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Silk, Nextgen confirm deal

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| Renai LeMay

Leighton Holdings telecommunications subsidiary Nextgen Networks has confirmed it has spent an undisclosed amount to acquire Cheung Kong-owned fibre optic telco Silk Telecom.

The move will give Nextgen, which already owns Australia's third-largest fibre-optic telecommunications network, further fibre cables running throughout metropolitan areas in Victoria, Western Australia and South Australia.

The current network primarily runs between cities.

Nextgen managing director Phil Sykes declined to reveal either the value of the deal or to detail Silk's revenue, saying Leighton's subsidiaries did not detail their finances. However he said Silk's income would be material to Nextgen. "Combined revenues are looking quite impressive," he said.

Mr Sykes said Nextgen had been conducting due diligence on Silk since late 2007, but he would not say whether the telco had been looking for a buyer. Reports of the talks only surfaced in the media last week.

Silk has only been operating as a unique corporate entity since February 2006, created from the joint telecommunications assets of electricity utilities Powercor (Victoria) and ETSA (South Australia). Silk also has Western Australian assets courtesy of its December 2006 buy of Bright Telecommunications, the telco arm of Western Power.

One question mark hanging over the transaction is the fate of Silk managing director Simon Perkins, who has not returned calls over the past week. Mr Sykes said he wasn't sure whether Mr Perkins would remain in the business along with Silk's approximately 70 other staff. "That's a question you'll probably need to direct to Simon," he said.

Mr Sykes yesterday met with Silk staff to discuss the integration of the two firms.

He said in the current, highly competitive telco environment, many acquisitions were based around the network assets.

"But we are looking at the customer relationships, the staffing and the network as a complete business entity that's running quite effectively," he said. "We're looking at ways that we can combine the business and continue to grow."

Silk and Nextgen have similar customer bases, both composed primarily of large government or corporate customers, mobile carriers and other telcos like internet service providers. The pair generally provide very large internet links to such companies using fibre-optic cables rather than the small broadband links used by retail customers such as households or small businesses.

Mr Sykes said Nextgen was always keeping its eyes open for acquisitions, but would in the next while look to bed down the Silk acquisition before aggressively trying to buy other firms. "We don't want to get indigestion," he said.

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