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COMMUNICATIONS DAY

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What's happening today in telecom business, policy & technology

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Huawei's local push: new Australian board, 50% headcount surge

Huawei has launched a concerted drive to cement its Australian foothold this year, ramping up its on-shore workforce by 50% and setting up a "localised" board of directors – the first time the firm has done so anywhere in the world.

The new board will consist of three independent Australian directors, currently being sought both in and out of the telecoms sector via a partnership with executive search firm Egon Zehnder. The board will also have directors from Huawei's Australian executive team, its regional branch, and its global headquarters. According to government and public affairs director Jeremy Mitchell, the board will have full control of Huawei's strategic direction in Australia, and the power to hire and fire senior management; the idea was originally mooted by Huawei locally, but dovetailed with a global initiative for stronger localisation.

While each board member will have equal voting power (and the chair, who will be selected from the Australian independents, will have the casting vote), the number of directors who will be appointed from the local office has not yet been decided; the final board may comprise either six or seven members. With a number of Australians already shortlisted for the independent director posts, the board is expected to be finalised within two months and to host its first meeting in the middle of the year.

Meanwhile, Huawei is also looking to boost local headcount substantially; it currently numbers some 400 staff in Australia, set to exceed 600 by the end of the year. "At the moment, we have a 80% localisation rate; we want to increase that to 90%," said Mitchell.

So is the firm expecting to drive revenues up in line with such a large staff increase? ANZ CFO Brian Hoppe told CommsDay that Huawei did not release local revenue forecasts, but added that "in Australia, our competitors have far greater revenues than we do; globally we are competing with the same companies and positioning ourselves... as number 2 in the market. So in the long term, we would like to see Australia reflecting that position in the global marketplace."

Huawei has not yet won any of the major NBN contracts on the table – Alcatel Lucent took the role of key GPON supplier and the results of the wireless tender have not yet been announced. But Mitchell and CTO Peter Rossi pointed out that last year saw the firm take a slew of other lucrative deals. Huawei has already secured high-profile contracts like VHA's 3G network upgrade and has been particularly visible in the LTE space, helping to conduct trials with the three main mobile carriers. Hoppe said the firm had seen a 35% increase in new contracts during 2010 and had boosted sales revenue 29% year on year to A\$171 million.

"We'd be very keen to fill any role NBN would like us to play," said Mitchell. "But I think having the Australian board is very much showing that our future's not dependent on an NBN win."

The move to boost localisation may help to combat the controversy Huawei has weathered, dogged as it has been by persistent allegations of ties to the Chinese government. But Mitchell denied that this was the reason for the initiative. "It's more in line with our localisation strategy. Will it help in that area? Of course it will... but that has not been our motivation in doing it," he said. "In a business sense, we see this as an opportunity for increasing sales; and at the end of the day, that's our motivation... it's part of Huawei's philosophy that you actually get better results by having local strategies."

“Localisation is paying dividends for Huawei and its partners,” agreed Huawei Australia CEO Guo Fulin.

Petroc Wilton

Telstra talks up call centre consolidation

Telstra has defended its recent decision to not renew contracts with call centre service providers Salmat and Vertex, claiming that a recent consolidation into its new centre at Docklands close to the CBD in Melbourne had resulted in better service provision and a lowering of costs.

Speaking to media and analysts at the newly fitted out call centre facility in Docklands, Gordon Ballantyne, Telstra group MD consumer and channels, said that despite adding almost one million new customers across all sectors in the first half of the financial year the telco had managed to improve customer service with a significantly lower head count.

“You have to be pretty ruthless [to reduce costs] but the reason for consolidation is that we wanted a step-change in customer service,” Ballantyne said. “Project New was all about processes but fundamentally this is a people business and that's why 717 [the Docklands call centre facility] is so important.”

Ballantyne also highlighted a number of other initiatives to improve its call centre operations, including a recent session where key executives – including CEO David Thodey and CFO John Stanhope – manned the phones alongside call centre staff. Ballantyne and other key management have also moved into the Docklands centre side by side with call centre workers.

He said that moving customer service functions online and expanding the number of Telstra shops would also reduce traffic in its call centres.

The decision to cut ties with some outside call centre providers was seen as a blow to a number of regional communities, which will lose significant jobs as a result. Salmat was expecting to cut around 740 jobs while Vertex was planning 250 layoffs.

Peter Jamieson, who heads up Telstra's call centre operations, told CommsDay that the number of domestic call centre partners would continue to decline as it consolidated the businesses between its major internal call centres and its facilities in the Philippines.

“Call volumes are down and we're expecting more issues to be dealt with online, so we'll end up with less domestic partners,” he said. Telstra has around 10,000 call centre staff spread between its own call centres, domestic partners and overseas operations, but the number of staff at partner operations will decline, he said.

VIDEO PLAY: Meanwhile, Telstra has also announced the acquisition of video conferencing and collaboration company iVision.

Telstra CEO David Thodey said in a statement that growth in new markets was a key strategic imperative for the company and the acquisition of iVision would provide added strength in Telstra's network-based services.

He claimed the purchase of iVision will make Telstra the number one provider of video conferencing services in Australia, and one of the top three providers in Asia.

The Melbourne-based company, which won Cisco's ANZ services partner of the year award in 2009, will continue to be headed up by former owner and MD Graham Williams.

Geoff Long

Hackett details new proposed NBN cost model

Internode MD Simon Hackett has suggested two key changes to NBN Co's wholesale pricing model that he claims will open up participation to a much wider range of retail service providers.

Hackett blasted the current pricing structure at the CommsDay Summit in Sydney, saying it would effectively block direct participation with NBN Co by RSPs with fewer than 250,000 customers – leaving only Telstra, Optus, AAPT, iiNet and Internode in the running.

But the Internode MD subsequently suggested two key changes which, he said, would be income-neutral for NBN Co but have “very positive effect on the consumer outcomes for the network.” First, he argued that the “punitive” A\$20 per megabit connectivity virtual circuit charge should be dropped to A\$1 per megabit per month; secondly, he said the charge per customer port to deliver an entry-level

12Mbps/1Mbps port plus PSTN voice port should be pushed up from A\$24 to A\$25.63 per month.

“The increase in per port charges has been calculated to exactly offset the reduction in CVC charges, so that the income to NBNCo is identical at their ‘reference’ 250,000 customer level,” said Hackett. “The resulting income curve... allows viable entry into the market for a national retailer from 10,000 customers and upward (encouraging participation and innovation), while preserving NBNCo income beyond that point.”

“While income below 250,000 customers would appear lower for NBNCo in the rebalanced model, in reality it will be the same or greater,” he argued. “That’s because without this rebalancing, there will simply be no direct customers of NBNCo below the 250,000 level, with those smaller providers being forced into the uncomfortable position of having to buy access at a markup from one of their much larger retail competitors.”

Hackett emphasised that the choice for a smaller player to use an aggregator should not be taken away. “However in the revised model, retail providers from 10,000 customers and up will have the choice to directly participate with NBNCo in an economically tenable manner,” he said.

CONROY CONFUSION ON INTERNODE ACCC SUB: Meanwhile, Hackett also raised queries “regarding the extent to which Government studies the submissions that it requests” after communications minister Stephen Conroy claimed Internode failed to make a submission to the Australian Competition and Consumer Commission over NBN POI and pricing arrangements.

Hackett noted that Internode had in fact made multiple submissions to the ACCC on the matter. He added that Conroy’s false claims had caused “significant distress” to Internode staff involved with the proposals and diverted attention away the issues at hand. Conroy’s office subsequently acknowledged the error.

Petroc Wilton

Telstra: productivity leaders investing in data networks, video content and collaboration

Companies which are leaders in productivity are more likely to have invested in network speed and coverage and solutions such as video streaming, and video conferencing in the past and plan to invest in the future, according to a Telstra report.

The 2011 Telstra Productivity Indicator report was compiled from information taken out of 350 independent confidential interviews with directors and senior executives in the private and public sector.

Productivity leaders were described as organisations that have internal measurements for productivity, set KPIs and targets and have experienced significant improvements in productivity over the past 12 months.

“What has delivered gains in the last 12 months in terms of productivity and what is expected to do so over the next twelve months...the first area is multimedia,” Telstra network applications and services executive director Antony de Jong told CommsDay.

What you can see here is that leaders have a 20% differential relative to followers in terms of using multimedia – things like managing and distributing video content.”

“[Another] area is around data networks and speed and coverage. There is still a disparity between leaders and followers here but the latter will catch up somewhat in the next 12 months.”

The report also noted improvements in video conferencing and collaboration as another category where leaders were well advanced, as was “online enablement” – consisting of improvements in automated business processes and forms online.

Staff reporters

SA gov’t: commonwealth, NBN Co must take lead on spruiking broadband benefits

South Australian government CIO and NBN taskforce chair Andrew Mills has called for NBN Co and the Commonwealth to take the lead in publicising NBN benefits – but emphasised that state governments

and local councils also have a role to play.

Mills appeared before the House of Representatives inquiry into the role and potential of the NBN in Adelaide. He explained that the SA government had already done some work linking up schools, health institutions and the like via a combination of fit-for-purpose technologies, including setting up some fibre and microwave backhaul links in underserved areas via a carrier partner and a blend of state and Commonwealth funding. He hoped the NBN would completely replace that infrastructure, although discussions were still ongoing with NBN Co to determine how the issue would play out.

The SA government has already been working with local councils on extolling the benefits of fast broadband, but Mills felt that states should be restricted to a supporting role. "In some senses we see some of that community should be council-led, more than state-led... we see us supporting on NBN, more than [taking] a lead," he said. "It's a Commonwealth government program, so we're expecting them to lead. We're expecting NBN Co to get out there and start talking, and we'll support them in that space."

Mills praised NBN Co's work on this score at the first release site of Willunga, but said that there was still "a bit of work to be done in explaining to the community what it means to [have] broadband and what it will bring for them."

"We see ourselves supporting that... particularly as the rollout will be regional in its basis," he said. "I think there's a strong council part of this that will work through. And where we've seen the local councils be very digitally aware, we're not seeing those issues."

Petroc Wilton

MOTOROLA TAPS INTO WIRELESS BROADBAND DEMAND

Motorola Solutions has announced a range of wireless Ethernet bridges operating in the unlicensed 5.8GHz spectrum, which it claims will make wireless broadband more affordable for Australian ISPs and enterprises. The new additions to its point-to-point 200 series offer connectivity and backhaul in line-of-sight as well as near line-of-sight conditions and are expected to be deployed in both urban and regional environments. Roy Wittert, GM of Motorola's wireless network solutions group, said the products were a response to the growing challenge faced by enterprise and government customers to reduce costs while increasing the use of new, more sophisticated and data rich applications.

HP BOLSTERS ANZ TEAM

HP has reinforced its South Pacific (ANZ) presence with two new hires. Nathan Wappet has been appointed GM of technology services, while Richard Outten has been named GM for software. Wappet joined HP from Alcatel-Lucent, where he most recently served as VP for group regional service units APAC; Outten joined HP in 2007 after having worked for firms including IBM.

VIRGIN REVAMPS PRE-PAID CAP

Optus subsidiary Virgin Mobile has introduced its "Big Cap 29" for Pre-Paid customers, a \$29 cap that was previously available to its post-paid users. The plan offers \$450 of cap credit coupled with unlimited talk and text between Virgin Mobile members, 200MB data, free voicemail in Australia and the ability to rollover unused cap credit.

WA GOV'T CALLS TENDER FOR OWN MOBILE COMMS PROJECT

The Western Australian government has called tenders for the A\$39.2 million Royalties for Regions-funded Regional Mobile Communications Project. According to regional development and lands minister Brendon Grylls, a State Telecommunications Needs assessment paired with a series of community consultations had highlighted a low level of mobile coverage and broadband internet available in regional WA. "The tender proposals must outline how the telecommunications carriers will deliver mobile voice communications to the greatest possible number of coverage locations," he said. "The shortcomings of mobile telephone coverage on the State's major regional highways need to be improved not only for mobile telephone but also for radio communications coverage, which is essential for our police and emergency services, business and recreational purposes." Deadline is May 5.

NEW ZEALAND

Vodafone, Telecom NZ lodge complaints over power price spike

Vodafone and Telecom NZ joined 15 other companies who lodged claims with the Electricity Authority after a spike in wholesale electricity prices saw bills rise to more than 200 times normal levels.

The incident, on March 26, happened when national electricity grid operator Transpower performed planned maintenance on circuits south of Auckland. This reduced the transmission capacity on lines feeding the city.

Genesis Energy moved in to temporarily fill the void and was in a position to name its own price for power. The generator's spot price climbed from the normal rate of around NZ\$100 per MWh to more than NZ\$19,000 – a historic high. This is the first time a generator has pushed up prices to these levels during network repairs and if allowed to stand could create a precedent.

In its UTS claim filed via Chorus, Telecom NZ said the financial impact was significant for the company and was outside of any reasonable forecast.

Vodafone's claim also mentioned a significant financial impact. The company told the regulator the seven hour price spike cost the company more than 8% of its historic annual power expenditure. It also said the spike was outside of any reasonable forecast based on experience.

Genesis Energy has defended its action saying there was plenty of warning for companies to put hedging in place. Nevertheless the price spike saw a flood of complaints to the regulator. In Energy Authority language the price spike was known as an undesirable trading situation or UTS.

If the regulator's investigation decides a UTS exists it can set the price for the period concerned.

The Electricity Authority has launched a market performance investigation into the event and said it is looking at reforms to improve the spot and hedge markets.

Bill Bennett

NZ Credit Union to sell Telcoinbox phone plans

An agreement signed with Telcoinbox means New Zealand Credit Union will be the country's first financial institution to resell telecommunications services.

From later this month, the member-owned financial services group will offer its 25,000 South Island members fixed-line, broadband and mobile phone plans.

NZCU South CEO Andrew Leys said if the take up is great his organisation will extend the offer to its 180,000 members nationwide. He said: "To encourage members to take up the offer we are stopping all transaction fees on any of their accounts with us."

He said: "We focus on the customer, that's what we do best and Telcoinbox looks after the backend support and billing."

Leys said his organisation is looking at providing a similar package for members covering power.

NZCU South members using the service will pay mobile rates starting at 15 cents per minute to call other members and 35 cents per minute to call non-members. These rates compare with prepay rates of 44 cents per minute at 2degrees and 49 cents at Vodafone.

Bill Bennett

TELECOM NZ LAUNCHES OWN-BRAND ANDROID TABLET

Telecom NZ is selling an own-brand Android tablet made by ZTE. The Telecom V9 Tablet has a 7 inch resistive touch screen and a 2GB microSD card that can be expanded to 32GB. There's also a 3 megapixel camera. The company said its tablet differs from rival devices on the market because it can be used to make voice calls and to send text messages. It is similar in specification and price to Telstra's T-Touch Tab and the Optus My Tab. Retailing at NZ\$399, the device is sold with an XT network sim card and NZ\$29.95 of credit. Customer are put on the 500Mb prepaid plan.

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2011 events from CommsDay

Communications Day's events are regarded as peak telecom industry gatherings. Note these in your diary.

COMMSDAY HONG KONG SUMMIT, Exclesior Hotel, Hong Kong, 3 May 2011

COMMSDAY SINGAPORE SUMMIT, M Hotel (provisional), Singapore, 20 June 2011

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