

## Today:

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# COMMUNICATIONS DAY

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## Nextgen re-energised as it launches virtual private lines

Nextgen Networks has re-energised after two years of quietly re-establishing itself under parent Leighton Holdings and is poised to take on Telstra and Optus in the wholesale transmission and corporate sectors. Launching its Australian first national VPLS (virtual private line) service at the ATUG conference yesterday, Nextgen GM Peter Harrison revealed that this was the first step in an aggressive play to take on market share and traffic from the dominant market players and shake up the market.

Leighton, a foundation stakeholder, acquired the troubled \$850 million network while under in receivership in 2003 for a fraction of its cost which has never been revealed but variously estimated at between \$30 and \$80 million. "At the moment the chip we've got in the game is not the size of our business but the size of our network and that only has real value when we have got a lot of business operating on it," Harrison said.

With wholesale customers and partners already secured such as Soul Telecommunications, new entrant Silk Telecom and long term customer AARNet, the carrier is moving to plump up traffic and acquire new clients through value added services such as VPLS and down potentially VoIP and IPTV. This could potentially be conducted through a partnership with other players such as carriers or utilities.

He said the longer term intent is to get big enough and work the market cap up in terms of profitability and future forecasts "in the hundreds of millions of dollars" to become "a bigger hitter so our play in the game will be a substantial influencer of what happens."

**PARENT SIGNED AS CUSTOMER:** In the short term, however, Nextgen will be intensely focused on its core business as a niche data services supplier. The carrier announced that it had signed up parent Leighton as its flagship customer for the new VLPS and has also secured another national customer who cannot be revealed.

The product launch was facilitated by switching supplier Alcatel, which is providing upgrades to the Lucent built network. Nextgen Networks footprint runs between the country's principal capital cities, and has links to nodes in around 70 regional cities and centres.

Harrison conceded that Nextgen was in a pivotal position to participate in the burgeoning consolidation in the industry as either an acquirer or acquiree.

"When you expand on your scope of business you either do it from growing organically and building your capability from within which is hard and slow or you can find a partner where you share the action of buy somebody straight out, and all of those things are options." he said.

Harrison said that his "cashed up parent" would not be constrained "if they decided to make a big play they've got the money to do it. That's an advantage we have."

Harrison believes that consolidation will happen naturally but would certainly like to be viewed as a potential driver for that consolidation. He said having the only other national fibre network outside of the other two big players could "attract other parties that have complimentary related assets." He added "we don't want to spend capex where it isn't necessary when we can do the right deals with other owners."

Natalie Apostolou