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Richard Branson lends Virgin Mobile a brand

USER SURVEY

Industry poll of over 3,000 users finds how people are using their mobile phones

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Telstra reacts to shareholder concerns about legislation

Telstra has moved to ease shareholder concerns over new legislation which will see the company either functionally or structurally separated. A group of institutional shareholders have reacted angrily to the legislation demanding Telstra management explain the company's plans – with CEO David Thodey and Chairman Catherine Livingstone responding that shareholder interests remained the company's priority.

In a letter to shareholders, Thodey and Livingstone said Telstra had received a "significant amount" of shareholder feedback "expressing concerns with the Government's actions."

Telstra's management has come under fire from a certain group of shareholders for its mild response to the federal government's latest policy announcement. Communications minister Stephen Conroy declared earlier this month that Telstra would be functionally separated if it did not 'voluntarily' structurally separate, as well as potentially blocking it from spectrum auctions and forcing the divestiture of its stake in Foxtel.

While Telstra issued a statement saying it was "disappointed" with the legislation, the company has maintained that it would engage with the government in a "constructive" manner.

"This legislation will mean a significant change to Telstra and the industry," the statement said. "We have engaged with the Government and we have a process to work through the issues; rest assured that throughout these negotiations we will do everything possible to represent the interests of shareholders."

The statement also moved to buy time for Telstra management. While saying little about actual plans, it noted that updates would be given in a submission to a Senate Select Committee next week as well as at an investor briefing in late October and an annual general meeting in early November. "We are currently preparing a submission [to the Senate Committee] on behalf of our shareholders that will focus on the areas of the legislation where we have concerns," it said.

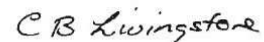
Shareholder misgivings over Telstra's strategy gained publicity with the re-appearance of former public policy chief Phil Burgess. Burgess met with disgruntled institutional shareholders in Sydney, also appearing in the media to decry the government's approach as value-destructive.

Telstra moved to counter the spate of bad press in its ASX statement. "We are continuing our negotiations with the Government in a much more constructive and positive manner, but let us conclude by addressing a misconception that has been raised recently in the media. The Board and management have always had, and will continue to have, the interests of shareholders as our over-riding priority. Indeed, it is our responsibility to do so. We will continue to talk with the Government but we will not agree to things that we do not believe are in our company's best interests."

Luke Coleman



David Thodey
Chief Executive Officer



Catherine Livingstone
Chairman

AIMIA survey measures rise and rise of mobile data

Consumptions of data services on mobile handsets is "rapidly increasing," according to a new Australian user survey. Produced by the Australian Interactive Media Industry Association, the '2009 Mobile Phone Lifestyle Index' found a growing number of mobile users accessing the internet and email via handsets – but also found a high level of dissatisfaction with mobile data plans.

More than three quarters (77%) of respondents said they now use their mobile for purposes other than SMS and voice. 56% of users said they used their mobile to get information at least once a month, while 51% used their mobile for entertainment purposes more than once a month. 21% of respondents said they

used their mobile to browse the web at least once a day, while 25% said they used mobile web searches at least once a week.

Only 18% of users said they were likely to access the web using operator portals, 34% accessed websites by typing in a URL, and 17% accessed the web from an SMS.

“This year’s survey reveals many Australians are now using their mobile phones in all aspects of their lifestyles, with a strong jump in the consumption of non-voice services,” said AIMIA CEO John Butterworth. “Despite user dissatisfaction at the perceived high cost of data plans, Australians have become more

attracted to buying and using content, information, multimedia and other data services such as social networking and email. There is also growing interest in receiving advertising via mobile handsets.”

AIMIA also found that use of mobile content services was growing. Mobile games were found to be the most popular downloadable entertainment/content, followed by ringtones, music, wallpapers, videos and screensavers. 54% of users who had purchased content had bought a game (up 11% from last year), 53% has bought ringtones (up by over 30%), 39% had downloaded music (up 25%) and 14% had paid to watch mobile TV.

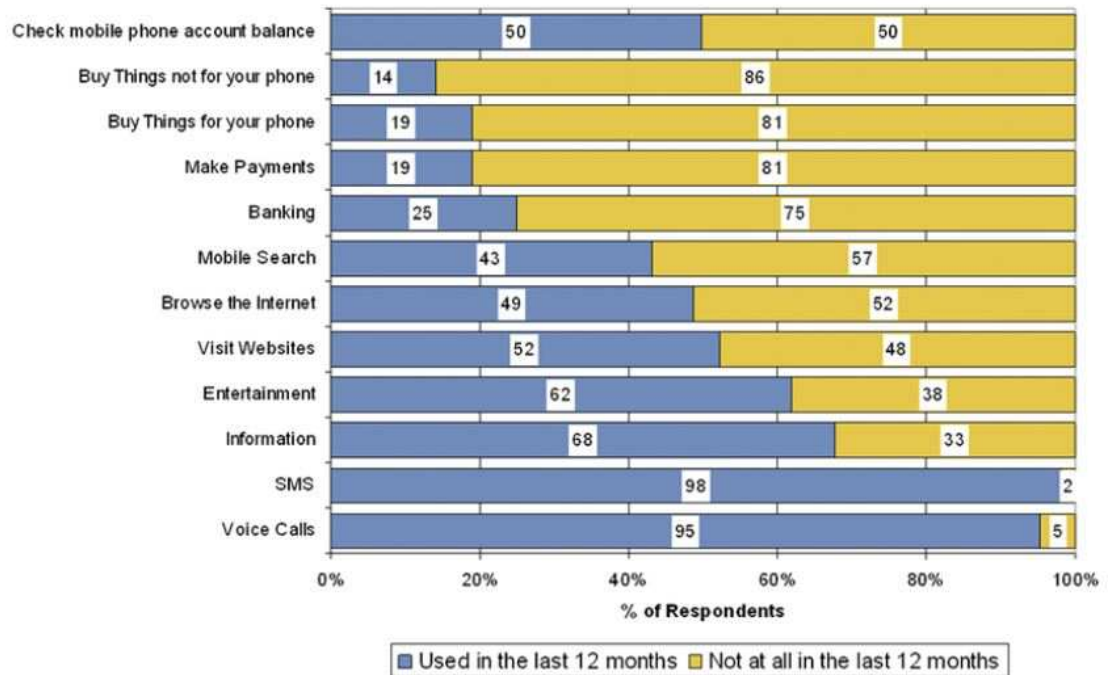
Usage of all non-voice communications services had grown since the 2008 survey, AIMIA said. 57% of respondents had used MMS in the last 12 months; 36% used email, 18% used IM; and 9% chat rooms. Of those who used their mobiles to access email, 42% did so daily, and of the 85% of users accessing social networking sites at least once a month, 46% did so at least once a day.

Choice of handsets appeared to have an effect on how often users went online. While Apple iPhone users accounted for only 9% of the survey’s total, 17% of mobile web visits were made by iPhone users – second only to Nokia.

DATA PLAN DISSATISFACTION: Despite the boom in mobile data usage, around half of all users were unhappy with data plans. User satisfaction with the range of plans and packages available was also high, but satisfaction was lowest regarding data plans – with only 51% of users saying they were satisfied. 90% of users surveyed said they were satisfied with the service provided by their current mobile carrier. “Those on Telstra were happier with their network coverage, while those on 3 Mobile were happier with data costs and the range of content and services on their company’s portal,” the report said.

Luke Coleman

How survey respondents used their mobile handsets



NZ moves to scrap TSO, replace with development levy

The New Zealand government wants to scrap the current Telecommunications Services Obligation and “better target” rural services with what is being termed a ‘Telecommunications Development Levy.’

The proposal essentially bundles the existing TSO into the rural broadband fund. The proposed TDL will commence 2010/2011. The industry contribution will average at no more than \$NZ50 million per annum (which is \$NZ20 million less than the current TSO) for the first six years and decrease thereafter to no more than \$NZ10 million per annum.

Under the proposal, the government will contribute \$NZ48 million and another \$NZ52 million would be ‘burrowed’ from the UFB initiative. This \$52 million would be returned to the government however, as funding from the new TSO levy becomes available. Monies from service providers will be based on revenues of each provider, which is the current criteria for the TSO, but with a redefinition of ‘liable persons’ “to identify levy payers to strengthen technology independence,” reads the proposal.

The diagrams buried at the end of the proposal are telling. Under the status quo, the total levy paid by the

industry over the next six years would be \$NZ461 million. Under the new consolidated levy, the industry will actually pay \$NZ161 million less. The numbers are slightly skewed however, as it is unclear how much the TSO actually costs Telecom and how much the incumbent reinvests into rural services.

The government will add up to \$NZ252 million over six years, but will look to claim that money back at a later date. Overall, the government will contribute a total of \$48 million, which has not changed from its original rural commitment.

The proposed new levy has been introduced for a number of reasons. ICT minister Steven Joyce says that there is a lack of transparency around where the money Telecom receives is spent and questions whether rural customers are really benefiting from the current TSO. "A recent review of the TSO had identified that the current methodology for assessing how much the TSO commitment was costing Telecom a year was flawed," he says.

Under the proposal, revenues collected by the new levy would still be available to pay TSO charges, make grants to improve the emergency calling system and grants to assist with rural infrastructure.

The government's objectives for TSO reforms are to ensure that funds are spent effectively, improve transparency of TSO compensation arrangements, minimise compliance requirements for service providers, create technology independence and to minimise discrimination.

Taking a hard line on Telecom, the government document questions the true cost to serve commercially non-viable customers. The Commerce Commission has determined there are around 58,000 telephone access lines (around five per cent of total lines), which are deemed commercially non-viable and accrue a net cost to Telecom. The government believes that Telecom's TSO loss under the new proposal is expected to be zero "for the foreseeable future".

Under the new proposal however, Telecom will have to pay the bulk of the industry funding, but like all other providers, it will be able to draw upon the funds.

The TDL would also cut out red tape and administration costs currently incurred by the government. The Commission estimates that it spends around \$600,000 per annum on administering the TSO.

To make the new process more efficient, the government proposes that Telecom would only apply for a TSO charge assessment when it considers its local service profits are becoming impaired to such an extent that it is eligible for TSO compensation. While Telecom would be free to request a charge assessment, the government is proposing a system that should keep requests at a minimum. If Telecom made a case and the TSO charge is calculated at zero, then Telecom would have to reimburse the Crown.

Satellite provider Farmside on the other hand, could potentially be the biggest winner if the proposed changes to the TSO come to pass. Currently, Farmside does not contribute to the TSO, which means that it won't have to provide funds for the new industry fund. Farmside will however, be able to compete and draw upon the funds, if they are contestable, to serve rural customers.

Meanwhile, Vodafone says that it is pleased to see that the government is looking to reform the TSO, but refrained from adding more comment.

Vodafone, under the proposal would have to pay around a quarter of the industry levy, but it may be able to draw upon the fund to increase its rural mobile footprint.

CallPlus and Woosh, which are both poised to roll out WiMAX technology, may be potential benefactors of a reformed TSO.

It appears that both companies will have to contribute to the industry levy, but going by the current costs incurred by both companies under the current TSO, these costs will be minimal. Benefits for both companies could include partial funding for WiMAX deployments.

It is not clear however, how much of the funds will be allocated for infrastructure or what technology preferences the government has. The discussion paper, released today, does state that it wants to minimise the discrimination favouring particular technologies, which could favour wireless operators.

Paul Clearwater

NZ proposals trigger more questions from Labour

New Zealand's Labour Party opposition has raised questions regarding National's funding plans for the rural broadband initiative, as well as the proposed changes to the Telecommunications Service Obligations (TSO) levy. Despite National's focus on broadband in both rural and urban areas, Labour has remained doubtful if the proposed reforms will deliver fast broadband and affordable local residential phone services to all rural New Zealanders. "The TSO needs more transparency and accountability to protect Kiwi consumers," NZ shadow ICT minister Clare Curran said.

Curran asked for the criteria of the reforms which will be used to implement the levy; who will set the criteria; and who will settle the problems that will arise in case it is not handled carefully and objectively. "We also ask whether National has missed the opportunity for a major reworking of the TSO, given the growing dominance of the mobile phone sector over fixed landlines and the widespread rollout of broadband into New Zealand homes, businesses, schools and hospitals."

“Labour will look closely at the details of both proposals and remains committed to ensuring the government delivers on its commitments and is faithful to the underlying objectives of the TSO; to protect consumers and deliver telecommunication services equitably to all New Zealanders,” Curran said.

Kei Contreras

Foxtel, Austar launch new HD download services

Foxtel and Austar have both launched a new set of high-definition content services, with Foxtel announcing a new PC-based download service. Foxtel said its new ‘Next Generation’ set-top box service will officially launch on November 15, with a separate download-to-PC service due for launch this Thursday.

‘Foxtel Download’ is described as a “catch-up television service” much like ABC iView. Foxtel CEO Kim Williams said the service will have around 400 hours of content available for download at launch, with more due in coming months. Users will be required to log in to a website and download a PC-based player, and then will have access to all channels in their subscription package.

Along with the download service, Foxtel’s new ‘Next Generation’ service will upgrade Foxtel’s iQ and iQ2 set top boxes with a new user interface and new viewing options.

“Having an iQ, powered by Next Generation, means there are three viewing options for every television program, special event or movie – watch it live, watch it On Demand, or watch it recorded to the iQ,” Williams said. “Foxtel Next Generation now makes it truly possible to watch what you want, when you want and with our new Foxtel download service, where you want.”

Foxtel will also launch 30 additional channels this year, with 10 new high-definition channels. In total Foxtel will now have 15 HD channels (including four HD sports channels and six HD movie channels), eight new timeshift channels, and new Foxtel ‘Box Office’ offerings with movies on demand.

“We continue to improve our service and expand our channel offering, we now have almost 200 channels on the Foxtel platform providing premium programming across all genres,” Williams said.

Regional pay TV operator Austar also announced a new 320Gb ‘MyStar HD’ set top box, along with a list of new high definition and standard definition channels. The new Foxtel and Austar channels will be supported by Optus’ new D3 satellite, expected to be fully operational imminently. Optus launched D3 last month, boosting its satellite capacity by a third.

Luke Coleman

Virgin Mobile brings in Branson for brand revamp

Richard Branson has appeared in Sydney for a re-vamp of the Virgin Mobile brand. The wholly-owned Optus subsidiary said it was about to sign up its one-millionth customer, and has overhauled its online and retail presence with a new “members welcome” brand strategy.

Virgin launched a new concept store in Sydney under the “members welcome” flag, and plans to expand its national retail footprint using the same strategy over the coming year. The company has doubled its retail footprint since 2006, adding 13 new kiosks in 2008.

The “members only” strategy has been designed to link users into a ‘club’, with benefits such as discounts on Virgin Blue flights, Velocity frequent flyer points, and special offers for live shows at Virgin-branded venues. The new strategy coincided with Virgin Mobile buying branding rights to Sydney’s Metro Theatre, giving Virgin Mobile users access to pre-release tickets and free food and drinks at the venue. Virgin Mobile users will also have access to a member’s lounge area.

“We believe there’s an opportunity for a mobile company that values its customers more and treats them



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better, whilst still providing great value,” said Virgin Mobile CEO Peter Bithos. “At Virgin Mobile we want a relationship with our member that goes beyond the transactional one.”

“We want to dial up our connection with them, increasingly engaging with members online and in areas of interest outside of their mobile phone. Our existing customers are just as important to us as new ones so we’re excited to introduce a host of benefits that make being a loyal Virgin Mobile member even more rewarding.”

Virgin Mobile’s website has been rebuilt and a new website, MembersLounge.com.au, has been established as a hub for special offers and event information. The company will also begin producing a monthly magazine on its new products.

Luke Coleman

Amway NZ to sell Vodafone services

Vodafone New Zealand is to provide mobile services via Amway’s New Zealand distributors.

“Amway is delighted to partner with Vodafone, one of the world’s largest mobile phone groups. Vodafone offers Amway an energetic high-tech partner to help substantially grow our business. This partnership will help Amway to connect with thousands of new consumers,” Michial Coldwell, General Manager of Amway of New Zealand and Australia, said.

“We’re thrilled to land what has to be one of the most exciting accounts in New Zealand today. Vodafone is looking forward to working with Amway and to delivering world class mobile services to one of the world’s best known brands,” said Vodafone’s director of sales Grant Hopkins.

The deal will see Vodafone handsets and services being promoted through Amway’s “Independent Business Owners” in New Zealand.

Cisco plans to tap a ‘perfect storm’ for smart grids

Cisco’s emerging technologies group CTO Guido Jouret sees smart grids – often cited as a key application for the NBN – as one of the biggest networking technologies of the immediate future. At the Cisco Networkers event in Brisbane, Jouret posited a ‘perfect storm’ for the concept: the increasingly pressing need to replace aging infrastructure coming together with emerging green technologies and government mandates to reduce consumption, yielding opportunities for the networking giant that it estimates at US\$20 billion annually over at least the next five years.

Cisco has underscored its commitment to smart grid developments with the recent announcement of its government affairs senior VP Laura Ipsen in the role of GM for smart grids. It is already involved in pilot schemes in Italy, Germany and the US; although not currently active in the smart grid area in Australia, the firm is currently in discussion with local players, and Jouret cites “high interest.”

“Today, if you look at what’s connected up on the grid in terms of information... the distribution inside the home, or inside the building, is almost completely dark; there’s no information, no sensing capability that allows them to proactively monitor the health of the grid,” he said. “There is so much change coming into this industry, and all of it leads to a common denominator: the greater need to exchange information, if not in real-time then in near-time; the ability to connect demand and supply.”

The grids would require network-enabled sensors on transformers and capacitor banks, relays, and switches, said Jouret (right), in addition to communications links at the individual premise level between the smart meters themselves. This, he suggested, could be enabled by powerline communications back to substations; mesh networking, with each individual smart meter acting as a wireless hub in a route back to ultimate access points; or using 3G or WiMAX links to send data across existing wireless networks to the utilities. All would see utilities companies deluged with unprecedented volumes of data, driving far greater investment in data-centre facilities.



Cisco is directing its initial investment at the communication and control infrastructure behind smart grids, in particular the Supervisory Control And Data Acquisition protocol. “The mere fact of moving this protocol over IP is a natural sweet spot for us,” said Jouret. But he also urged more focus on applications of smart grid technology to commercial buildings, something firms like Google are already exploring.

“A lot of people are focused on the in-home side, but there’s a much more near-term and much better opportunity in focusing on the commercial market, in the building side.” “There’s an open question as to whether consumers would be willing to sign up for a utility telling them what to do... but 40% of energy consumption comes from commercial buildings. And if you were simply to... baseline your consumption and work on the anomalies, you could save 25% on your electricity bill – and this can be mandated, because these commercial entities have IT organisations, they can put in these technologies.”

The Cisco Networkers event has attracted over 1600 attendees, mainly from its customer base.

Petroc Wilton is a guest of Cisco in Brisbane

Future of collaboration in next-gen video, says Cisco

New network technologies supporting the delivery and sharing of video content have emerged as a key part of Cisco's strategy – particularly underpinning collaboration, one of the firm's biggest revenue drivers. And Peter Hughes, the firm's ANZ GM for communications and collaboration, puts the region firmly ahead of the curve: Cisco ANZ was the second highest contributor to the firm's global growth in the collaboration space last year.

At the Cisco Networkers 2009 event in Brisbane, Hughes and emerging technologies group CTO Guido Jouret explained the company's push to break down the silos born of a plethora of video standards and network technologies. "Video conferencing might still be running on ISDN, your voice communications on PSTN, desktop video might be running across your WAN... we believe that we can converge all of this and make of these systems IP-enabled," said Jouret. "[Then] you can start enabling 'any-to-any': being able to take any video from any device, anywhere, at any time, and play it back."

The key technologies driving this convergence, explained Hughes, were the Cisco Unified Video Conferencing Bridge – which augments existing telepresence bridges to enable communications between multiple vendors' teleconferencing platforms, WebEx platforms, softphone clients and the like – and Media Experience Engine, which transcodes video data for optimal delivery to everything from HD conferencing screens to iPhones. Going forward, Cisco envisages the next step as the 'medianet', a media-aware network capable of intelligently recognising and supporting devices, protocols and standards; Hughes forecast that this evolution would take place within five years, with the forthcoming iteration of Cisco's integrated services router the first hardware designed to be medianet-capable.

Both Jouret and Hughes warned that, with new entrants to the workforce increasingly accustomed to generating and sharing visual content, companies who did not embrace the rapidly growing emphasis on video as a basis for collaboration would lose ground to those that did. And Hughes added that Australia – where Cisco's video collaboration push is backed by an array of partners from carriers like Telstra and Optus, through system integrators including IBM and HP, to smaller niche experts in specific applications – was a particularly fertile area for the new wave of collaboration technologies.

"Australia is small enough that organisations will try things, but big enough that if it works it will make a difference... ANZ is a very early adopter of technology," he told CommsDay. "Cisco did more business [globally] in collaboration than we did in routing last year... and [ANZ] contributed the second highest revenues for collaboration last year. That's punching well above our weight!"

Petroc Wilton

LIFESIZE UPGRADES QLD VIDEO CONFERENCING SYSTEM

LifeSize and reseller partner eVideo Communications have worked with energy company Stanwell Corporation in upgrading high-definition videoconferencing equipment throughout Queensland. Equipment installed included 10 video systems at various sites, a 24 port Multipoint Bridge, a Gateway, Gatekeeper, Transit Server and Control Software at the Brisbane office and Samsung LCDs with trolleys. "Trading up to a new system gave us the option to integrate video conferencing into our phone system and other communication software such as Microsoft Exchange. We also needed something that was scaleable and offered the best value for money," Stanwell ICT Infrastructure Research project manager Peter Dodd said.

WEBSPY TO GIVE UPDATES ON POTENTIAL ACQUISITIONS

Online monitoring outfit WebSpy has announced that it is in the final stages of reviewing a potential acquisition opportunity. The company said it intends to make a decision on whether to proceed with the acquisition at a Board meeting to be held on October 5. WebSpy also said it hopes to lodge an announcement before the open of trade on October 6 regarding the Board's decision.

M2M AND AVA SELL VOIP PRODUCTS AND SERVICES IN VIETNAM

Australian technology investment company m2m Corporation has embarked on a joint venture with Vietnamese company AVA Communications to distribute VoIP products and services in Vietnam. The joint venture, billed as SIPme Vietnam, has received a ten-year OSP license for the country. Targeting Vietnamese business and retail subscribers, SIPme has mobilised its sales team through an aggressive marketing campaign, which hopes to facilitate a high initial take-up. It is expected that renewals for the service should result in a monthly spend per subscriber of up to USD\$49. SIPme Vietnam will also continue to engage in other sales channels to entice other potential customers and expand m2m's market penetration in Vietnam. m2m CEO Peter Saunders said, "This launch is the result of many months of planning and development. m2m is confident that this joint venture will add considerable revenue to the m2m group over the next 6 months." AVA's executive manager had seconded to this by committing to "provide a mechanism for rollout of further phases and additional online and telecommunications projects currently under development."