

Reborn Nextgen reconnects

Michael Sainsbury | March 06, 2006

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NATIONAL fibre telco Nextgen Networks has bounced back from its \$850 million collapse two years ago to this week launch a bid for a slice of the corporate and government network market.

Nextgen was tipped into receivership in mid-2003 after an ill-considered bid to revolutionise Australian long-haul telecommunications failed.

The project was the last twitch of the technology and telecommunications infrastructure boom.

After its collapse, Nextgen was bought for what is believed to have been about \$80 million, less than a tenth of its cost, by listed construction group Leighton Holdings. Leighton, along with NAB, Deutsche Bank and a range of superannuation funds, was a founding investor in Nextgen.

More than two years later, Nextgen is now turning a profit, according to group general manager Peter Harrison. "It's been going pretty well," he said. "We are happy with our performance, we have exceeded our internal targets and we are growing quite quickly."

Nextgen apparently costs about \$20 million a year to operate. Sources said sales had doubled since Leighton took over with the help of the higher education group AARNET as an anchor tenant on the network.

Mr Harrison said Leighton had invested in new infrastructure for Nextgen, building "tendrils" from capital city fibre rings to connect high-rise buildings.

The company was believed to have spent about \$10 million and has also bought switching equipment from French networks vendor Alcatel.

"We are also servicing some of those internet service providers that are building DSL networks," he said.

Nextgen's re-emergence comes on the back of improved results by rival telecommunications infrastructure player Powertel. But Nextgen's and Powertel's success, however limited, spells continued bad news for the sector's heavyweights, Telstra and Optus.

The \$6-billion-a-year Australian market for corporate and government telco services has been in a prolonged trough, with fierce price competition forcing negative growth on to Telstra's business for the past three years.

Mr Harrison estimates that the corporate networks sub-set is heading towards \$1 billion a year.

Nextgen's big pitch to prospective corporate customers is a new "virtual" private network product which will allow customers to create and control their own national networks.

Nextgen is so confident about its future it has not ruled out bulking up its networks business with acquisitions in a market where consolidation is the latest buzzword. "Certainly, funds are not a limitation to us should the right circumstances arise," Mr Harrison said.