COMMUNICATIONS DAY

Australia's Daily Telecommunications Newspaper Issue 2033, Friday 28 March, 2003

Telstra jumps out of 3G blocks with launch of CDMA 1x service

Telstra is the first carrier off the rank to launch a commercially available 3G-style service offering on its 1x CDMA network. The service is backed by a strong cast of content providers and a new branding campaign, titled *"Telstra Mobile Loop"*.

Despite being the carrier with perhaps the least amount of public enthusiasm for 3G offerings, Telstra is clearly ahead of the game in terms of availability on services and handsets. It remains to be seen, however, whether its offering will be compelling enough to sway uncommitted consumers.

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The service launched yesterday offers gaming, e-mail, chat, ring tones and information services initially on **Samsung** Rainbow handsets. Telstra's group managing director, Consumer and Marketing, Ted Pretty, estimated that there is *"pent up demand"* from around 50,000 consumers that could be easily captured in the next two quarters. *"I would like to see 50,000 users on this service in a short period of time,"* he said.

The **Nortel**-supplied network cost $150 million to roll out and initially covers the greater areas of Melbourne, Sydney, Brisbane, Gold Coast and Canberra. Pretty said that Telstra had plans to extend the coverage over the next 12 months, however consumers outside of those areas will still have access to the services but at much slower data rates.

Telstra's choice of the 1x platform has been viewed by some industry pundits as a soft approach to 3G - entering the market without a significant investment in case next generation services do not take off. The Telstra service does not yet offer MMS or video streaming but will introduce full MMS and video capabilities in Q4. Simple downloading of picture messaging will be available in the next month, yet **Optus** and **Hutchison** have not secured an interoperability agreement with Telstra for MMS.

"We believe we will be the first carrier in the world to offer Picture Messaging interoperability between GPRS and CDMA 1XRTT," Pretty said. The service will also not be available when the user is overseas, as roaming agreements have yet to be secured with international carriers. Pretty said he anticipated that those agreements, which are being worked on in tandem with GPRS roaming agreements, should be secured in the next few months.

The launch comes at a critical competitive time as carriers position themselves to get the mindshare and revenue from potential 3G consumers. Telstra's launch came day before the perceived launch date for Hutchison's highly anticipated full 3G service *"3"*. The Hutchison camp has remained silent about the launch date, with the deadline of end of Q1 ending on Monday.

Hutchison's handset vendors have indicated that a commercial launch date was *"very very close"*, and key handset supplier **NEC** commented this week that *"our handsets are ready to ship as soon as Hutchison launches"*, debunking theories that handset delays are holding up the launch.

Vodafone's similar content service, which features MMS as a key driver, Vodafone live will be commercially launched on April 22. Pretty was confident that Telstra pricing and plans would set a competitive challenge to new entrants. Content providers for the service include **Foxtel**, **Sony Music**, **Jumbuck**, **Faith West**, **Sega**, **Mattel**, **Yahoo!** and e-mail providers.

"We believe our strong partnerships with content providers and affordable and practical CDMA 1XRTT network functionality will differentiate Telstra in the market," Pretty said.

Telstra's new pricing for the service includes a $100 per month plan (split at $85 for voice and $15 for data) for 24 months and a $70 per month plan ($60 for voice and $10 for data). The carrier is also offering free application downloads until May 31 as an introductory offer. The Average cost per applications donwload has been set at around $10.

Natalie Apostolou

Comindico launches cut price wholesale DSL offering

Comindico has launched a wholesale residential DSL product for ISPs priced on an *"all you can eat"* pricing structure with no usage fees.

Comindico CEO John Stuckey branded his competitors DSL offerings as confusing and stifling the large scale take up of DSL services in Australia. *"The result of the lack of competition has been the evident in rankings of Australia's broadband take-up compared with the rest of the world. We are 19th in the latest OECD rankings, down from 12th the year before and with no action from Telstra to turn it around,"* Stuckey said.

Stuckey believed that Comindico's offering was aiming to shake up the broadband market by giving ISPs the power the compete on more equitable price levels against Telstra.

"Telstra have packaged their wholesale DSL product so that there is so little opportunity for retail profit for service providers. ISPs face being slowly driven out of business as Telstra absorbed their customer base by offering special bundles packages no other ISP could match," he said.

Comindico has already signed 40 customers to their wholesale service with one ISP offering a $64 per month flat fee for DSL usage.

Natalie Apostolou

Court finds Vodafone Pacific in breach of agreement

The NSW Supreme Court yesterday found that **Vodafone Pacific**, a Vodafone Australia subsidiary breached an agreement with service provider **Mobile Innovations** for setting a nil subscriber acquisition target over the course of a ten year contract.

In a court statement, Justice Clifford Einstein said the litigation concerned a range of disputes between the two companies. In February, Mobile Innovations alleged that Vodafone had breached its exclusive remote selling agreement, claiming that it failed to provide important business information for the five quarters leading up to December 2002.

The two parties struck an agreement in 1998 in which it was agreed that Mobile Innovations would provide customers to the operator. In its claim, Mobile Innovations alleged that a decision by Vodafone in early 2001 to control costs by budgeting for zero growth hampered its own growth, and was a breach of the original agreement. Vodafone said it would appeal the finding that it could not set a zero target for customer acquisition. However, the court yesterday agreed with Mobile Innovations.

”A critical issue involved whether or not Vodafone was contractually entitled to determine that the target level for acquisition by Mobile Innovations of new subscribers for particular quarters was nil or to refuse to determine any target level at all for particular quarters,” Justice Einstein said in his ruling. *”The court has held as a matter of construction of the ASP that Vodafone had no such entitlement and by its conduct in this regard breached fundamental obligations imposed upon Vodafone by the ASP,”* he added.

The mobile operator said it was taking legal advice in relation to the judgment because it believes the Mobile Innovations prospectus allowed it to set a zero target. It said there are now competing views as to the meaning of the contract and it expects to appeal the decision. However, it said the fiscal damage would be lower than expected.

”Vodafone is pleased that any damages awarded in Mobile Innovations’ favour will be substantially less than the amount originally claimed,’’ it said in a statement. *”The damages are yet to be quantified.’’* Mobile Innovations has previously said it is seeking up to $90 million in damages over an agreement between the two companies.

Duncan Craig

messagecare signs OzEmail to anti-spam trial

The Sean Howard backed anti-spam venture **messagecare** has signed up **OzEmail** as a trial customer, marking its first step towards securing a major corporate deal. Howard co-founded OzEmail in the early 90s and sold his stake to **WorldCom** at the height of the dotcom boom, reaping a payout of $120 million. The messagecare venture, using the brand name SpamTrap, is his first foray back into the technology market since then.

”We have not had a chance to assess the technology yet,’’ said OzEmail marketing executive Stephen Burns. *”There is no indication yet that we will continue with service because we want to find out if it’s a valuable service and if the price is right.’’* He said OzEmail would choose some of its veteran subscribers and cap the trial at 100 people.

The SpamTrap trial will be run over four weeks. The shareholders of messagecare are Howard, Malcolm Turnbull, Trevor Kennedy and Andrew Kent, who is CEO of the venture. Most of the staff are former ex-OzEmail executives, including Michael Ward, who is general manager of retail operations for SpamTrap. The company has indicated it is in discussions with other local ISPs and international carriers.

Duncan Craig

Analyst predicts huge growth in smart phone shipments

European analyst firm **Canalys** has predicted that shipments of smart phones will exceed those of handhelds in Europe, the Middle East and Africa for the first time this year. The smart phone market, which includes the **SonyEricsson** P800, will total 3.3 million devices shipped this year, compared to around 2.8 million handheld units, the research firm said. Canalys director and senior analyst Chris Jones, however, pointed out there are problems in merging voice and data products.

"For a start, the channels don't know how to sell a wireless handheld: the mobile phone retailers struggle demonstrating the benefits to potential customers, while the IT/data-centric channels don't really want to get into the tariff debate that becomes essential with a SIM-dependent device,'' Jones said. *"Similar problems apply to smart phones, but mobile phone retailers will generally find it easier to sell something perceived as a mobile phone with added features than a less familiar type of device."*

Canalys also said that wireless handhelds make poor phones and are mostly bulky, expensive and feature-poor compared to the leading non-wireless handheld models. *"Most people will want a separate mobile phone anyway, so they are better off going for one of the smaller, lighter handhelds to use with it via Bluetooth,"* Jones added. *"Unless you have a very specific application that needs the unique characteristics of a wireless handheld it is hard to see why you would choose it over any of the other form-factor combinations."*

Staff writers

BRIEFLY

• Former **One.Tel** boss Brad Keeling has been ordered to pay more than $8 million tax by the NSW Supreme Court. The matter relates to the $7 million bonus received by Keeling from the company before its collapse. He was assessed for it personally with penalties and interest thrown in. His defence that the matter was currently under review by the Administrative Appeals Tribunal was deemed invalid as the law stated the tax would still have to be paid. The NSW Supreme Court last week accepted a settlement between Keeling and **ASIC** over the $600 million collapse of One.Tel. Under that agreement, Keeling was banned from managing a company for 10 to 15 years and agreed he was liable for $92 million in compensation to One.Tel.

• **WorldCom** is asking a bankruptcy court for two more months to file assets data that could help creditors estimate the extent of its recovery. The assets data is currently due in bankruptcy court on Monday, but such deadlines routinely get extended in large bankruptcy cases. WorldCom's July bankruptcy filing was the largest ever. In its request for a May 31 filing deadline, the company said its financial restatement is not yet complete because auditor **KPMG LLP** is still sorting through WorldCom's scandal-tainted books from 2000 through 2002. The company, hoping for a quick emergence from Chapter 11 bankruptcy-court protection, has said it expects by mid-April to submit a reorganisation plan that will divvy up ownership of the company among banks, bondholders and other creditors.

• **Singapore Telecommunications** yesterday announced that wholly owned subsidiary **ICO Investment** (Singapore) and **ST Mobile Investments**, an indirect wholly owned subsidiary, are in voluntary. The principal activity of both ICO and ST Mobile Investments is that of an investment holding company.

• US investment banking giant **Goldman Sachs Group** yesterday announced it would merge its Australian operations with local broking powerhouse **JBWere**. Goldman Sachs will own 45 per cent of the new company, to be known as **Goldman Sachs JBWere**, with about 100 partners and employees of the merged company owning the rest.

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Decisive Publishing ABN 13 065 084 960.
Publishers of: CommsDayAustralia, CommsDayAsia, The Australia/NZ Comms Report, 3G Pacific, Telecom Regulation
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