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Beattie sets 18 month target for Brisbane fibre-to-the-home network

The Queensland Government is set to test the mettle of the telecoms investment market, throwing open an offer for private players to deploy and operate a fibre broadband network utilising public facilities across the Brisbane metropolitan area.

In what would amount to the largest project of its type in Australia to date, Queensland Premier Peter Beattie wants private investors to stump up as much as \$550 million for a 100Mbps fibre network connecting direct into homes and businesses. Investors would have the use of public infrastructure, including sewer pipes, electricity poles and road and rail easements, helping reduce the cost of deployment, and in return would provide neutral wholesale access to competitive service providers.

Queensland officials are looking for a fast get-go with the project and are seeking expressions of interest from investors next month with submissions due by the end of January. Financial close is anticipated in late 2007 and the first services are to be delivered in mid 2008. The project is believed to have been in development with for some time under the codename Project Vista.

CARRIER INTEREST: While details are few, one company already interested in bidding is dark fibre operator Pipe Networks. Pipe runs an extensive backhaul network across the South East Queensland region and has strong claims to support neutral access requirements. According to Pipe CTO Stephen Baxter, "Pipe is definitely interested in bidding and welcomes this initiative from the Queensland Government."

According to Beattie, the Brisbane project was borne out of frustration with Federal Government broadband development policies, which he says have "failed to deliver ultra high speed broadband services to the general community." Beattie says the Brisbane project will likely attract consortium bidders, raising the possibility that some of the same groups targeting the Federal Government's Broadband Connect regional funding, may apply. A spokesperson was unable yesterday to give detail on how funds will specifically be applied.

According to Baxter, any project will need to be mindful of existing infrastructure investments. He said, "Pipe Networks would urge though that any new network, created under government subsidy or other access grant is not built in areas that already have extensive coverage and competition from providers risking their own capital to provide a broadband solution."

The potential rollout of a fibre-to-the-home network in Brisbane adds to a range of initiatives underway to establish SE Queensland as a hub for ICT development. As reported by CommsDay, a group of 18 local councils in the region have already applied for as much as \$300 million in Federal funding for their own fibre network. The ConnectSEQ initiative is aiming to provide broadband speeds of up to 50Mbps to nearly 3 million people.

Beattie indicated that other major centres could support similar projects. "This project is possible in Brisbane because we have a supportive local council and State Government willing to work with the private sector and facilitate access to government-owned infrastructure to support the construction of a new network," he said. "If the project proved successful in Brisbane, there may be future opportunities to roll out similar solutions across the rest of the state."



Tim Marshall

eMusic scouting for dance partners in Australia

eMusic, the world's second largest music download provider, is scouting for Australian broadband, recording and financial partners as it prepares for a local launch next year.

Having only recently expanded from the US to Europe, eMusic sees an Australian launch as the next logical step, attracted by a thriving independent record scene and relatively few cultural challenges. The fast-growing company claims to be second only to iTunes in the number of downloads it sells each month.

eMusic Content Acquisition VP Ray Farrell said this week that while there was no firm target, the company aims to go to market in Australia as soon as it has more than 100 local independent record label partners. It has just entered a partnership with the Australian Independent Record Labels Association (AIR) giving it a direct connection to about 560 labels, many of which are expected to receive a special distribution offer in the next few weeks.

Described more as music discovery site than download retailer, eMusic offers a subscription-based service, providing users with a fixed number of downloads for a set monthly fee. It focuses on what it calls the "underserved 25-54 demographic," offering a wide range of artists and music styles drawn from more than 4,000 independent labels. It currently boasts a catalogue of about 1.7 million iPod compatible MP3 tracks.

Promising to be on the ground within the year, Farrell said eMusic is yet to establish how it will run its Australian business and has not ruled out a financial partnership. "When we do launch it won't just be setting up a site and throwing a bunch of advertising at it. We want to work with specific partners whether they be broadband partners or telecom partners. We may go into a joint venture with another company, someone that really knows the lay of the land, how to reach a wider audience and the right audience," he said.

The impending arrival of eMusic comes amid growing recognition of the download market since Australian the launch of iTunes a year ago. Telcos and big-name retailers have been opening online stores and with sales gradually growing, download statistics were recently amalgamated into the official Australian Record Industry Association chart.

While recognising that download sales do appeared to be flattening for some big providers, Farrell maintains that eMusic's subscription model, will outlive emerging advertising supported services. He also maintains that the company is sufficiently differentiated from iTunes where "only so many consumers they have are interested in independent music."

According to AIR CEO Stuart Watters, independent music currently makes up between 25% and 30% of the recorded music sector and is an increasingly important part of the Australian entertainment market. "Independent music is increasingly recognised by the music industry but also the Australian public. There is now a clear understanding that many Australian artists are independent and what that represents," Watters said. "I'm quite certain that it will be very soon that there will be 100 labels signed to eMusic in Australia."

eMusic recently announced that in the two months since launching in Europe it had secured more than 20,000 subscribers and logged more than 2 million downloads.

Tim Marshall

Amcom building war-chest for regional acquisitions

Amcom is looking at potential acquisitions and has flagged an investment in regional telecommunications infrastructure as it seeks to capitalise on an anticipated consolidation in the second and third tier telco market.

Announcing a fresh \$30 million facility from cornerstone shareholder Futuris Corporation yesterday, Amcom Eddy Lee said the company was evaluating a range of possibilities as to how to spend for growth. Those options include an additional investment in iiNet, the Perth-based broadband provider it bought a 19.3% stake in earlier this year.

According to Lee, competitive pressures are increasing the likelihood of consolidation in the market. "The much anticipated consolidation of the second and third tier telco sectors has yet to take place," he said. "We believe that this is primarily due to incompatible pricing expectations by both sellers and buyers. However, in the sector where the business model is one of a reseller whose profit margins continue to decline through upward cost pressures from network suppliers, this will most likely present the best opportunity for consolidation."

Amcom Chairman Tony Grist said the new facility combined with a bonus options issue have the potential to provide Amcom with an additional \$47 million to fund its growth. He highlighted the potential to expand the company's existing business, both from a broadband infrastructure and geographical perspective, "which may include opportunities to invest in regional telecommunications infrastructure and providing telecommunications services to regional Australia."

Grist said, "we intend to continue our current strategy of targeting additional growth through strategic acquisitions and leveraging Amcom's existing infrastructure advantage with innovative products to meet increasing customer demand. Hence, this Additional facility will provide Amcom with significant flexibility to execute its acquisition strategy."

Tim Marshall

Salary Survey: Hope heads the techs with \$1.2m

The managing director of networks at SingTel Optus, stalwart Bill Hope, is easily the highest reported paid technical telecom executive in the region, earning \$1.24m and putting him on a par with the top six or seven Telstra divisional heads.

Hope likely earns more than any CTO for an Asian telco as well, given that Australia pays the highest salaries in the region. He first joined Optus as its CTO when it was under Cable & Wireless ownership, and rose through the ranks to become the networks director for the SingTel group. He is currently focusing his attentions on Optus as part of a senior executive exchange programme.

In part two of our industry salary survey, CommsDay finds that Hope is paid nearly half a million more than the next highest publicly reported technical executive, Michael Young at Hutchison.

As we found with our CEO, COO and CFO ratings in yesterday's edition, Hutchison and Powertel are also the best payers for technical and sales operatives.

Hutchison's chief sales and marketing director, Nigel Dews, earns over \$777,000; his counterpart at PowerTel, Nick Saphin earns over \$623,000.

Dews is about to knock up three years with Hutchison after an earlier careers that took him to ports as diverse as Fairfax, the Reserve Bank and McKinsey.

Another sales director worth mentioning is Matt Hollis of Pipe who's take-home compensation is double that of the founding bosses of his firm, Bevan Slattery and Stephen Baxter.

On the technical side, Eric Hamilton as CTO of Unwired is the second-highest paid executive after CEO David Spence, one of the few technical executives to rank so highly in their carrier financial rankings.

What carrier network & technology directors get paid

Name	Company	Salary	Bonus	Total inc. shares, other payments
Bill Hope	SingTel/Optus	\$539,115	\$264,627	\$1,247,874
Michael Young	Hutchison	\$485,345	\$161,502	\$789,715
David Yuile	Powertel	\$275,000	\$50,000	\$506,955
Greg Bader	IINet	\$160,000	\$37,500	\$361,557
Eric Hamilton	Unwired	\$259,383	\$51,354	\$295,861
Stephen Baxter	Pipe	\$116,015	-	\$126,456
Graham Hall (resigned)	Chariot	\$96,590	\$2,500	\$107,491

What carrier sales & marketing directors get paid

Name	Company	Salary	Bonus	Total inc. shares, other payments
Nigel Dews	Hutchison	\$480,644	\$153,821	\$777,333
Nick Saphin	Powertel	\$340,635	\$55,000	\$623,552
Chris Greig	Macquarie	\$263,450	\$81,182	\$412,330
George Savva	B Digital	\$301,331	-	\$343,352
Matt Hollis	Pipe	\$209,110	\$20,000	\$253,677
Linda French	IINet	\$159,942	\$25,000	\$237,670
Matt Farrer	Engin	\$143,500	\$20,000	\$191,097
L Papandreou	Amcom	\$134,438	-	\$146,823

NEC testing NetComm IP phone for international sale

Local hardware developer NetComm is looking at what could amount to a major international distribution agreement following the delivery of a new SIP phone unit developed for NEC Business Solutions in Australia.

Built on order from NEC, NetComm's new V95 IP telephone is claimed as the first fully approved third-party SIP-compatible digital telephone to operate with NEC's UNIVERGE SV7000 IP telephony solutions, a series of products supporting VoIP rollouts in large organisations. The device is now being evaluated in various overseas markets, NetComm "extremely optimistic of broad adoption worldwide."

NetComm Managing Director David Stewart said the company had secured a deal to develop and manufacture the device for NEC Business Solutions, which provides end-to-end business communications solutions in the Australian market. He said copies have already been sent for testing in "several other countries where NEC operates, to review the phone's compatibility for overseas use," he said, although NetComm is yet to determine where the product will be sold.

In a statement Stewart said, "NEC Corporation are a world market leader in telephony and with the introduction of their UNIVERGE IP-PBX range, they were looking for a business-grade telephone that could support the many sophisticated functions." He added, "the NetComm Product Customisation Division was commissioned to build the V95 for NEC to deliver a standardised product on the SIP platform and to capitalise on the powerful features in the UNIVERGE SV7000 IP telephony solution."

NetComm's arrangement with NEC follows a lengthy period of consolidation at the hardware maker, including efforts to improve its product range and distribution.

Tim Marshall

Telstra & Ericsson begin Next G upgrade tests

Telstra and Ericsson are launching field tests of an HSUPA software upgrade hoped to boost the theoretical speed of the Next G wireless network to 14.4Mbps.

Coming just three weeks after launch, the trial announcement is part of an ongoing campaign from Telstra to publicise the upgrade path for the 850MHz WCDMA network. Next G is currently running at a possible 3.6Mbps but delivering more in the range of 550Kbps to 1.5Mbps, and Telstra has promised to increase that theoretical maximum to 14.4Mbps in the first quarter next year.

A statement from Telstra yesterday said that it will today begin field tests of Ericsson HSUPA upgrade software somewhere in rural Victoria. While boosting download links, the system is also designed to increase peak network up-link speeds from the current maximum 384Kbps to 1.8 Mbps.

Telstra's public evolutionary path for Next G envisages a series of upgrades over the next four years. The next is the HSUPA software upgrade. Following that will be a card swap, boosting downloads to a claimed max of 40Mbps in Q1 2007. Telstra is also planning an antenna change ahead of 2011 when it hopes to be providing 1Gbps downloads.

Tim Marshall

Commercial radio to embrace EPG

Just as their television cousins fight for control of their electronic programming data, Australia's radio broadcasters are ramping up plans to introduce an Electronic Program Guide service as part of their preparation for the launch of

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digital radio in 2009.

Industry group Commercial Radio Australia announced yesterday a partnership with UK software developer Unique Interactive to develop a service as part of a wide-scale digital radio trial anticipated in 2008. The Unique system allows broadcasters to manage and update EPG data while allowing listeners to view detailed program information up to a week in advance.

According to CRA Chief Executive Joan Warner, “we believe features such as electronic program guides and the ability to download music directly from digital radios will add a lot of consumer excitement to the launch of digital radio in 2009.” The trial will be conducted by commercial stations in partnership with Broadcast Australia and the ABC.

News that radio is working to embrace EPG technology comes as television guide provider IceTV faces a court challenge to its use of programming data. The company is currently being sued by Nine Network over claims it has breached copyright in the publication of program details.

Tim Marshall

NEW STANDARD FROM MOTOROLA

Motorola believes its just-released MOTORAZR mobile “reflects a new standard for Australian mobile consumers.” The flashy, slim-lined unit features a 2MP digital camera, stereo Bluetooth headset support, an updated phone directory, new messaging applications, integrated music player and expandable memory up to 1GB. The MOTOKRZR is now available through Optus, Virgin and Telstra outlets.

ADC-KRONE CABLING DEAL

NSW-based cable maker ADC Krone has won a competitive tender to fit out the new Sydney headquarters of Challenger Financial Services. The vendors says it will provide Challenger with its TrueNet structured cabling solution and HighBand 25 cross connect solution. The deal is worth \$200,000.

LUXFIELD TOP TELSTRA BUSINESS PARTNER

Telstra Business Systems has hoisted Queensland-based Luxfield Communications as its Regional Dealer of the Year. The solutions provider, which services Bundaberg and the Wide Bay Burnett area, was recognised for “technical competency combined with excellent customer service,” a Telstra statement said. According to Luxfield Managing Director Keith Baldwin, “we have developed great relationships with our enterprise customers and we are now seen as solution providers of choice when it comes to networking and multi-site telecommunication solutions.”

HYRO DRIVES NEXT G MOBILE TV

Digital media firm Hyro confirmed yesterday that it is behind the new streaming mobile television service being delivered over Telstra’s Next G network. The service allows customers to subscribe to and view twelve channels of streamed television, with channels provided by broadcasters such as Discovery, MTV, Foxsports and Sky News. Additional areas of the site allow customers to manage their subscriptions and view channel information. Hyro has done extensive work with Telstra on mobile video applications, including deployments around the 2006 Commonwealth Games in Melbourne.

3 MOBILE LAUNCHES DOPOD

3 Mobile has launched two Dopod Windows Mobile smartphones into the market. Unveiled for the first time in Australia last month, the Dopod products are pitched as efficiency and productivity tools for the small business market. Dopod is also believed to be in talks to have the products distributed through Optus.

Comment by Grahame Lynch



Brisbane network numbers don’t add up

Does Peter Beattie want to be the Clement Atlee of Australian broadband? Atlee was the post-war British prime minister who nationalised everything, created the National Health Service and set the

tone for another three decades, until Margaret Thatcher came in and sold everything off.

My current bedside book, "The Undercover Economist" by Tim Harford says of the Atlee era, "government-owned businesses took over partly because in the deprived, exhausted yet hopeful years after the war, economists had some confidence in the experts who had masterminded the war effort and thought they might not do a bad job of organising the economy efficiently".

So why the Beattie comparison? Well, the Queensland premier yesterday issued a plan for a Brisbane fibre network that so stretches credulity that he must have some sort of agenda, like say to wait for its inevitable bankruptcy and pick it up on behalf of taxpayers for a song.

Why do I say this? Well, it's all about the numbers.

Beattie says the government will open up its access rights-of-way to the winning bidder (funnily they are required to do this already for any carrier and none are building right now) in return for a privately-funded \$550m FTTH network in Brisbane. This network would be carrier neutral and a wholesale-only affair.

The Brisbane City Council area (the nation's largest by population and abnormally large compared to other metro areas) harbours about 350,000 households. And according to the latest data from America (where towns have similar densities to sprawling cities like Brisbane) it costs about US\$900 to pass a home with fibre. Multiply 350,000 by 900 and you get about US\$315m. Convert that to Australian dollars and you get about \$415m of costs. Then comes the connection bit. We have about \$135m left over. US estimates suggest it costs about US\$600 or A\$790 to actually connect the fibre from the kerb to the customer. Our \$135m buys us 170,000 connections—a neat 50% or so penetration. I doubt you can pass on that cost directly to the customer on sign-up.

So we have 170,000 connections that effectively cost us \$3235 each, assuming we can convince half of Brisbane to sign up for fibre when barely half that number have currently signed up for 512kps (but never mind). And assuming a ten year payback period, we already have a cost for the core network alone equating to \$27 a month and that's before operational expense costs, backhaul costs, capital costs and so on. Our real price may end up closer to \$50 at this rate when you add all that in. And that's assuming 50% penetration!

Let's say we can only get 10% of Brisbane households to sign for fibre service. Your total network cost is still \$415m, your connection cost is reduced to just \$28m, and your cost per household per month over ten years rises to \$105, before opex, bandwidth and capital costs. I think it's reasonable to assume that our penetration rate might be closer to 10% than 50% at first, given after many years Optus Cable and TransAct have only been able to achieve 30%-range connection rates for their wholly-owned nets providing comparatively cheaper and proven services.

Now let's consider the wholesale alternatives. Our good friends at the Competitive Carriers' Coalition can rent a full copper line supporting DSL and traditional TDM voice for around \$17.70 a month from Telstra and a line sharing service supporting DSL and VoIP for \$3.20 a month.

SLOPPY: CCC executive director David Forman is no doubt shaking his head at the obviously sloppy and fuzzy numbers here but even he would have to agree that it might be difficult to get his members to mass migrate their voice, ADSL and ADSL2+ customers from an established copper-DSLAM supply chain that costs between \$3 and \$18 a month for one that would cost many times more, perhaps over \$100 a month and certainly not much less than \$50.

Especially when it might be tough to convince a lot of people that their normal telephone service and their 512Kbps-12Mbps data service over copper is terribly old fashioned and they should spend several times more on a 100Mbps connection.

If we drop our network wholesale price to \$18 ULL levels (something you might have to do to get within cooe of a 50% penetration) our payback time on the fibre cost alone is 15 years, before any other expenses. Realistically we're talking closer to 30 when you add the extra costs in.

Think I'm doomsaying here? There's a precedent for fibre builds that don't make money. They have names like C2C, Tyco Global Network, Global Crossing and 360networks. And they didn't even have to climb power poles! So hence my Atlee theory. Peter Beattie is smart and presumably has decent advice, at least as good as a 700 word column penned quickly on a quiet Monday night. He must realise there's no way this network can work as a business against the current ULL and shared line regime on which existing carriers have already made their investment bets. So it will either need public funding of a significant size at the start or a public bailout when it goes broke and leaves many in the smart state without Internet access!