

Telstra shake-up sets alarm bells ringing

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AFTER some intensive soul-searching, Telstra has found much of its annual \$60 million-plus research effort is poorly focused, out of step with customer needs and not serving its strategic priorities.

This is forcing the company to set off on a bold new direction in its R & D policy, upsetting the equilibrium of the Telecom Research Laboratories, the largest hub of telecommunications research in Australia.

The findings in Telecom's research are detailed in a confidential 33-page report prepared by a former staff engineer, Mr Phillip Jones.

The report explains the rationale behind the major restructuring taking place at the Melbourne-based TRL and the appointment of a new head, Dr Arturo Sorrentino, who took up his position on Monday.

He was most recently group general manager of Technology Ltd and chief information officer of the ANZ Bank, and has 30 years' experience in research and management.

None of this, however, may have prepared him for the fundamental change to the research culture of Telstra that is now being contemplated.

The restructuring and appointment — he is the second new head of the laboratories in less than a year — is taking place against a backdrop of deep concern among staff that Telecom's real agenda is to do away with downsize them, and contract out about half of the research to US firms.

This would be the quick and easy solution to the problems outlined by Mr Jones. But Telstra officials have distanced themselves from the report, saying they have not accepted all its recommendations.



Dr Sorrentino... fundamental changes

At the heart of staff concern is Telstra's relationship with Bellcore, the research arm of the US-based Bell group.

About the middle of the year, meetings between Telstra executives and Bellcore led to Bellcore giving a presentation on what areas of research it could perform under contract.

This was not taken well by laboratory staff and soon appeared certain to blow up just when Telstra was locked in a public relations battle with Optus over the national phone bid.

The Public Sector Union, which represents TRL's scientists and engineers, says it forced Telecom management to back down in its moves to adopt the contract approach, but that it is still waiting for written guarantees.

Telecom management says it is committed to R & D, but that much of the detail of what this will mean for the future of the lab will be left to Dr Sorrentino.

He goes into the job as a managing director, upgrading the position that has been held by the director of research, Mr Ray Liggett, who took over from the long-time head of TRL, Dr Harry Wragge, early this year.

The new structure will combine the Information Technology Group with the research lab and will be charged with developing a sharper focus on applied research.

A Telstra spokesman said the task of the combined group would be to look after business, with an emphasis on "the rapid turn-out of products

and services", although the merged entity would continue "to do analyses of complex issues such as network development".

However, the side to R & D policy that is not being talked up in the restructuring is the research that lays the basis for hardware developments and long-term planning.

TRL scientists expect areas such as research into fluoride fibres, semiconductors, lasers and digital opto-electronics to be wound down.

Many fear the cuts will go too deep and affect Telstra's international standing in research. They fear Australia will lose a focal point through which much work is performed collaboratively with industry, universities and other larger research bodies.

ways," Dr Scott said. "Many big companies are realising they can no longer support their own in-house strategic research programmes. So it is no surprise that Telstra is thinking about these."

He says the carrier is already hooked into research networks that will allow it to get more effective use of resources. This includes groups such as the CICC.

He says that thinking globally is critical to the progress of major carriers such as Telstra because of the dynamic nature of technological development and the strategic issues involved.

"There is already a great deal of information exchange at a technical level throughout the international telecommunications community. Research groups like Bellcore are part of this," he said.

"It should not be perceived as an 'us and them' issue." Until now Telstra has kept up strong basic research and hardware development capability, necessary to bring together and adapt the range of technologies that have gone into making up the national telephone system.

The concern expressed by telecommunication researchers, both within and close to the TRL, is whether Telstra will be able to maintain the strategic capability and scientific credibility it has built up over the years.

This not only provides a focus for Australian telecommunications research but, in the longer term, also ensures reliability in the system.

One scientist equipped: "How many research labs in the US have to deal with wombats chewing through fibre cables and parrots attacking parabolic transmitters?"

At some time in the future Telecom may find that the systems it is supplied with just don't work in Australia.

Photo: JAMES BODDINGTON