

CYCLONE YASI: Telcos progress their repairs

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2degrees seen as building market share ahead of expectations

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How Telcoinbox plans to tap – and feed – the ISP consolidation trend

As the fundamental structure of Australia's ISP industry shifts under a welter of high-profile acquisitions, Telcoinbox aims to tap the trend with a new service that could itself feed accelerating market consolidation. The telco wholesaler and franchisor has now begun offering technical, legal and sometimes financial assistance to help its service provider customers acquire smaller ISPs, a process that it has dubbed 'microacquisition'.

"We've got 110 service providers of varying sizes... and they, for some time, have been talking to us about the possibility of us facilitating acquisitions for them," Telcoinbox CEO Paul Line told CommsDay. "So we've set up a dedicated team to make that happen – and we've started a proactive campaign to find smaller telcos, and in particular ISPs, who are keen to be acquired. We know there are a lot of ISPs out there who are struggling, in terms of lack of scale and margin squeeze, and we think there's a great opportunity for us to go out and pick up some of that business."



Consolidation in telco has been emerging as a key trend for some time; the last twelve months has seen such high-profile buyouts as BigAir's successful bid for Clever Communications, M2's purchase of Clear Telecom and iiNet's takeover of Netspace along with AAPT's consumer division. Telcoinbox, however, has pinpointed opportunities for itself and its customers in this era of consolidation – specifically, at the smaller end of the market.

"[iiNet MD] Michael Malone came out a few days ago and talked about consolidation – and one of his key points was that there are a lot of ISPs out there who are just too small for the likes of iiNet to worry about," said Line. "Whereas our guys would be happy to pick up someone with 500 subs – that grows their business significantly. And if we can pick up five or six of those [for our customers] over the next 5-6 months, that actually adds to our subscriber base quite significantly as well."

"A lot of the [potential acquisition targets] are kind of looking for a way out; they maybe got into the game as dial-up providers back in the early days... they're seeing this business that's stagnant, they've got margin pressure," he said. "The ones who are more committed will transform their business... the ones who really can't stomach that or think it's too hard will be looking for a way out."

Telcoinbox is keeping its own risks carefully limited, outsourcing the resources needed for processes like due diligence and carefully evaluating those customers requesting fiscal assistance for their acquisitions. The franchisor won't charge customers for the service; rather, it is anticipating ROI in the shape of increased revenues and economies of scale from service provider clients who have boosted their own customer base via assisted microacquisition. It's a model Telcoinbox believes is unique.

A pilot of the service launched before Christmas saw Airlie Beach service provider Voice2net acquire Mobile Office; a number of other acquisitions are currently under negotiation, and Line said that interest was running high. "We've canvassed our existing service provider base... early signs so far are very encouraging," he said. "We've got a number of interested parties who have already started negotiations with us." **NZ, NBN OPPORTUNITIES:** Alongside its new Australian service offering, Telcoinbox also continues to pursue opportunities across the Tasman and elsewhere. "Australia's doing well but it's quite a mature

business... the revenue curve for New Zealand is just scary!" said MD Damian Kay. "We've had to contract sales in New Zealand just to deal with the leads." "We kind of get the sense that the opportunity in New Zealand now is pretty similar to what it was in Australia when we started," chipped in Line. "It's a little behind the curve when it comes to aggregation and wholesale, so it's very exciting." The firm is also seeing renewed traction for its UK operations.

And on the NBN front, Telcoinbox remains positive despite NBN Co's recent move to a model using 120 points of interconnect; the company was an outspoken supporter of the previously suggested 14-point model. "We are still very positive about the NBN - I think we would have preferred the 14-point model, we see the move to the 120 point model as more of an incremental change than a transformational change," said Line. "[But] we're now quite happy to look at a hybrid-type model, where we potentially connect directly to NBN Co at certain POIs and utilise an existing Tier 1 carrier at others. We still see great opportunity."

Petroc Wilton

Telcos regroup for network recovery efforts in wake of Yasi

As Queensland communities begin the arduous process of recovery following the destruction wrought by cyclone Yasi, telcos have swooped in to hasten network recovery efforts and have provided a range of assistance measures to customers.

Telstra has deployed a fleet of helicopters carrying vital fuel supplies to its key infrastructure to keep generators running and communication lines open. The telco said they were key to the success of a complex effort to restore phone services north of Ingham, including Cairns. Telecommunications links in the area were damaged by lightning strikes and flooding, giving rise to the outage, while important transmission equipment lost mains and backup power and could not be reached immediately because of a combination of flooding, isolation and exclusion zones set by local emergency services.

Telstra said it had teamed up with Emergency Services Queensland Australian Defence Force personnel to deploy technicians by helicopter and road to restore services. "The lack of mains power remains a critical issue, made worse by the lack of access to hundreds of network sites," said Telstra on Friday. As of yesterday, Telstra estimated it had 56 mobile towers without service on the network, though it emphasised that its mobile network was still operating well in many areas thanks to overlapping coverage. It also estimated that 44,000 landlines were not working. "However, where we see mains power restored, we will see significant improvement in the number of services restored."

Meanwhile, Optus' mobile network had 30 base stations affected, with a number of base stations running off back-up batteries or generators due to loss of power. According to the firm's last report on Sunday, the network was currently operational in Cairns, Townsville and other regional centres including Ingham..

The Optus Reef Network, which provides transmission for voice and data services between Brisbane and Cairns, was operational on back up batteries and generators due to loss of power. Optus said its alternative redundancy transmission route from Townsville to Cairns remained unaffected.

As of its last report on Sunday, Vodafone said it restored another 14 sites. "Services to Townsville CBD are now operational, although 12 sites on the outer edges of Townsville are currently being attended to by our team of engineers. Access to these sites and power outages are still affecting our efforts to restore them. The majority of sites within the Cairns region have been restored and only 4 sites remain offline.

. Meanwhile 3Mobile services continued to be affected between Cairns to Cooktown, Ingham to Cairns, Mackay to Sarina and Innisfail to Townsville due to power loss and lack of access to sites.

ASSISTANCE PACKAGES: The telcos also announced a range of assistance measures to aid the recovery effort and help ease the devastation. Telstra will provide residential and SMB customers who report a temporary loss of service free call diversion from their fixed service to a fixed or mobile service of their choice. Its package also includes: cancellation of a Telstra fixed phone service at existing premises or business with free number re-direction for three months; free connection of a Telstra fixed phone ser-

vice at one residence or business within a twelve-month; cancellation of a BigPond service at existing premises or business with free 3 mth email address reservation; free reconnection of Bigpond service within 12 mth period from disaster; a A\$50 one-off credit for mobile customers without a fixed line.

Optus said that its own assistance package would include support for customers experiencing financial hardship in the wake of the cyclone, including extended payment periods, penalty fee waiver and free call diversion. The telco also said it would be offering its portable Internet Kiosk and Customer Service Trailer, currently based in Ingham, to provide free communication services wherever they are needed most; and that it had moved a number of additional resources into North Queensland, including a portable satellite base station, extra power generators and spare parts for restoring damaged infrastructure.

Meanwhile, VHA pledged to offer extended payment periods and other financial assistance on a case by case basis. The firm also said it would be directing additional loan handsets and mobile broadband modems to stores in cyclone-affected areas, initially to the Mackay Store and to other stores in Townsville and Cairns once those stores were able to re-open.

Miro Sandev

NBN Co initially reports no fibre damage in Townsville; may release contractors to aid recovery

NBN Co has released preliminary reports of the impact of cyclone Yasi on its Townsville first release site, with initial assessment showing no damage to fibre optic cables in the area.

And the network builder is also in discussion with its Ergon Energy, its construction partner for the site, around releasing contractors to aid recovery efforts.

“Contractors for NBN Co Limited have undertaken a preliminary assessment of the Townsville first release site in order to assess how the design has stood up to extreme cyclonic weather conditions,” said the firm. “Falling trees have caused significant damage to many of the power poles on which our cables were situated within the test site. Yet so far we have not been able to ascertain any damage to NBN Co’s fibre optic cables.”

“The most important priority for the region must be the restoration of power to people’s homes. We are in discussions with our construction partner Ergon Energy about the short-term release of NBNCo contractors to assist with the recovery effort.”

Emphasising that it had conducted only a preliminary assessment of the site and that further testing of all network components would span the coming days and weeks, NBN Co acknowledged it was too early to say how the storm would impact its Townsville rollout, but maintained that it expected no significant delays to construction.

Nor has the storm dampened NBN Co’s determination to keep the area as a first release testbed. “We remain 100% committed to Townsville. NBN Co chose the region precisely because of the enormous challenges it poses,” said a spokesman for the firm. “We are rolling out an improved broadband service to the entire Australian population – including those who live in areas that are susceptible to extremes of climate. The pilot sites, including Townsville, allow us to test different construction techniques in different geographies as part of a learning process.”

Petroc Wilton

BT Australasia confident of growth after group results

BT Australasia MD Paul Migliorini has forecast a strong year for the firm’s local operations, on the back of a set of third-quarter global results for the group showing strong EBITDA growth despite slight revenue shrinkage.

The group declared revenues for its third quarter 2010 (to 31 December) of £5,038 million, 3% down from the same quarter in the previous year; however, EBITDA (adjusted for specific items) rose 7% to £1,484 million. Adjusted profit before tax went up 30% year on year to reach £531 million.

Meanwhile, BT Global Services reported third-quarter adjusted revenues of £1,974 million (7% down YOY) and adjusted EBITDA of £141 million (15% up).

“Asia Pacific including Australia is one of BT’s leading global markets for growth and 2011 is set to be

another positive year,” said Migliorini. “We will be creating 50 new jobs in Australia and have a strong pipeline of opportunities to cement our position as the leading networked IT solutions provider to multinationals in Australia. We’ve structured our Australian operations to best support the growth of our clients as they expand into Asia in the coming months.”

Petroc Wilton

iiNet goes on advertising offensive

iiNet is forging ahead with an aggressive marketing strategy of spruiking itself as Australia’s number two DSL broadband service provider, launching its largest advertising campaign to date.

The campaign, set for kick off on February 6, was created by advertising company Meerkats and includes several television commercials as well as press, radio, outdoor and online advertisements. iiNet’s retail manager Matthew Dunstan said that research done in key Sydney, Melbourne and Perth markets identified that “iiNet’s significant size and credibility was relatively unknown.”

“We are really proud of our number two position in DSL broadband,” said Dunstan. “Our integrated approach of combining TVCs with a range of other mediums is designed for maximum impact, especially with the introduction of hellibanners and cycads. It’s by far our biggest campaign yet.”

Miro Sandev

MITEL SPREADS LOCAL SUPPORT STRENGTH TO AUSTRALIA, APAC

Unified comms provider Mitel has announced an expansion of the number of accredited partners offering implementation and support for its virtualised unified communications solutions, offering local support in Australia and elsewhere in APAC. “Many of our customers have offices in multiple countries, and datacentres are being built at a rapid pace across the Asia Pacific region,” said Mitel APAC VP Gwilym Funnell. “To ensure our customers have easy access to local technology expertise, we have completed an expanded round of virtualisation training for our Asia Pacific accredited partners. This will make it easier for Mitel customers to confidently plan migrations to virtualisation technologies, as they carry out data-centre projects in Asia Pacific countries.”

NOKIA TO SACK SENIOR EXECUTIVES?

Nokia is likely to replace several executive board members in a management over-haul, a German weekly reported. German weekly *Wirtschaftswoche* reported on Saturday that Mary T. McDowell, the executive in charge of Nokia’s mobile phones unit, may have to leave the company along with Niklas Savander, the manager of the markets unit. Chief development officer Kai Oistamo may have to go, too, as may Tero Ojanpera, the manager responsible for services and mobile solutions, the weekly reported according to Reuters..

NEW ZEALAND

Curran calls for converged telecoms, broadcasting regulations

Labour communications, IT and broadcasting spokesperson Clare Curran said there’s a need for regulatory framework stretching across both telecommunications and broadcasting.

Curran, who had broadcasting added to her portfolio in Labour’s recent reshuffle, said the two areas are converging, critical issues are looming and yet they are subject to completely different regulatory regimes.

She said: “The converged digital era offers opportunities for new forms of digital content and access to new markets. Yet within broadcasting particularly there is a current Government policy vacuum around access to content as ultrafast broadband opens the gateway to internet television.”

Curran said the government needs to address whether there is adequate support for local NZ content

and how it is being distributed. She also wants regulators to look at regional television.

Bill Bennett

Tuanz CEO clashes with old firm

Just four days into his new job incoming Tuanz CEO Paul Brislen publicly criticised his former employer; Vodafone NZ on the advocacy organisation's website.

Brislen was previously head of corporate communications for the carrier and a tenacious defender of its position. However on Friday he described the company's rural coverage as "less than optimal" in a blog post comparing two proposals for the government's NZ\$285 million RBI tender.

He said there is concern about the alliance between Telecom NZ and Vodafone. Brislen writes: "These two are seen by and large as having held up the industry rather than moving it forward. Rightly or wrongly, they bring a lot of baggage to the table along with the bid and to some observers those risks outweigh the benefits."

Bill Bennett

NZ Government earmarks NZ\$27 million for supercomputer network

Science and Innovation Minister Wayne Mapp said the New Zealand government will spend \$27.4 million on the National eScience Infrastructure network over the next four years. The network includes linked supercomputers, software and data storage. Mapp said all New Zealand researchers will have access to the network and the support needed to use them.

Research organisations and universities will add a further NZ\$21 million to finance the network which will use high-capacity broadband links provided by the Kiwi Advanced Research and Education Network (Karen). The government will contribute an extra NZ\$4 million a year towards Karen's costs.

Bill Bennett

Global broadband prices drop by 50% since 2008, fibre replacing DSL for TV

The average price consumers around the world pay for their broadband connections on a cost-per-megabit basis has dropped by 50% since 2008, according to a new broadband pricing index by research firm, Point Topic.

According to the report, pricing for DSL and cable broadband on a cost-per-megabit basis has dropped from about US\$100 at the start of 2008, to around the US\$40 at the end of 2010, while the price of fibre-based broadband connections fared slightly better, declining from US\$100 to around US\$70 over the same period.

"DSL prices in particular are being squeezed. Competition between operators and access technologies is driving the search for more markets and DSL is well placed to capture customers who don't need full speed 24/7 bandwidth," said Oliver Johnson, CEO of Point Topic. "Many users do not use their broadband for more than a couple of hours a day and when they do it's often for applications that use relatively little bandwidth. They care much less about the cost per megabit, where fibre has the edge, than about the upfront and monthly charges and DSL wins that battle hands down."

While he acknowledges that fibre is starting to replace DSL in some mature markets, DSL continues to see strong demand due to its cost advantages for consumers.

"Subscriber behaviour is changing. The increasing popularity of high bandwidth applications, particularly video, mean that low cost per megabit carries more weight than low subscription costs," Johnson said. "The developing broadband markets will continue to see rapid growth particularly in DSL subscriptions in 2011."

Fibre on the other hand will find growth in mature markets, where new infrastructure is deployed to support new applications such as IPTV.

"Fibre to the building is a popular way of providing broadband. An increasingly common model in

many markets is for a block of flats to get a fibre connection and the bandwidth is then delivered over a LAN to the individual units. Countries like Japan, Korea and in the near future Australia where there are highly concentrated populations and end-to-end fibre is available are seeing significant technology substitution with DSL in particular being replaced by fibre,” Johnson said. “The advent and spread of connected TV is going to be the real news in the mature markets. Enabling consumers to watch streaming video on their TV sets will drive bandwidth demand up significantly and where fibre is available we’ll see appreciable growth in its market share.”

Tony Chan

TNZI PARTNER OFFERS \$600 MILLION FOR NITEL

Nigerian news outlets are reporting Telecom NZ International partner Brymedia offered \$600 million for a 75% share of Nigerian Telecommunications Limited (Nitel). TNZI is a fully owned subsidiary of Telecom NZ which stands to gain considerable technical contracts if Brymedia succeeds in acquiring the carrier. Brymedia’s bid follows the failure of previous bidder to come up with the money in time for a six month deadline.

ANALYSIS BY BILL BENNETT

What’s happening with NZ mobile market share?

Last April the Commerce Commission released its annual report on competition in New Zealand’s telecommunications market. The numbers show competition improved steadily across all telecommunications markets from when the Telecommunications Act amendments came into force in 2006 until the end of 2009.

Telecommunications commissioner Ross Patterson summed things up saying: “Consumer choice and service quality have improved while prices have fallen. However, despite increased competition in the New Zealand telecommunications sector, the market shares of incumbents remain high and markets remain concentrated when compared with other jurisdictions such as the United Kingdom and Australia.”

The monitoring report showed broadband uptake doubled over the period and the market share of providers piggybacking off Telecom NZ’s network increased from 24% to 37%.

But the most notable progress was in mobile. The report said newcomer 2degrees had an immediate impact following its launch in August 2009.

We already knew that because in February 2010 the company held a press conference to announce it had 206,000 active SIM cards. That was roughly equal to 5% of the active accounts at the time. The figure was also twice the number forecast by financial analysts for the company’s first year of operation, but achieved in six months. If anything competition has intensified since the end of the period covered by the Commerce Commission report. Telecom NZ’s XT network suffered a series of high profile network outages which took the shine off the company’s offering and halted its hitherto impressive growth.

Vodafone NZ is coy about releasing local numbers, but its UK parent revealed a fall of 35,000 customers in the September quarter and the gain of 21,000 in the three months to December 2010.

Everyone in the market assumes 2degrees has increased its numbers and market share – at least in terms of subscriber numbers if not revenue.

We don’t know for sure because the company hasn’t released any more information about customer numbers since February 2010. There’s evidence suggesting 2degrees has grown substantially over the past year. The Telecommunications Carriers Forum issues regular updates showing how many customers port their numbers from one mobile carrier to another. By September 2010 the total number of ports was almost double the February figure. Vodafone wasn’t picking up customers in large numbers, nor was Telecom NZ, so many of these must have switched to 2degrees.

2degrees has previously said it plans to report numbers a year or so after the first report. That date is just over a week away. CommsDay understands 2degrees will make a public announcement some time in coming weeks when it reaches a ‘significant milestone’. Anyone want to bet that milestone is 400,000 active SIMs?