seekers clamour for end of fixed-line exemptions**

A chorus of access seekers have called for the Australian Competition and Consumer Commission to end geographic exemptions from regulation for wholesale line rental, local carriage service, and PSTN originating access services. But Telstra itself has yet to weigh into the latest round of public debate on the contentious topic.

Just over three years ago, the ACCC chose to exempt certain exchanges from wholesale voice services regulation. The decision drew heavy flak from Telstra competitors at the time and the debate erupted again this May, when the Competitive Carriers' Coalition accused Telstra of hiking wholesale prices over regulated rates in the exempt areas. An array of access seekers subsequently slammed the ACCC's suggestion that it might retain the exemptions in the latest round of final access determinations on fixed line services and, at the start of last month, the Commission started a public inquiry into potentially varying the controversial exemptions.

While Telstra has maintained that the exemptions should remain in place, it is yet to provide the regulator with a public submission to the review. However, its wholesale customers have lined up to argue that the provisions should be done away with.

Optus exhorted the ACCC to "eliminate these pernicious measures" in its submission, saying there was no longer any valid rationale for them. "When the exemptions were established by the ACCC and the Australian Competition Tribunal in 2008 and 2009, the theory was that access seekers would be encouraged to invest in DSLAM infrastructure, to stimulate infrastructure-based competition," it said. "This rationale no longer applies, given the over-riding impact of the NBN deployment on investment decisions. As the NBN rollout gathers pace, it is highly unlikely that a decision to retain the exemptions beyond 2011 would produce any incremental DSLAM investment."

"Further, when the exemptions were introduced it was thought that Telstra would be restrained from exercising market power in the affected exchanges because acceptable substitute services would be available from alternative wholesale suppliers. The expected restraint on Telstra's market power has failed to materialise. Whilst alternative wholesale suppliers do exist... Telstra's scope for exercising market power in the affected ESAs will not be restrained by alternative sources of supply. Retaining the exemptions will permit Telstra to set wholesale prices for the affected voice services which exceed the competitive level. Indeed, this has already occurred."

AAPT argued that the exemptions stifled competition in the fixed line voice market and did not promote efficient use of or investment in infrastructure. It also warned that "during the transition to the NBN, Telstra will have great incentive to firm up and expand its fixed line customer base in order to migrate them over to the NBN and pick off competing retail service providers... keeping the Exemptions in place will only further facilitate Telstra to act on its incentive to weaken the competition."

RELIC? Macquarie Telecom dismissed the exemptions as a relic of the pre-NBN era. "Australia's commu-

nications sector is undergoing fundamental structural reform with the implementation of the NBN. This has involved the recognition at the policy level that the pursuit of facilities based competition in customer access markets has been ineffective and that the regulated monopoly supply of access services is now the preferred alternative,” said the firm in its submission. “In this context, Macquarie is of the view that the geographic exemptions are a leftover of the pre-NBN environment and have no place in the transition to the NBN.”

“Telstra has begun to arrest the decline in the number of fixed line services it supplies which it has experienced in recent years. This is no accident or unexpected occurrence. Rather it is a deliberate strategy of Telstra to retain its fixed line customer base with a view to migrating these customers to the NBN and at the same time weakening the position of competing RPSs,” continued Macquarie. “Telstra is currently able to charge (and access seekers have no practical choice but to pay) in excess of \$31 per month for the WLR service in exempt geographic areas compared to the ACCC determined efficient price of \$22.84 per month in non-exempt areas. This perverse situation demonstrates how ineffective competition is in the supply of resale services and how Telstra is aggressively retaining its fixed line customers.”

Herbert Geer, on behalf of Adam Internet, iiNet and Internode, warned that were the exemptions to remain in place, “Telstra will likely be unconstrained in the wholesale market for voice and bundled voice/broadband services,” leaving competition at the retail level dependant on ULLS-based access seekers competing directly with Telstra. The firm also argued that there’d be a risk of forcing access seekers into ULLS-based infrastructure investment which could, particularly in light of the NBN rollout, prove inefficient. However, Herbert Geer also noted that the practical effect of the exemptions on price terms should be negated by Telstra’s structural separating undertaking – arguing that the ACCC “will be unable to accept the SSU if the SSU does not fully apply the Equivalence Obligation [that part of the Telecommunications Act designed to achieve transparency and equivalence during the transition to the NBN] to the Exempt Services.”

Petroc Wilton

## **VHA: telcos must up their app game to compete with new market entrants**

In the apps world, telcos must expand on their traditional role as biller and primary distributor if they are to compete with new market entrants, according to VHA applications, location and research product manager James Espie.

Espie spoke at The Internet Show conference in Sydney of the many challenges that telcos face when entering the apps space. “We’ve got to incorporate customer care, sales, marketing, technology, operations... it goes across the board, and it makes it a massive headache to try and get everyone onboard and actually [provide] the user experience,” he said.

“Back in the day with 3 it was simple – just design the portal... now you’ve got this app, you have to figure out where [users are] going to download it, are you going to be able to put it on the phone, how are you going to pay for it... it’s complex!”

Espie listed a raft of other challenges to Australian carriers in the app space, including disintermediation, device fragmentation, changes to regulation and app approval delays. He added that domestic carriers also had a major challenge in achieving scale given they are in direct competition with global app stores. “In the US the carriers are talking about doing their own [app] stores, but each of the carriers there have a user base that’s higher than the entire Australian population – that’s not a game we can play,” he said.

Espie said that new market entrants had forced the role of the telco to change from biller and primary distributor to that of service provider and access facilitator. “It’s not enough to say ‘come and pay me \$20 for using the network a month’... you’ve got to do something else’,” he said. He said that 3 had led the way three years ago in introducing Facebook for free, and also mentioned a number of other VHA app forays, including an accessories promotion using ‘FourSquare’ check-ins – which he said led to 44% uplift on average accessories spend – and the ‘Garage Sale Trail’ event, using the Vodafone Compass app.

Meanwhile, Espie said it was important for telcos developing apps to know where “your bang for your buck was going to be.” “From a development point of view, the apps that we have developed... have been

for Android and iPhone, and our in-house capability doesn't extend beyond those platforms," he said.

David Edwards

## **iiNet unveils Android handset trio for SMBs**

iiNet has taken the plunge into the business mobile market, announcing a range of three Android mobile phones and plans aimed at Australian SMBs.

The firm's business customers will be able to match the three phones – Samsung Galaxy SII, Samsung Galaxy S and Alcatel OT99 – with iiNet's existing no-contract SIM plans, covering calls, texts, 3G data, social network access and iiNet to iiNet calls at special rates. The SIM plans range from A\$14.95 to A\$49 per month, depending on included call value and data allowances; when matched with the plans, the handsets can either be bought outright or over a separate 24-month contract, starting at A\$8 per month for the Alcatel model and ranging up to A\$20 for the Galaxy S and A\$30 for the Galaxy S II.

"The fact you can mix-and-match a contract-free SIM card with a mobile phone means you can create a plan that meets your business needs, no matter your budget," said iiNet Business CEO Greg Bader.

iiNet is planning to extend the range of mobile devices in the future.

**CORRECTION:** In yesterday's story 'iiNet to buck lag in DSL adds by upselling', CommsDay reported that David Buckingham was the firm's CTO. He is in fact the CFO. CommsDay regrets the error.

David Edwards

## **Survey sees Australians keen for connected workplace**

A new Jabra survey suggests that Australians are starting to embrace the idea of continuous connectivity – and with it the concept of remote working.

Surveying 500 Australian office workers, Jabra found that 75% were comfortable being in constant contact for work; 60% claimed to never turn off communications devices and applications (albeit for both personal and business use) during working hours.

The average employee polled in the survey used more than five different devices or applications to keep in touch during working hours. Email was still the most widely used form of communication, by 90% of respondents with the deskphone (84%) close behind. 51% said that they used their mobile phone for work purposes. Against the background of increasing work connectivity, remote working appeared reasonably popular. 52% of respondents said they were working outside the office at least once per fortnight, with 12% working remotely each day.

Petroe Wilton

## **OBJECTIVE AIMS TO LINK GOVERNMENT AGENCIES VIA CLOUD**

Objective, which specialises in content, collaboration and process management for the public sector, has launched a new cloud-based offering designed to help multiple government agencies share information without sacrificing security or accountability. According to Objective, the need for inter-agency information sharing has driven an explosion in public servants' use of emails, thumb drives, and even generic file sharing tools – leading to a spate of 'lost' public sector information in the public domain. The new 'Objective Connect' release is designed to tackle this challenge. "Objective Connect delivers secure inter-agency information sharing and process management," said Objective CEO Tony Walls.

## **HUAWEI LAUNCHES DUAL SIM ANDROID SMARTPHONE IN AUSTRALIA**

Huawei has launched its dual SIM Android smartphone, Huawei Deuce, in Australia. The device runs on the Android 2.2 OS and enables users to run two numbers simultaneously; it has a 3.2-inch touchscreen, a 3.2MP camera and offers GPS, Gmail and access to a range of Android games and apps. Huawei Deuce is available now for \$249 outright at select stores.

## **TELSTRA OFFERS HFC BUNDLE DEAL FOR SYDNEY, MELBOURNE**

Telstra has dropped the price on its 200GB cable broadband deal for new bundle customers in Sydney

and Melbourne. Until 15 December, customers can purchase the Telstra Complete Home Saver 200GB Cable Bundle for \$78 per month for 24 months at a minimum total cost of \$1,872 plus usage. The deal includes line rental and there are no on/off peak restrictions. In addition, the Telstra Plus technical support team is available for up to six free calls in the first 30 days from activation of the bundle – a service that ordinarily costs \$29.95 a month.

## **NEW ZEALAND**

### **Telecom NZ's Gen-i to design, build Westpac datacentre**

Gen-i will “design, deliver and support” a datacentre for Westpac’s New Zealand operation. The deal marks a significant win from IBM for Telecom NZ’s IT-focused business unit.

Westpac’s new data centre will be built at Gen-i’s tier 3 carrier grade facility in the Auckland CBD. The centre is due to go live next year. The building is directly connected to Telecom NZ’s main telecommunications exchange on the same site. Gen-i said the Auckland facility features “highly seismic-rated buildings, a highly resilient infrastructure design, environmental monitoring and efficiencies, and physical security, with 24x7x365 management processes.”

Gen-i already has a significant share of Westpac’s business providing voice, as well as data services to the bank’s corporate offices, branches and ATMs.

Westpac’s general manager for customer and technology services, Jim Stabback, said Gen-i has a strong data centre track record. He said: “During the Canterbury earthquakes, Gen-i kept its data centres fully operational and received the highest civil defence priorities to maintain essential telecommunications services, which also gave us the reassurance we needed.”

Gen-i CEO Chris Quin said his company has seen an increased demand for resilient data centre services since the Christchurch earthquakes with clients wanting to move to hosted or off-site centres.

Bill Bennett

### **Government cloud contracts launch Datacom, Revera on NZ\$70 million data centre build**

Datacom and Revera will spend NZ\$70 million between them building two new data centres after winning ten year contracts to supply infrastructure-as-a-service to government agencies. The contracts are part of the all-of-government programme which is being gradually introduced across many areas of purchasing.

Datacom’s New Zealand CEO, Greg Davidson, said his company is building a standalone cloud computing platform: Datacom Cloud Services for Government. He said the service will be running within 90 days.

The company also said it will spend NZ\$30 million building a tier 3 data centre in Hamilton which will open in early 2013. Datacom said it chose the city because it has a very low earthquake risk profile and that communications. The company already has data centres in Auckland, Wellington and Christchurch.

Datacom said it already has 100 customers for its cloud services with over one petabyte of storage under management. It said these numbers are growing at 15% per month.

Revera said it has begun work on a NZ\$40 million tier 3 data centre on an earthquake safe site in Wellington. The building is expected to be complete in the first half of 2012.

The company’s general manager business development Robin Cockayne said: “Revera operates New Zealand’s largest IaaS platform, and it is testament to the focus and foresight Revera has applied to be awarded the opportunity to play an integral role in the all of government initiative. Perhaps it is our high ratio of engineers to sales people that we’ve contained our excitement to pure infrastructure and systems making it easy for people to buy and scale.”

Bill Bennett