

TelstraClear practises art of double-speak

No 2 telco's dismay at wholesale broadband figures has hollow ring

HERE'S a lot of hot air coming out of TelstraClear these days. Ever since the nation's No 2 telco proclaimed in September that it was no longer going to compete against Telecom in all markets, it has been talking out of both sides of its mouth — especially last week. TelstraClear was quick to take a shot at Telecom when that company announced its broadband numbers on Thursday. Telecom trumpeted its 279,000 residential customers in 2005 as evidence that New Zealand has "a strong and growing broadband story". But the company also played down



PETER NOWAK
Interrupt

the fact that only 22 per cent of those customers came through wholesale, whereas the Government was expecting 33 per cent.

Telecom's competitors, including ihug, Slingshot and Orcon, jumped on the news and once again urged the

Government to regulate the company. TelstraClear wasn't far behind, saying in a press release the results were "a disaster for New Zealand".

It was an interesting choice of words, because if anything was disastrous for the country, it was the broadband deal TelstraClear signed with Telecom just last month.

The story goes back to December 2003, when the Government decided against opening up Telecom's network to competitors in a process known as local loop unbundling. Instead, Telecom's proposed "unbundled bitstream service" was instituted, wherein the company was allowed to dictate speeds and prices to wholesalers.

TelstraClear took issue with the arrangement and, in November 2004, applied to the Commerce Commission

for better UBS terms. Over the next year, the company sat out of the broadband market for the most part and watched Telecom, ihug and others snap up customers.

It finally got its terms last December, but promptly squandered them for a lesser commercial agreement with Telecom a month later.

The regulated terms would have provided superior speeds and pricing, but Telecom was going to fight them with a judicial challenge. TelstraClear didn't want to risk being left out for even longer, arguing that doing the deal was the pragmatic solution.

The company also argued that just because it signed a deal, that didn't mean it was going to go quiet in the fight for regulation. It would still fight the good fight but at least it'd be selling something in the meantime.

The only problem is, that deal is going to muddy the situation by giving Telecom ammunition. The deal could "vent steam from the industry", as one analyst put it, and potentially water down any regulation.

Before its selective memory took effect in November, Telecom argued that its original 33 per cent wholesale customer number was based on TelstraClear not playing ball, it's not surprising Telecom failed to meet the goal. (Telecom now denies agreeing to that one-third goal.)

It's fair to say that Telecom can now project an extra 100,000 customers just from TelstraClear, probably over the next year. With the Government looking to boost broadband uptake, a chunk of potential customers this big might look appealing.

Secondly, although the speed and price details of the deal are not as good as those supplied by the commission's regulation, they are better than those that exist. Speeds will go up and prices will come down, if only incrementally, alleviating somewhat the main complaints with broadband.

Lastly, Telecom says it will offer similar terms to other internet service providers, which will have no choice but to accept them. It would have been easy for the others to piggyback on the commission's TelstraClear ruling had it actually gone into effect but, now, there's no way. Without a precedent, the other ISPs are going to have to go back to square one and fight for those terms if they want them, which could take years.

The end result of TelstraClear's deal is that Telecom, by throwing it

and the rest of the industry a bone, is back in the driver's seat — whereas in December, it was firmly on the back foot.

TelstraClear chief Allan Freeth's words in September are now ringing exceptionally hollow. "We're not here simply to be some type of competitive stalking horse or for anyone to suggest that competition is alive and well," he said. By signing the UBS agreement, Freeth has not helped his own cause and has potentially set back the industry as a whole.

No one is blaming TelstraClear for wanting to get into the game. After all, it has a responsibility to shareholders to make money wherever it can.

But by signing such deals, the company has lost the right to say any of Telecom's results are a "disaster for New Zealand".

TECH HEADS

Free broadband from supermarkets

by Kelvin Chan

Imagine a world where supermarkets and schools sell wireless net access, where you can make free mobile calls using cash register signals, and where pictures and mobile phones will tell you where you are.

That's the kind of world Peter Cochrane is looking forward to. As a co-founder of Concept Labs and a well-known "futurologist", Cochrane is always thinking about the latest trends in high-technology and how they will affect our lives. His New York-based company, which he helped start up in 2000, is dedicated to the creation of new, "paradigm changing" technologies, companies and markets.

Some of his biggest ideas are about the growth of wireless internet technologies, including wi-fi and the nascent WiMax, which offers much faster speeds and greater range — two to 10 kilometres in urban areas and up to 50 kilometres in rural areas.

One of Cochrane's ideas is for schools to set up their own wi-fi or WiMax hubs to provide broadband internet access where there aren't enough people or it's too expensive to wire up each household.

"If there's a shortage of broadband in the area, why not extend that broadband from the school to the homes?" says Cochrane, who spent 38 years at British Telecom, mostly on the research side. His last job was as the company's chief technologist. He spoke to the New Zealand Herald by a Escape call from his home in Martlesham Heath on the eastern coast of England.

"In a lot of communities, the first kid's home from school is spitting distance, and you can put these parasitic networks in where the signal hops from school to one home to another and you get this huge web out there," he added. Or they could set up a WiMax antenna and get a network up to 30 kilometres wide. That would allow kids to access their school networks at home as well as at school.

But why stop there? It's not written in stone that only cable and telecom companies are allowed to provide home internet access. Most businesses these days also need their own broadband internet connections. What about all that unused capacity at night? It would be easy for companies to extend their wireless networks to

PETER COCHRANE

■ **Favourite gadget:** Wi-fi detector: "I press the button and it tells me wi-fi is detected, and it tells me the name of the wi-fi provider."

■ **Next big thing:** "I think life itself and intelligence will spontaneously erupt on the internet, even if we do nothing, we just continue to build it, it will just pop up."

■ **Alternative career:** "If I was to start again I would really get into an area that is the juxtaposition of biology and electronics. That interface between carbon and silicone really excites me because we're aping Mother Nature and biology in a lot of our electronics."

■ **Spare time:** Fly fishing.
■ **Favourite sci-fi movie:** "I think probably Terminator has it for me. I like Arnold. A lot of people don't but I think he plays a cool robot."

users in the local community, Cochrane says.

Retail stores could do the same, he says. "We've got all these Wal-Marts, Tescos and Asdas, they're putting computers on the shelves to sell, and IT, all that stuff," he says. Well, why not offer free wi-fi in the coffee shop, so that when they buy their laptop, they can check it out right there on the spot.

But wait, why stop there? Perhaps, Cochrane says, those stores could then say: "How about free broadband using WiMax and wi-fi providing you spend 100 bucks a week on food in my store?"

Soon, our mobile phones will be capable of using wi-fi and VoIP, or voice-over internet technology, allowing phone calls to be made over the internet at free or nearly free prices.

In the next year, Cochrane expects to see global positioning technology in "everything". Japan is already starting to require that all mobile phones have GPS technology. It will appear in digital cameras, which will help solve an age-old problem for shutter-happy folks. "I take hundreds of photographs. I know the date, I know the time," Cochrane says. But often, "I say 'Where the hell was I when I took this?'"



FUTURE PERFECT: Peter Cochrane, 'technologist' and founder of Concept Labs, is dedicated to creating 'paradigm changing' companies and concepts, including wireless spaces.

Breakdown by Anthony Doesburg

TUANZ

WHAT: The Telecommunications Users Association of New Zealand lobbies the Government on behalf of customers of the country's phone and internet service providers. Oddly enough, phone company TelstraClear is a Tuanz member, although Telecom, which dominates the market for residential and business landline services, isn't.

HOW: Tuanz is an energetic producer of press releases and submissions on issues ranging from the cost of cellphone calls to the slow rate of uptake of broadband internet services. It is also a tireless promoter of the benefits organisations - especially schools - can get from clever use of telecommunications.

Want a term or trend explained? Email anthony.doesburg@nzherald.co.nz.



Chief executive Ernie Newman

WHY: The user group has plenty to gripe about since New Zealand rates poorly in international comparisons of cost and choice of telecommunications services, a point which just about everyone - although not Telecom - agrees on.

WHERE: www.tuanz.org.nz.

RANDY GLASBERGEN

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"Ever have one of those days when you're not sure whether you're in the zone, out of the box, under the gun, over the hump or behind the curve?"

MARKETS

Japan Airlines' losses go sky high

Fuel price rises and lost passengers take toll on company

TOKYO — Japan Airlines' third-quarter loss tripled as the world's third-largest carrier by sales faced record jet fuel prices and lost customers to rival All Nippon Airways following safety mishaps.

The net loss grew to ¥11.1 billion (\$136.8 million) for the three months ended December 31, from a loss of ¥3.7 billion in the same quarter a year ago. Sales grew 3.9 per cent to ¥557 billion, the company said yesterday.

The airline has been battered by a surge in jet fuel costs and safety lapses that have made customers wary of flying on its aircraft.

President Toshiyuki Shinmachi is also trying to win employee acceptance for a 10 per cent pay cut, part of the airline's revival plan outlined in November.

The company kept its full-year forecast for a loss of ¥47 billion unchanged. "The repeated safety mishaps highlight a lack of control within the company, [poor] management procedures and a decline in morale among employees," said Makoto Kikuchi, chief executive at Myojo Asset Management Japan, before the earnings announcement.

"I can't look at the company as a possible investment until it can demonstrate clear signs of recovery," he said.

Japan Airlines is raising fares, cutting labour costs and eliminating



DRASTIC MEASURES: Japan Airlines is raising fares, cutting costs and axing flights.

PICTURE / BLOOMBERG NEWS

money-losing flights to ease the impact of higher fuel costs.

The price of jet fuel in Singapore averaged US\$70.59 (\$103.59) per barrel in the October-December period.

To help regain profitability in the next business year, the airline plans to cut employees' base salaries by 10 per cent starting in April.

This is three months later than

planned, as the airline failed to reach agreement with all nine of its labour unions. The pay cut will reduce labour costs by ¥6 billion annually.

All Nippon, Japan's second-largest airline, has shielded itself from the impact of higher fuel prices by hedging fuel costs and winning over customers from Japan Airlines.

The smaller airline, which sur-

passed Japan Airlines in market value in August, reported a third straight quarterly profit and raised its full-year profit outlook 70 per cent to ¥17 billion on January 31. Third-quarter net income almost doubled to ¥10.2 billion on stronger travel demand and fewer one-time charges.

Japan Airlines shares fell 0.3 per cent to ¥325. — BLOOMBERG

Billionaire in play for Korean tobacco

Icahn, who is waging a fight with Time Warner, seeks opportunities in Asia

SEOUL — Billionaire Carl Icahn nominated fellow investor Warren Lichtenstein and two other executives to the board of KT&G, driving shares of South Korea's largest tobacco company up by their daily limit.

Funds controlled by the US investors yesterday proposed Lichtenstein, Howard Lorber and Steven Wolosky to contest seats at Seoul-based KT&G's annual shareholder meeting. The funds said on Friday they held a combined 6.6 per cent of KT&G, with the intention of influencing management.

By nominating Lichtenstein, Icahn is increasing pressure on KT&G's management to sell the company's real estate business and spin off its ginseng operations. Icahn, who is waging a fight with Time Warner, scored a victory last week when he reaped a 63 per cent return on his investment in a Canadian hotel group by pushing the company to sell itself.

"Icahn is in a good position," said Kim Hyun Tae of Landmark Investment Management in Seoul. "By pressuring KT&G's management, he can probably receive higher dividends while driving up the company's stock price."



Carl Icahn

Icahn is joining Kohlberg Kravis Roberts in seeking buyout opportunities in Asia. Firms such as Warburg Pincus and Carlyle Group invested US\$1.1 billion (\$14.76 billion) in Asia in the nine months to September 30, up 40 per cent from a year earlier, according to the Centre for Asia Private Equity Research in Hong Kong.

KT&G shares gained as much as 15 per cent, the maximum allowed under exchange rules, to a record 59,300 won (\$89). Icahn and Lichtenstein may seek to get support from other shareholders to influence KT&G's management.

Franklin Mutual Advisers, which holds a 6.77 per cent stake in KT&G, said in June its affiliate Templeton Asset Management will participate in the management of the tobacco company. Templeton Asset Management has a 0.37 per cent stake in the tobacco company.

Icahn, 69, is pushing Time Warner to sell its cable-TV unit and buy back US\$20 billion of stock. Icahn stands to make 63 per cent on his US\$185 million investment in Toronto-based Fairmont Hotels & Resorts after the group last week agreed to be acquired for US\$3.24 billion. — BLOOMBERG

SHIPPING

PORT OF AUCKLAND
Shipping for Tuesday 07/02/06

Arrived yesterday: — Bow West (12:30 pm), Mt Maunganui; **Bunga Teratai 3** (05:30 pm), Brisbane; **Cgm Utrillo** (11:35 am), Papeete; **Marion Dufresne** (08:01 am), Wellington; **Taronga** (07:00 pm); **Vladivostok** (01:16 pm), Melbourne.

Sailed yesterday: — **Astral Ace** (02:44 pm), Wellington; **Kiwi Breeze** (01:24 am).
In Port at 08:00 am: — **Atlantic Trader**, Titan Marine (Sun); **Bow West**, Wynyard (Qpa); **Bunga Teratai 3**, Bledisloe (Sca); **Capitaine Wallis**, Jellicoe (Nsa); **Golden Trader**, Captain Cook (Pdl); **Marion Dufresne**, Queens (Sca); **Poni Mairangi**, Ferguson (Axl); **Taronga**, Jellicoe (Bar); **Thor Simba**, Queens (Pdl); **Ulysses**, New Western Viaduct (Sun); **Ulysses**, New Western Viaduct (Sun); **Vladivostok**, Bledisloe (Axl).

Expected arrivals today: — **Baltmar Boreas** (09:30 pm), Suva; **Msc Sariska** (06:30 pm), Melbourne; **Nexco Maersk** (02:00 pm), Manzanillo; **Poni Mairangi** (03:30 am); **Southern Tiare** (04:00 pm); **Tasman Discoverer** (01:04 pm), Suva; **Thor Hanne** (02:00 pm); **Ulysses** (08:04 pm).
Expected to sail today: — **Bow West** (10:00 am), Timaru; **Bunga Teratai 3** (06:00 pm), Tauranga; **Cgm Utrillo** (03:00 am); **Marion Dufresne** (09:00 pm); **Msc Sariska** (12:00 am); **Nexco Maersk** (09:00 pm), Melbourne; **Poni Mairangi** (02:30 pm); **Taronga** (04:00 pm); **Ulysses** (03:04 pm), Sea; **Vladivostok** (09:00 pm), Oakland.

Expected arrivals tomorrow: — **Golden Bay** (09:00 am), Portland Nz; **Queen Elizabeth 2** (11:00 am); **Tasman Chief** (01:00 am), Nelson; **Tasman Mariner** (06:00 am), Suva; **Thor Mette** (01:00 pm).

Expected to sail tomorrow: — **Baltmar Boreas** (08:00 pm); **Capitaine Wallis** (06:00 am); **Golden Bay** (11:00 pm), Portland Nz; **Tasman Discoverer** (11:59 pm), Tauranga; **Thor Hanne** (11:59 pm); **Thor Mette** (11:59 pm); **Ulysses** (07:04 pm).
For updated shipping information 24 hrs a day ring (09) 3675444 or visit the Ports of Auckland web site — <http://www.poa.co.nz>

PORT OF TAURANGA
Sailed yesterday: — **Kiwi Breeze**, Napier.
Expected arrivals today: — **Ciclope**, Napier.
Expected arrivals tomorrow: — **Coral Chief**, Nelson; **Bunga Teratai 3**, Auckland; **MSC Lucia**, Sydney; **Capitaine Wallis**, Lyttelton; **Global Wind**, Rio Grande; **Msc Sariska**, Sydney; **Hakone**, Napier.
Expected to sail today: — **British Liberty**, Wellington.
Expected to sail tomorrow: — **Susaki Wing**, Susaki; **Southern Savior**, Pitarau; **Port Alice**, China.
For updated information ring (07) 572 8751.