

CommsWire

Essential daily reading for the communications industry executive

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Editor: Stan Beer

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TPG SAYS NO MOBILE FOR YOU THANKS TO GOVT



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TPG DROPS MOBILE NETWORK PLANS DUE TO HUAWEI BAN

Telecommunications provider TPG Telecom has cancelled plans for rolling out a mobile network, and said the ban imposed by the Australian Government on Chinese telecommunications equipment provider Huawei Technologies is the main reason.

TPG, which announced [a merger of equals](#) with Vodafone Hutchison Australia in June last year, had announced a \$600 million mobile network in 2017.

In [a statement](#) to the ASX, the company said on Tuesday that [the government ban](#) on the use of Huawei equipment in 5G networks meant that it could not go ahead with its plans.



TPG chief David Teoh (left) was quoted as saying: "It is extremely disappointing that the clear strategy the company had to become a mobile network operator at the forefront of 5G has been undone by factors outside of TPG's control.

"Over the past two years a huge amount of time and

resource has been invested in creating and delivering on a strategy that would have positioned TPG very favourably to exploit the opportunities that the advent of 5G will present."

The statement said TPG had been looking for a solution to problem caused by the ban on Huawei, but had concluded that it was not worth spending more money on a network which could not be upgraded to 5G.

TPG has incurred network rollout capital expenditure of approximately \$100 million, the statement said.

Before August 2018, when the Huawei ban was announced, TPG had bought equipment for 1500 sites and had fully or partially rolled out just over 900 small cell sites.

Additional capital expenditure of approximately \$30 million had already been committed.

In April 2017, TPG paid over the top for two lots of 10MHz in the 700MHz spectrum auction, forking out \$1.2 billion, and said it planned to roll out a \$600 million mobile network.

The statement said that the board had not decided what to do with the spectrum, and would decide later.

TPG said at the time that it would fund the capital expenditure for the network and spectrum payments over the next three years through operating cashflows, existing and new debt facilities.

Teoh said in a statement at the time of the spectrum purchase: "We are uniquely positioned to leverage our success in the Australian fixed-line broadband market to drive the next phase of growth for TPG's shareholders and bring new competition to the Australian mobile market.

"We believe that our mobile strategy will be complementary to our ongoing fixed line business with the ability to bundle mobile and fixed services expected to have a beneficial effect on our already low fixed services customer churn."

The Australian Competition and Consumer Commission has raised some objections to the proposed TPG-Vodafone merger and recently [extended the date](#) for giving a final decision.

In a preliminary statement on the merger, the ACCC [said on 13 December 2018](#) that removing TPG, which it viewed as being on the way to becoming a fourth mobile competitor in Australia, from the fray would substantially lessen competition in the sector.

Regarding the merger, Teoh said in Tuesday's statement, "While TPG remains committed to the planned merger with Vodafone Hutchison Australia, the company must continue to make independent business decisions in the best interests of TPG shareholders pending the outcome of the merger process."

Huawei Australia Corporate Affairs director Jeremy Mitchell said TPG's announcement was disappointing for both Australian consumers and businesses.

"As predicted the Australian Government's 5G ban on Huawei will lead to reduced competition and higher prices for Australia consumers and businesses. It is not just higher prices, Australians will miss out on the competition that drives technology innovation," he said in a statement.

"This follows Vodafone's recent comments that network deployment costs are now 'soaring' in Australia. Australians will now miss out on cheaper and more affordable mobile services. Australians will also miss out on the world-leading telecommunications innovation that other nations will be deploying.

"Huawei, Australia's largest provider of wireless technology, has a 15-year track record in this country of delivering safe and secure technology and has always offered and been open to independent security auditing and testing."

Sam Varghese

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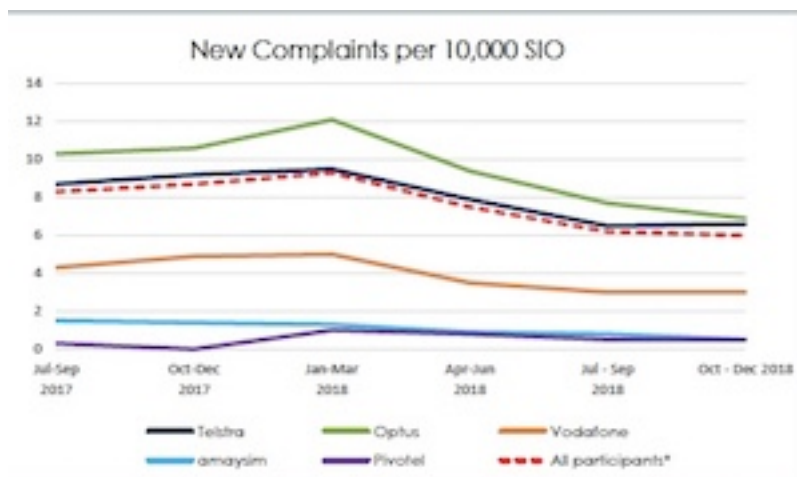
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TELCO COMPLAINTS FALL TO LOWEST LEVEL IN THREE YEARS: REPORT

The rate of consumer complaints in Australia about telecommunications services fell further in the most recent quarter – generating the best results seen since 2015.

The [report](#) shows that Complaints to the Telecommunications Industry Ombudsman (TIO) as a proportion of services in operation (SIO) for service providers who participate in the report decreased to 6.0 complaints per 10,000 services for the period October – December 2018.



This is now the fourth consecutive quarter in which the ratio has decreased – indicating that focussed efforts by service providers has improved service delivery and the overall customer experience.

CA says the latest figures are the lowest ratio since October – December 2015.

Communications Alliance CEO John Stanton said: “Some of the ACMA’s new customer-service-focussed instruments came into effect halfway through this period of improvement, while others

commenced towards the beginning of this most recent quarter. This has been a multi-faceted effort, and collaboration between Industry, Government, and regulators has been an important part of this success.

“However, Industry will not rest on its laurels and will continue working to improve, and we hope to sustain this positive trend into 2019.”

On the benefits of the Complaints in Context report - published by Communications Alliance with complaints data provided by the Telecommunications Industry Ombudsman - Stanton said that “data from an unbiased and trustworthy source such as the Telecommunications Industry Ombudsman, presented in a comparable way over time, gives consumers useful information and clearly identifies important trends.”

“We look forward to the expansion of the report to more providers when the revised Telecommunications Consumer Protections (TCP) Code is published later this year,” Stanton said.

Peter Dinham



John de Ridder

Telecommunications Economist

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US HITS HUAWEI WITH CRIMINAL AND FRAUD CHARGES

Chinese telecommunications equipment provider Huawei Technologies has been hit with criminal charges by the US, with the indictments being unveiled on Monday, just a couple of days before the US and China resume talks on a trade dispute.

The company was accused of violating US sanctions on Iran and also of theft of trade secrets from an American business partner, according to [a statement](#) released by the US Department of Justice.

Huawei, its chief financial officer and other employees were [alleged](#) to have worked over years to hide from multiple global banks and the US Government its business in Iran. The indictment charged Huawei and two affiliates with bank fraud, violations of US sanctions and conspiring to obstruct justice related to a grand jury investigation.

Huawei CFO Meng Wanzhou was [detained](#) by Canada on 1 December, on a US request. Canada is yet to evaluate whether she will be extradited.

Defendants Huawei and Skycom were alleged to have committed bank fraud and conspiracy to commit bank fraud, wire fraud and conspiracy to commit wire fraud, violations of the International Emergency Economic Powers Act and conspiracy to violate IEEPA, and conspiracy to commit money laundering.

Huawei and its American operation, Huawei USA, were charged with conspiracy to obstruct justice related to the grand jury investigation in the Eastern District of New York. Meng was charged with bank fraud, wire fraud, and conspiracies to commit bank and wire fraud.

A second case alleges that Huawei tried to steal trade secrets from US provider T-Mobile and then try to obstruct the court process when T-Mobile threatened to sue.

These actions are alleged to have occurred between 2012 to 2014, and also claims that Huawei made an internal announcement that the company was offering bonuses to employees who succeeded in stealing confidential information from other companies.

The indictment claims Huawei began a concerted effort to steal information on a T-Mobile phone-testing robot dubbed "Tappy" in 2012."

In a bid to build their own robot to test phones before they were shipped to T-Mobile and other carriers, Huawei engineers were claimed to have violated confidentiality and non-disclosure agreements with T-Mobile by secretly taking photos of Tappy, taking measurements of parts of the robot, and in one instance, stealing a piece of the robot so that the Huawei engineers in China could try to replicate it.

After T-Mobile interrupted these activities, and then threatened to sue, Huawei said the theft was done by rogue actors within the company and was not a concerted effort by Huawei corporate entities in the US and China.

"As emails obtained in the course of the investigation reveal, the conspiracy to steal secrets from T-Mobile was a company-wide effort involving many engineers and employees within the two charged companies," the statement said.



"Today we are announcing that we are bringing criminal charges against telecommunications giant Huawei and its associates for nearly two dozen alleged crimes" US acting Attorney-General Matthew Whitaker said.

"As I told Chinese officials in August, China must hold its citizens and Chinese companies accountable for complying with the law.

"I'd like to thank the many dedicated criminal investigators from several different federal agencies who contributed to this investigation and the Department of Justice attorneys who are moving the prosecution efforts forward.

"They are helping us uphold the rule of law with integrity."

"The charges unsealed today clearly allege that Huawei intentionally conspired to steal the intellectual property of an American company in an attempt to undermine the free and fair global marketplace," said FBI director Christopher Wray.

"To the detriment of American ingenuity, Huawei continually disregarded the laws of the US in the hopes of gaining an unfair economic advantage.

"As the volume of these charges prove, the FBI will not tolerate corrupt businesses that violate the laws that allow American companies and the US to thrive."

"This indictment shines a bright light on Huawei's flagrant abuse of the law – especially its efforts to steal valuable intellectual property from T-Mobile to gain unfair advantage in the global marketplace," said First Assistant US Attorney Annette Hayes of the Western District of Washington.

"We look forward to presenting the evidence of Huawei's crimes in a court of law, and proving our case beyond a reasonable doubt.

"Fair competition and respect for the rule of law is essential to the functioning of our international economic system."

CommsWire has contacted Huawei for comment.

Sam Varghese

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SMARTPHONE SHIPMENTS TO CHINA FELL 14% IN 2018: CANALYS

Smartphone shipments to China stood at 396 million units in 2018 or a 14% drop from 2017, their lowest levels since 2013, with the latest quarter marking a 15% year-on-year drop and the seventh straight quarter of declines.

The technology analyst firm Canalsys said in a blog post that the slowdown was partly due to consumers using a smartphone for longer periods than in earlier years, but was also influenced by China's economic slowdown and the drop in consumers' purchasing power.

The company said consolidation was taking place as shipments fell, with the share taken by the top five smartphone vendors - Huawei, OPPO, vivo, Xiaomi and Apple - increasing from 73% in 2017 to 88% in 2018.



Two companies — Huawei and vivo, which were first and third — bucked the trend and grew their share by 16% and 9% respectively, while OPPO dropped by 2% but held onto second place by increasing its market share.

Xiaomi ranked fourth but its second half was disappointing and dragged down the full-year shipments by 6%. Apple rounded off the top five with a 13% decline in 2018, outperforming the market despite recording the worst growth rate of the top five and its third consecutive year of decline in China.

Huawei took a record 27% market share for the year, with 105 million units shipped.

"Huawei has penetrated the high-end with technological innovations, and a strengthening brand, which has helped it markedly extend its lead in China," said Mo Jia, an analyst based in Canalsys' Shanghai Office.

"Its dual-brand strategy has been a huge success, with sub-brand Honor helping it cover a broad range of price bands. China continues to be a strong foundation for Huawei, and its launchpad for overseas expansion as Huawei aims to challenge Samsung for global leadership in 2019."

"vivo's market position has changed significantly," said Yiting Guan, a research analyst at Canalys. "vivo now has a more streamlined portfolio of devices, with a diversified Y-series, the online-only Z-series and the experimental Nex. It has also benefitted from a strategy to improve the efficiency of its retail channels. The stabilising renminbi/US dollar exchange rate will help vivo, which has a greater reliance on its domestic market than its rivals in the top five."

Xiaomi has made progress in overseas markets but failed to grow in China. "Xiaomi tried to increase its average selling price in China. It has decided to make Redmi an independent sub-brand designed to directly compete with Honor," said Guan.

"Xiaomi's challenge in 2019 will be to accurately position the two brands, in terms of product, pricing and channels, so that they complement and do not cannibalise one another. If each brand can redefine its positioning well, each will achieve greater market share in 2019."

The high prices of the new iPhones affected Apple and this was compounded by models such as iPhone 7 and 8 not seeing significant uplift in China, even after prices were cut after the iPhone XS launched.

"Apple has several challenges in China, and the growing power of competitors is not actually its biggest," said Jia. "As its services division becomes more important in China, it is vital for Apple to maintain or grow its installed base of iOS users. Apple must re-examine its China strategy, and find a way to revive its high-end brand image, in order to align with the purchasing behaviour of local middle-class and upper-class demographics."

Canalys said competition was likely to intensify in 2019, with shipments forecast to fall by 3% to 385 million units.

The company said as this year would be the beginning of the 5G era in China, consumption would shift toward high-end and higher quality devices. The average selling price of smartphones was expected to exceed US\$400 in 2021.

Competition in the upper mid-range and high-end segments was expected to intensify, Canalys said, adding that vendors should focus on providing the latest technology to justify higher price points.

Sam Varghese

ACCC SHOULD HOLD NBN CO TO ACCOUNT ABOUT SPEEDS: ISP

The Australian competition watchdog has the right intentions when it fines Internet service providers for not living up to the speed claims they make, a small ISP says, but adds that the NBN Co should not be allowed to get off scot-free.

Damian Ivereigh, CEO of Launtel, a Launceston-based ISP, told *CommsWire* that RSPs should definitely be testing the line to find out the sync speeds that people were getting in order to determine whether they should be downgraded to a slower plan.

"However this is something NBN is in a lot better position to help on than the RSP," he said.

His comments came in reaction to the Australian Competition and Consumer Commission's [advice](#) to NBN users on 23 January, asking those who experience slow speeds to check with their providers if they were eligible for a refund in line with agreements that the watchdog negotiated with providers over the last 15 months.

Eight providers — [Telstra](#), [Optus](#), [TPG](#), [iiNet](#), [Internode](#), [Dodo](#), [iPrimus](#) and [Commander](#) — have all admitted that they falsely represented the speeds that could be experienced by NBN users who were on fibre-to-the-node or fibre-to-the-building connections.

Ivereigh said: "The biggest thing they (NBN Co) could do is actually allow the RSP to get reports of the VDSL sync speeds that previous providers were getting on the line. This is information that NBN Co have for existing NBN connected lines, because they use it to detect speed anomalies which indicate an issue in the street cabling.

"This would allow any sales process to avoid selling higher speed plans when it is clear the line is not capable of it - much better to change the original sale, rather than try and rectify it after the event."

He said there was a second issue. "The second thing is that if a downgrade is required, then the RSP has to provide the refund - there is no recourse to NBN Co to get a refund on the AVC charge which is probably about 2/3 of the sales price to the user.

"Suffice it to say this is of course all caused by the stupid MTM (mixed-technology mix) model. Unlike pure fibre which provides a predictable service (see [former NBN chief executive] Mike Quigley's [testimony](#) to the Senate in December), this copper technology is all about turn it on and hope for the best.

"Can you imagine buying anything else on that basis? You buy a jar of coffee, you can't see what's inside and it may only be half full when you get home and open it.

"It is yet another example of how this MTM model has pushed all these extra costs onto the RSPs who are in the least position to absorb it."

Sam Varghese

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