COMMUNICATIONS DAY

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# How Telstra could cash in on HFC under Coalition: Goldman Sachs

The Coalition's apparent flexibility on how Telstra's HFC network would fit into its proposed alternative NBN model could provide the telco with the potential to "monetise the asset further than the current arrangement," according to a new Goldman Sachs report.

With its large network footprint and boosted download speeds, Goldman Sachs suggested that Telstra's HFC would be well positioned to either compete with, or be used as part of, the NBN; it proposed three likely options available to Telstra in determining how the HFC network would fit into a revised NBN/Telstra deal under the Coalition. The first would see no change to the existing deal, with the HFC network being decommissioned for broadband services; the second would see Telstra's HFC become the sole provider of NBN services in its network footprint. "This could be potentially achieved through NBN Co reselling Telstra HFC, or by Telstra divesting HFC to NBN Co and HFC is used to deliver NBN services," the report explained.

However, the third and most likely outcome, according to Goldman Sachs, is that Telstra maintains and continues to invest in its HFC network, and competes with the NBN – a move that it described as the "least ideal scenario for the economics of NBN Co." "From a regulatory perspective, we believe the key question will be whether Telstra's structural separation requirement will be satisfied if it maintains the HFC network. Under the current legislation, if structural separation is not satisfied, then potentially some form of functional separation would be required," it added.

"From Telstra's standpoint, the key issues will be: (1) the magnitude of investment required to enable open access (we estimate up to A$50 million); (2) magnitude of investment required to increase capacity of the network (we estimate A$0.5-A$0.7 billion); (3) the magnitude of disconnection payments forgone (both copper and HFC); and (4) what market share is required to make it value-accretive."

Goldman Sachs said that the current value of Telstra's HFC network stands at A$0.7 billion ($A0.6 billion in compensation and $0.1 billion residual). "[But] if HFC plays a greater role and achieves 20% (current share)/50%/100% share, we estimate the value of the HFC network (net investment, lower disconnection payments) at A$0.4bn/A$1.4bn/A$2.9bn or $0.03/$0.11/$0.23/share, suggesting potential upside of around A$2 billion or A$0.20/share. Our sun-of-the-parts valuation would be A$4.20/A$4.30/A$4.40 (compared with A$4.15 under Labor) under each of these scenarios," the analyst firm explained.

The report said that while both Telstra and Optus have upgraded their HFC networks over the past five years to deliver 100Mbps download speeds, Telstra's network would be better positioned to be used as part of the NBN given it has a footprint of some 2.6 million homes. It added that Telstra has also boosted the capacity of its HFC network through greater numbers of head-ends and node-splitting. "This effectively means there will be less congestion and network has the capability to better preserve its high-speed capability," the report explained.

On the other hand, Goldman Sachs said that Optus would have little incentive to revise its own A$0.8 billion agreement to decommission its own HFC network. It estimated that Optus will be paid A$3,500 per customer disconnected by NBN Co; Optus' HFC network footprint stands at 1.4 million homes.

David Edwards

## Revealed: Behind ACMA's public safety spectrum allocation

A national public safety broadband network would need as little as 2 x 3MHz of spectrum in the 800MHz band to meet the needs of emergency services agencies, according to modelling done by the Australian Communications and Media Authority and its consultants.

The ACMA announced in October last year that it was planning to set aside 10MHz (2 x 5MHz) of spectrum in 800MHz for public safety agencies. However, a number of agencies and state governments had been lobbying for double that amount of spectrum.

But according to documents released under the Freedom of Information act, just 6MHz was considered adequate to meet the needs of the proposed public safety network. The ACMA has not previously made public the technical considerations of its decision to release 10MHz of spectrum.

According to the documents, a calculation of PSMB spectrum requirements had been completed by independent consultants and recommended a range of spectrum quanta for different scenarios. However, the ACMA found that several assumptions that were made had combined to create an over-estimation of the minimum spectrum required.

ACMA recalculated using more appropriate values, which resulted in 2 x 3MHz to meet the PSA data requirements. However, it said that given current trends in technology, the ACMA would plan the spectrum in 5MHz paired blocks, which would give the agencies "some headroom and room for future growth".

The documents also outline how the deployment of transportable base stations to serve traffic at and around planned events can be achieved without the need for a provision of additional spectrum. As a result, it said that dedicated spectrum for exclusive use by transportable base stations would be highly inefficient and therefore economically inappropriate.

The information released by ACMA also noted that other elements that had been supported when making its decision was the use of commercial networks for non-mission critical traffic; the use of "cells on wheels" to absorb additional local demand; and use of the 4.9GHz band to enable deployment of high capacity, localised hot sports for data offload.

According to the ACMA information, further details on which specific frequencies have not yet been decided, but will be within a range specified in appropriate equipment standards for LTE.

The ACMA has been participating in the work of the Public Safety Mobile Broadband Steering Committee while also conducting a review of the 800 and 900MHz bands. The steering committee is expected to soon report to the Council of Australian Governments through the Standing Council for Police and Emergency Management on the most effective and efficient way for public safety agencies to obtain a nationally-interoperable mobile broadband capability. The steering committee is co-chaired by deputy secretaries from the Department of Broadband, Communications and the Digital Economy and the Attorney-General's Department.

In a speech at an industry event in Melbourne last November, ACMA chair Chris Chapman had defended the decision to set aside 10MHz of spectrum rather than the 20MHz being called for. While he did not say that 6MHz had been determined as adequate from the modelling results, he noted that the amount being allocated was more than sufficient to meet PSA needs.

"A careful, evidence-based engineering approach to spectrum dimensioning showed that the 10 MHz identified in the 800 MHz band will carry more capacity than requested by the PSAs," Chapman said at the event. "As I understand it, the Australian government is now looking for a firm commitment from the states and territories to make the investments required to properly utilise the spectrum that the ACMA has reserved for PSAs."

According to the last discussion paper released by the ACMA, the high level of incumbency in the 803–960MHz band and the requirement to potentially relocate a significant number of users from parts of the band will mean that new arrangements will occur over an extended period. However, PSMB users are expected to get the first access to the spectrum as early as 2015.

**Geoff Long**

## Optus prepares for Vision 2013

Optus is gearing up for 'Optus Vision 2013', this year's instalment of its annual customer and industry event, with keynote updates from SingTel's Group ICT CEO Bill Chang and his direct report, Optus business MD John Paitaridis. The updates come just over a year since the extensive restructure which locked in Group ICT as SingTel's enterprise business division.

Appropriating the former name of Optus' cable TV business, Optus Vision – which kicks off tomorrow in Sydney – is intended as a forum for exploring evolving business strategies in a customer-driven economy. It will provide a platform for Chang and Paitaridis to give an update on developments at Optus Business and SingTel Group Enterprise, as well as strategy going forwards; in addition, it features a number of breakout sessions with speakers from firms such as Juniper, Microsoft and Cisco.

The event will also see Optus launch this year's 'Future of Business' report. Optus will share its findings from a survey of almost 2,200 consumers and 550 business and government decision makers around navigating and responding to changing customer expectations in a multi-channel environment.

CommsDay will be reporting from the event.

**Petroc Wilton**

## ATA wants government champion for contact centre industry

Australia's contact centre industry is set for surging growth not seen since the global financial crisis. And, with contact centre staff now accounting for more than 1% of the country's population, Australian Teleservices Association CEO Fiona Keough says it's time the industry had a champion in government – perhaps via moving it within the portfolio of a single federal minister.

Drawing on figures from the ATA's research partner Fifth Quadrant, Keough expects the industry to grow about 7.9%, in terms of seats required to manage volume, between 2012 and 2013 – against a rate of about 2-3% annually, since the GFC. She estimates there are some 300,000 people working in the contact centre industry, split between around 230,000 front-line staff as well as management and support staff. "It's more than 1% of the Australian population; we're a mature industry," Keough told CommsDay.

"That [growth] has been generated, not necessarily by what you would think would be typical contact centre interactions such as the more simple transactions, but because of the complexity of what we're now expecting people to do," she continued. "We're actually driving simple interactions online or onto self-service, and retaining complex interactions that will typically take 3-5 minutes... which means that you need more and better qualified people. What we're seeing in the industry... is we're looking more for graduates."

In this context, Keough believes the industry could benefit from a more unified approach, through the education system and beyond, to promoting career paths in the contact centre field – something that is already happening in some overseas jurisdictions. "What we have is this fractured model; we don't have a minister who looks after our business," she said. "Every contact centre vertical – hospitality, travel, banking and finance – each of [the respective] government ministers has a role to play in the contact centre industry. I don't have a go-to person, which would be so useful – and would be a recognition of how important we are to the Australian economy. It is a challenge, and it will become more and more of a challenge over time."

The ideal solution, she concluded, would be centralising the contact centre industry within the portfolio of a single minister. "But even our government structure, where we have state governments vs. federal governments... it's so fractured," she said. "There has to be a recognition at some point in time that customers are now driving everything we do... if we're going to get a voice at the table, we need the government to actually recognise us. It would be something we'd have to lobby for... who has the biggest voice at the table in terms of being a champion for us as an industry?"

**Petroc Wilton**

## Business case for call centre offshoring still strong

A recent trend that has seen some companies bring their contact centre operations back to Australia could be reversed in 18 months time, according to Dr. Catriona Wallace, MD of research consultancy Fifth Quadrant. She said the high-cost of running contact centres in Australia would see telcos, banks and other major organisations look to offload various back office functions to lower cost countries such as the Philippines and even South Africa.

One of the most high profile companies to move operations back to Australia was Vodafone, which earlier this year moved some of its call centre operations back to Tasmania. Wallace said that while it made good business sense to have some frontline contact centre in Australia, companies could not ignore the cost advantages of offshoring.

According to Wallace, contact centres are evolving to a new stage of development that will see better integration of the various channels. However, many companies will likely look to offshore certain functions once again when they are better prepared. She also noted that research had shown that the companies with the best customer experience reputation were also more likely to offshore.

"Organisations are pulling back resources to Australia now while they set up for this new environment, but in 18 months time it will go back out again," she said, noting that the business costs are still prohibitively expensive in Australia.

**OMNI-CHANNEL:** Wallace, who has been consulting recently with a number of major telco and banking customers, said the next phase of contact centre evolution was toward an "omni-channel" environment. This catered for a range of new channels including digital, social and mobile but also integrated the various channels so that they could operate in a single environment.

"For years we heard about the idea of seamless integration but few can do it and it's the next frontier," she said, adding that investment in the sector was now largely on mobile integration.

Wallace also suggested that the telco sector could play a key role in providing services to other enterprises and small business, but she said they would most likely have to partner with other companies to do so. "Telcos have all the technology but how the sell and deploy it is missing. They will need integration, knowledge management and analytics and they will have to partner to bring this to the table. They know it's happening but they have to reinvent their offering and demonstrate that they can create value for their clients and their client's customers but they don't know how to do that yet," she said.

**BIG DATA:** Analytics and big data are also occupying the boardrooms at the major telcos, both in terms of their own operations and offering services to others. Wallace said that current CRM systems were moving towards offering certain big data and analytics features, but the new environment was still taking shape.

"The fundamental problem is we're in an era of personalisation and customers are expecting individual treatment, but the CRM software in use does not give them this. It's mass consumerisation but it's not geared towards personalisation. CRM platforms are not set up to do that and they still treat customers as market segments," Wallace noted.

She also suggested that telcos would need to hire or retrain people so that they were more aware of the new marketing and how it is applied in the so-called "consumer power" economy.

"What we're seeing is the rise of the consumer power economy, where I as a consumer should own my own data and expect to tell the company how to interact with me. And IT, systems integrators and telcos will all have to learn the language of marketing as it exists in the new consumer powered world," she said.

**Geoff Long**

## Quickflix sheds customers in March quarter

Quickflix suffered a 5% drop in paying customers and a 6% fall in total customers during the March quarter. The firm, which now has 121,657 total customers – 113,036 of whom are paying customers –posted revenue receipts of A$5 million for the period. During the March quarter, the firm also experienced a 6.7% rise in paying subscriber churn.

"[Quickflix] undertook a complete reorganisation of its marketing function [in the quarter], scaling back activity and refocusing on cost-effective performance-based customer acquisition channels. Subscriber growth has temporarily reversed ahead of new channels building and replenishing the customer acquisition pipeline," the firm explained.

Quickflix said that the March quarter was reflective of the recent restructuring and streamlining of the business. The firm recorded operating and investing costs of A$6.2 million – a 19% drop on the previous quarter; it added that net operating and investing cash flow has been reduced to A$1.2 million.

With cost reduction and operating efficiency initiatives now underway, Quickflix said that its focus is shifting towards "cost-effective customer and revenue growth." "New partner promotions including those with device partners and direct marketing campaigns will underpin the company's growth but it will take more than a quarter for growth momentum to build. The company expects to announce further significant content deals and partnerships over coming quarter," Quickflix said.

**David Edwards**

## NEC CTO to set new technology strategy

Newly named NEC Australia CTO Tasso Mangos will aim to reposition the company's roadmap and set a revamped strategy for technology across the business.

The new appointment will also be a key spokesperson and technology evangelist for the organisation, representing NEC publicly in relevant forums and with key stakeholders.

Tasso is a 20-year tech industry veteran and prior to joining NEC has worked in specialist engineering roles and projects spanning technology design, consulting and IT operational areas in government and large enterprises. He has worked on a number of large outsourcing contracts managed by CSG, Commander, IPEX, Volante and Computer Power Professional Services.

"Tasso will provide strong direction and co-ordination of information management and technology architecture within NEC Australia's operations," said NEC Australia and New Zealand MD Alan Hyde. "He will initially focus on delivering better services, reducing operational costs, and improving ICT processes across the company, while driving innovation amongst our solutions."

Tasso also brings significant experience in federal government, working on major transformational and change programs with the larger departments, including Defence.

**Geoff Long**

## ICT education spend to hit A$2.7b in 2013: IDC

ICT spending within the Australian education sector will hit A$2.71 billion in 2013 and continue on to reach A$2.85 billion by 2016 – a CAGR of 1.7% over the period.

That's according to IDC's 'Australia Education ICT Market 2012-2016 Forecast and Analysis' report, which found that ICT spend by the Australian education sector was dominated by investments in hardware. Hardware is set to account for 45.8% or A$1.24 billion of the total investment figure in 2013. However, the research firm forecast this figure to fall to A$1.22 billion by 2016, which indicates a -0.7% CAGR rate from 2011-2016.

IDC Australian vertical market analyst David So said that "higher than expected" uptake of iPads and tablets will offset the long-term decline in PC demand and become the main driver for growth in hardware in the education sector.

Meanwhile, IDC said that the NBN and various components of the federal government's "Digital Education Revolution" policy were enabling the delivery of education over cloud infrastructure for children in all parts of the country. "To mitigate the risk of being disrupted by technology and innovation, the Australian education sector is beginning to leverage off the cloud infrastructure in the form of internet applications that are driving the spending for mobility, social, and Big Data," So said.

"As such, IDC believes these four ICT growth pillars will drive expansionary ICT spending by the Australian education market for the next three years."

**David Edwards**

## Ikanos claims 110Mbps vectoring VDSL success across 500 metres

California-based semiconductor and software developer Ikanos Communications says it has successfully trialled a Vectoring VDSL system capable of sustained 110Mbps speeds per port across a distance of up to half a kilometre.

According to Ikanos, its integrated Velocity-3 NodeScale Vectoring VDSL chipset was successful in achieving the performance results using a reference design system featuring 192 ports in early original equipment manufacturer and carrier lab trials. The reference platform can also be configured as a "2x192" design in a single, integrated system providing 384 ports offering sustained 110Mbps data rates per port, the company said.

"The fully integrated Ikanos Velocity-3 vectoring chipset for both line card and vectoring card provides the first broadband architecture capable of ensuring SLA-backed broadband services at 110Mbps and above – or 200Mbps and above for a bonded VDSL pair," the company noted, adding that its technology came in around a tenth of the cost of a FTTP deployment. "While lowering the costs of provisioning high-bandwidth service and applications, the chipset also reduces the cost and complexity of deployment... its highly integrated architecture requires no external FPGAs or processors, greatly simplifying integration with other system components, lowering overall system cost, reducing power, reducing footprint, and lowering deployment costs."

The Velocity-3 chipset is now available for lab testing by carriers and OEMs, Ikanos added.

**Tony Chan**

## BT launches global cloud compute offering across 45 sites

BT has rolled out a global cloud platform that will make compute resources available from 45 data centres around the world. BT Cloud Compute offers cloud-based compute resources on a pay-as-you-go model and also brings together BT's data centres, networks, and IT infrastructure under one platform.

Central to BT Cloud Compute will be the operator's self-developed orchestration layer, which allows customers to access and provision resources across its global infrastructure from a self-service dashboard. And because it is provided over BT's global infrastructure, the platform comes with built-in redundancy, which BT is backing with a SLA.

"BT Cloud Compute was developed at BT's research centre in Adastral Park, England in collaboration with some of our key world-leading industry partners," the operator said. "It differentiates itself from run-of-the-mill cloud offerings by being self-healing and resilient, bringing customers an expected service level of 99.95%."

The BT Cloud Compute will initially be hosted from facilities in Brazil, Colombia, US, UK, Spain, Benelux, France, Italy, Singapore and Hong Kong, with Germany, China, India, Argentina and Mexico to be added at a later date. Availability however is not restricted to those markets and spans across BT's network coverage, including Australia and New Zealand.

According to BT Global Services vice president of Global Portfolio Neil Sutton, the company invests "millions every year" to refresh and upgrade its data centres, but the platform's advantage is in its ability to offer consistent levels of quality, security and service on a global basis.

**Tony Chan**

## Also making news

### TELECOM DENIES GEN-I SEVERANCE PACKAGE STORY

Telecom New Zealand has again denied persistent rumours that its IT infrastructure arm Gen-i offered up to 2,000 staff severance packages to fund its NZ$96.5 million Revera acquisition. Branding the rumours "completely untrue," Telecom told TechDay that the method of funding the purchase was "clearly outlined in yesterday's release to the press." In that statement, Telecom said that it would acquire 100% of Revera's ordinary shares as funded by cash and existing borrowing facilities.

### ESERVGLOBAL WINS US$12M CONTRACT IN MIDDLE EAST AND N AFRICA

ASX-listed eServGlobal has won a strategic framework contract with an unnamed "major mobile operator group" in the Middle East and North Africa, expected to yield over US$12 million in revenues over the next three years. The operator will deliver end-to-end mobile money services to subscribers across the region using eServGlobal's software. Meanwhile, the mobile money specialist has locked in some executive management changes, with Paolo Montessori now taking on the role of CEO and MD, and CFO Steven Blundell joining the company's board. Additionally, UK-based John Richard Conoley, previously the CEO of Psion PLC, has been appointed a non-executive director.

### THURAYA SELECTS ERICSSON FOR CORE NETWORK UPGRADE

Mobile satellite service operator Thuraya has selected Ericsson for an upgrade of its circuit-switched core network. Under the scope of the deal, Ericsson will upgrade the Thuraya circuit-switched core network, implement an advanced billing mediation solution and provide support services for five years. The contract includes a hardware upgrade of Thuraya's mobile switching centre, and hardware and software enhancements for the home location register, operational support systems and multi mediation platform.

### ON THIS DAY 10 YEARS AGO: FROM THE COMMSDAY ARCHIVES

The arrival of 3G and data services in the Australian market triggered a broad review by the Australian Competition and Consumer Commission, set to radically shake up the regulation and market practices of the Australian mobile phone industry... Hutchison pulled ads from a multimillion-dollar Orange branding campaign after a string of complaints to the Advertising Standards Bureau, spurred by a startling resemblance borne by one of the actors to slain child beauty queen JonBenet Ramsay... freshly appointed Ericsson CEO Carl-Henric Svanberg announced global job cuts for as many as 13,000 of the firm's employees, 20% of its workforce