

## The Global Value of Telstra - Making the Telecommunications Network the Computer

**Frustrated Telstra shareholders are well aware of the opportunities missed by Telstra but how would they value the future of Telstra and its world leading role within the emerging market of network computing?**

Within global telecommunications companies Telstra has a unique position. In addition to the diversity of services that Telstra provides and its content alliances, the uniqueness of Telstra comes from its provision of both country wide and continental wide infrastructure.

The value of Telstra's backbone and its investment in Internet infrastructure will come when Telstra becomes an Internet utility company in the emerging network computing market. Beyond the diversity of services that Telstra provides, its content alliances and the potential this holds in the Internet age, Telstra can bring a priceless offering to market – that of network computing.

When movies and music etc. are all delivered to and from any device anywhere anytime, there will still be a need for Telstra's backbone network to support all of these services. The value of Telstra's network will have shifted from phone calls to Internet services. Verizon in the USA sees the future value of its network and is busy upgrading it by investing in fibre optic infrastructure ready to make Verizon an Internet utility company. Although Telstra is investing in broadband infrastructure, many shareholders are questioning the level of investment and will they again come to lament opportunities missed?

In the age of the ubiquitous Internet and the emergence of the networked computer, massive value can be realised from Telstra's network. In the desktop paradigm we saw Microsoft become a multi-

billion dollar company by dominating computer operating systems. As the de facto operating system standard, Microsoft was able to gain control over the killer applications (tied to the operating system) and because content follows applications, Microsoft could in turn influence content.

With greater use and increasing sophistication of the Internet, we see two significant trends. Firstly, devices other than the desktop are becoming ever more ubiquitous and one player no longer dominates the end device operating system. Not only is this operating system up for grabs but the desktop is becoming just another peripheral device for accessing the Internet.

Secondly, the telecommunications network shall become the computer. Simply put; the future standardised operating system shall run on routers layered on telecommunications network accessed from any device anywhere anytime, i.e. Telstra's telecommunications backbone shall be the future computer hardware.

Since neither Microsoft nor Cisco (the obvious contenders) are currently building the operating system for the networked computer, a smart Telstra would develop (align with the right players to develop) the standardised operating system to run on its hardware.

The value proposition that Microsoft followed with the desktop to become a billion-dollar company is now all too apparent to Telstra shareholders looking at the networked computer market. With a standardised operating system comes control of the killer applications and since content follows the standardised killer applications, Telstra can command content. Telstra can be a true Internet utility company.

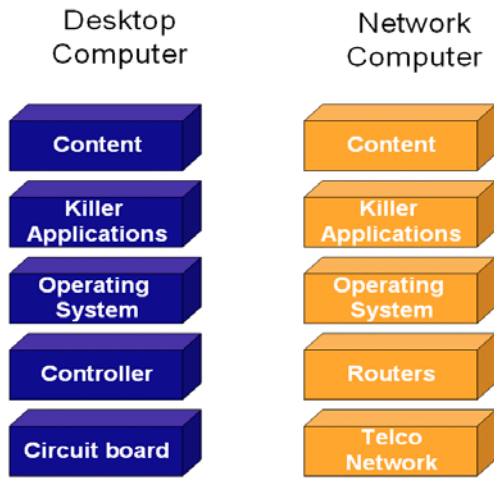
If owning the standardised operating system for networked computing is not appealing enough to Telstra shareholders, then they should reflect upon the following:

Firstly; Using its standardised solution for the network computer at both the country and continental scale, Telstra is then strategically placed to deploy its proven solutions to the rest of the world.

"As the Internet becomes ubiquitous, Verizon's shareholders stand to gain from their companies strategic investment in fibre optic infrastructure. Are Telstra's shareholders going to be shortchanged again?"

"It is Telstra's continental wide infrastructure that makes Telstra unique and an ideal asset for global telecommunications companies pursuing the networked computer opportunity."

Telstra's ability to own and deliver continental wide infrastructure is what makes Telstra unique and makes Telstra an ideal asset for global telecommunications company pursuing the networked computer opportunity.



Comparison between the desktop computer and the network computer.

Secondly; In contrast to the desktop paradigm, globalisation and market forces will see the standardisation of network computing occurring globally at the marketplace level, i.e. Telstra can both own and be the de facto world standard for standardised network computing at the marketplace level.

Third; by investing now in the required infrastructure, as is the case of other leading telecommunications companies, Telstra will not only be ready for the networked computer, but will have all the advantages of incumbency.

Fourth; Telstra has already secured some content (the efforts of Telstra to secure valuable content are now a matter of record) and the network computer provides the opportunity for Telstra to further consolidate the ownership and revenues from content.

Telstra's shareholders can see how with the right vision and implementation, Telstra can be a true Internet utility company with all the value that this means. The shareholders can also see the global significance for Telstra. The concern for shareholders is not the challenges faced with

networking computing but rather Telstra's policy of gouging its diminishing customer base and its tardiness in realising new opportunities.

Based on form to date, Telstra shareholders can look forward five years to yet another review, a decision to lay off more people and a reflection upon what they should have done five years ago?

This document is for information purposes only and any advice given is of a general nature only and may not be applicable to an individual or a specific situation. IMS Corp. accepts no responsibility for any consequential loss or damage arising from the use of this document.

IMS Corp. is a specialist provider of services in the diagnosis, prescription and remedy of business problems. With a focus on empowering the client, IMS Corp. has met the needs of exceeded the expectation of clients to return shareholder value across the enterprise; to government, corporations and medium sized business alike.

IMS Corp.  
 Suite 5 275 Maroubra Road Maroubra NSW 2035 Australia  
 Email: [info@imscorp.com.au](mailto:info@imscorp.com.au)  
 Web: [www.imscorp.com.au](http://www.imscorp.com.au)

© Copyright IMS Corp. All rights reserved.

All referenced trademarks are those of their respective owners.

"Having already missed several opportunities, will Telstra continue to gouge its declining market or will it realise the opportunity and develop into an Internet utility company?"