



Paul O'Sullivan, Optus Chief Executive
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Good afternoon, everybody. Can I say how much I appreciate such a fantastic turn out. Thank you for expressing your interest in the Chamber and indeed in Optus.

I would like to begin by thanking Mike Foster and Leon Kempler for that introduction. I would also like to thank our sponsors, Connect Furniture and the Pratt Foundation.

The Chamber is amazing. I have done a couple of trips now to Israel with the Chamber and each time have been so impressed with the level of organisation and the efficiency with which they connect Australian companies and Israeli companies and educate both of us about the opportunities that exist.

If you haven't heard me before, you've probably picked up already that I am a relatively new Australian – 25 years ago a new Australian – but I do have an Irish background.

I'm conscious in Victoria that not all my predecessors of Irish-Australian heritage have ended up in the best possible shape. One of our competitors occasionally likens me to a high-tech version of Ned Kelly. I would say that we are an unashamed advocate for competition and for a level playing field. As I will talk today, I hope what you will see that attitude towards bringing innovation and technology to market come through my remarks.

One of the things I am going to do today is talk about SingTel. So if you have come expecting me to talk about Optus in Australia, I'm doing that but in a wider context.

You know we don't talk a lot about SingTel in Australia, yet actually Optus is part of one of the largest telecommunications groups in the region. I think there's a lot of interesting lessons and learnings from Optus in our experience as part of the SingTel Group.

I am going to talk today about three things:

- First of all I'll speak about our involvement with Asia by virtue of being part of the SingTel Group.
- Second of all I will share with you some of my learnings and what it's been like to work with a major Asian Group.
- And thirdly I want to talk a bit about the opportunities that exist and what it might mean for you and your businesses as we look at Asia.

Let me begin by remarking that, and it may surprise some people, but it's coming up for 10 years since we joined the SingTel Group.

Through that period Optus has grown and become more significant today. Today, we're around half of SingTel's revenue and a third of SingTel's profits, so we have a very large presence inside the Group.

During the 10 years of being involved with SingTel, I've learnt a lot more about the Asia region. I think that's the part of what I'm saying today that might be most interesting to you – why, apart from some of the personal observations I make, should you be interested in Asia today?

Well, I think there are a few very important reasons, first and foremost though is growth.

Asia is taking off at an amazing rate. People talk about 7 – 8 per cent growth in places like China, India and Indonesia. They are economies with huge populations which are likely to double in next eight to ten years. I think Australia needs to be part of that.

To give you an idea of some of the scale and opportunity that is emerging with that phenomenal growth, I was in China a few weeks ago visiting high tech companies and the CEO of one of those start-ups *apologised* for the fact that his company was still quite small and only had 40 million customers.

I think there is a huge opportunity for Australia and Australians in the region. Today I want to talk about Optus in the context of SingTel and my own personal experiences and learnings from that.

Let me start by explaining how Optus became part of SingTel and involved in Asia.

If you know the Optus story, you'll know we were formed in 1992 to introduce competition in Australian telecommunications.

Things went pretty well for us over the first eight to ten years; typical of a lot of second entrants globally in deregulated telecoms markets.

By 2000 we were doing about A\$4 billion in sales. We had about 4.5 million customers but in common with a lot of new entrants in telecommunications at that stage we were still losing a lot of cash. In 2000 we were negative in cash to the tune of A\$500 million.

It was an interesting time for us because we were at a stage in our growth where our wireless network and our satellite fleet, both of which are very capital intensive, needed significant re-investment.

Yet at the same time our major shareholder, Cable & Wireless, wanted out.

From our point of view it was significant that a relatively small, former monopoly from Singapore, called SingTel, wanted to buy in. Interestingly in their home market SingTel were facing the deregulation and competition that Telstra faced here. But, rather than circle the wagons and defend and hang on to the super profits of having been a former monopoly, they took an approach to try and grow their business by moving outside their home geography.

In 2001, SingTel paid A\$14 billion to buy Optus. At the time it was Australia's largest corporate takeover; it was also SingTel's largest ever investment; and I believe it was also Singapore's largest ever foreign investment.

At the time there were a few concerns raised about foreign direct investment.

What did it mean to have telecommunications assets owned by a foreign company?

However, while some worried about foreign ownership, inside Optus there were concerns of a different nature.

Here we were in a dynamic, young start-up that had suddenly been bought by the Singaporean equivalent of Telstra. As you can imagine, there were a lot of people in Optus who thought maybe it was time to think about a change.

But significantly many of us didn't and the reason a lot of us stayed around and are still in the company today was two-fold.

We were impressed by the quality of the people we met. Secondly, SingTel had a plan –to become Asia Pacific's largest telecommunications company.

Around the same time that SingTel bought Optus, it also took significant stakes in a number of other phone companies around the region. Those interests are in Bangladesh, India, Indonesia, Pakistan, Philippines and Thailand, as well as the Australian and Singapore business.

In fact very recently the Group has extended itself into Africa. We are now in 16 African markets through Bharti Airtel's acquisition of Zain. Bharti is our Indian affiliate and we are their largest shareholder.

I have been very fortunate through that period to sit initially, for five years, on the Board of Bharti Airtel, which is India's number one mobile operator – today it has about 130 – 140 million mobile customers – and more recently I joined the Board of Telkomsel – which is our Indonesian investment, which has just past the 100 million mobile customer mark.

I also serve on the SingTel Group management committee – the most senior decision making body below the board. I can quite confidently say that the exposure I've had to Asia is something I would never have had if we stayed a locally owned company.

SingTel has also grown dramatically through that period. In fact today it is the largest telecommunications company in Asia outside of China and Japan. There's operations now in 19 countries and astonishingly have 400 million mobile customers.

What's even more astonishing is that five years ago that number was 85 million, which shows you the growth that we've been able to ride by getting involved with Asia and finding ways to project ourselves in the region.

So what are the learnings for you and for me about trying to expand your business in Asia and what insights can it offer? Today, I'm going to focus on six key learnings.

LESSONS AND OBSERVATIONS

1. Leadership, vision and quality of SingTel management

The first of those is I'm going to take head-on a stereotype and a cultural blind-spot we have in Australia and that is about the quality of management and leadership in Singapore.

The first thing I noticed after SingTel bought Optus was having listened to the stereotypes an expectation that Singapore Inc. was a place where people didn't necessarily get at that top on the basis of merit.

I can tell you that not only then, but in my dealings with Singapore generally – not only inside the Group – the quality of people I meet in all walks of life; in all professional roles; is consistently at the very top level of international business.

I know that's not going to be necessarily received by everybody in the room with an open mind, but I'm going to say it because it's the truth and I think sometimes as Australians we have to try to learn from others rather than continually judge them.

2. Asia not homogenous

The second big learning I've had, and this will surprise some in the room but not others, is that Asia is not homogenous, but it can be navigated. You know we use the word Asia very loosely quite often when we talk about the region. I know those who have been involved in the region know what I mean, but those who don't may be surprised that Asia is made up of many, many diverse and different points of view and cultures. What's very important is that SingTel has truly embraced this principle.

Let's start by just thinking about who Singapore is. Fifty years ago, this was a former British colony that was basically impoverished and really had nothing going for it other than its location.

I know we all probably in the room know the story of Singapore's economic miracle. But as we consider their extraordinary growth in the region, an important point I would like to make is that moving around Asia and in and out of markets is as foreign to a Singaporean as it is to an Australian. They are no more familiar with many of these cultures than we are.

Yet somehow Singapore with a population equivalent to Melbourne and a land mass half the size of Melbourne has become an international economic powerhouse, with no natural resources, all based on innovation and clever investments. Today it has the 15th highest GDP per capita in the world.

So how have they done it? Well part of engaging with Asia was for them to acknowledge it's not homogenous, but also work out how to navigate and understand that diversity. It's true you do need to have original strategy, but it's also true that you need to approach each market and understand its local conditions.

I'm going to show you two advertisements that demonstrate this and these are learnings I got from being on the Board of our India operation, Bharti. Many of you have been to India or if you've watched the cricket you will have notice a brand called 'Airtel'. Its India's leading mobile operation.

We've worked very hard within India to understand that we are a local brand and a symbol in many ways for what's known in India as India rising.

Now the Airtel brand is a technology brand that many Indians take pride in because it reflects the *best* of what India has achieved. Naturally, we've chosen the leading spokesperson to advertise who we are as a brand and that's non-other than Sachin Tendulkar.

I'm going to show you an advertisement, then I'm going to unlock the ad for you in terms of what it means to an Indian audience. Let's have a look at the TV commercial now.

[Bharti ad with Sachin Tendulkar]

<http://www.youtube.com/watch?v=j8Xo0aOxYi8>

India is a market where there's now somewhere between 250 and 300 million middle class customers in terms of average income. The subliminal message in that advertising is that Sachin – who is a symbol of India's international success and emergence as a global power – is playing with street kids and is in a way showing that this success is something that can pull everybody up and everybody ahead.

So that's a great example of working in a local market in a very localised way and understanding the culture.

There's an interesting twist on the story because we used and worked with our colleagues in Airtel and their brand to enter an adjacent market, Sri Lanka, where it is *not* necessarily a good thing to be an Indian brand.

As you know there have been many ambiguous relations between those two markets for many years. And it's probably even *more* complicated when your brand is seen in India as one of the symbols of national success and of India rising globally.

What's very interesting here is the way in which our colleagues in Airtel chose to enter the Sri Lankan market. I'm going to show you the ad and again unlock it for you. Let's have a look at one of India's biggest and most successful brands, introducing itself to Sri Lankan customers.

[Bharti Sri Lanka ad]

<http://www.youtube.com/watch?v=1CiLL2BoFO8>

If I unpack that ad for you this is not an India brand saying we're going to bring you what we've been given India for years, this is a *hugely* successful brand which most Sri Lankans would have known about.

Coming in first of all acknowledging the beauty and culture of Sri Lanka, using very famous Indian actors and personalities to show humility as they introduce themselves, and showing that humility in an introduction to Sri Lanka. We had queues as we opened our stores in Sri Lanka and gained a very large amount of market share in a very short period.

For me I learnt a lot from those insights. For me the profound influence on what I do in my business was to realise the importance of building emotional value into your branding and adding it into local insights about the culture in which you're operating.

Some of the jokes in Optus are that if I made an equivalent of that ad for Optus, I would probably use a good local personality, probably Shane Warne; after all he is a very heavy user of telecommunications products. But on balance we thought *maybe* we should keep away from that.

My point of this section is to say, for all of us looking at opportunities in the region Asia is not homogenous, but it can be navigated with a degree of sensitivity.

3. There is strength and wisdom in diversity

The third learning I have had and this again may surprise many of you, but is the strength and wisdom that exists in diversity.

One of the things that has impressed me about working at the senior levels of SingTel is the diversity of the core of the company. Also, as I'll talk in a moment, that the Group empowers its local companies to get on with the job.

But first of all that diversity is reflected right at the top of the company, where our current Chairman is from Thailand and our incoming new Chairman, who starts in a few weeks time, Simon Israel, is originally from New Zealand.

But interestingly, the Board of SingTel, Asia's largest telecommunications group outside of China, is made up of executives from Australia, India, New Zealand, Thailand, the United States and Singapore. That's a board that looks more like the general assembly of the UN rather than a local Singapore company.

The diversity of the Board reflects our growth ambitions regionally, as well as a strong desire culturally to bring diversity of thinking and opinion into the heart of the operation.

That's changed the way I manage my own business and our own teams here. I find myself consciously seeking to bring diversity across and background into the company at all levels. A great example of that would be in new media where the conventional wisdom would be that our new digital areas should be largely Gen Y, but actually we work quite hard to get a really big mix.

I'd add that as we look at engaging in Asia we should remember that our multiculturalism is a *huge* strength. We are among the most diverse populations in the region and as we look offshore we can leverage that.

In Optus alone we have 67 different nationalities which again I believe gives us strength in understanding and reflecting the Australian marketplace.

4. Leverage home grown knowledge with local flexibility

A fourth learning for me was all about leveraging the local knowledge and operation; giving it the flexibility. As many of you have seen, sometimes you get takeovers and, if I recall, there was a lot of criticism about the Ansett takeover many years ago where a new player came in and he imposed its executives and cultures on the local operation. That's not the way we operate in SingTel, the mindset is quite different.

Despite acquiring control of Optus and indeed a strong role in other companies, there's a recognition that each situation is different. In Australia for example when SingTel acquired us they realised we were a number two operator; a challenger; and that we needed to have a different approach to market and understand the differences versus the Singapore business.

Today, Optus still has, and I know any of you who deal with us will recognise, a *very* unique Australian challenge your culture. But it increasingly shares that culture with other companies in the Group and equally importantly leverages off the synergy that we can get from being part of a 400 million customer group.

We do move executives around. There are a number of Australians in senior leadership roles around the Group today. The number two in the Philippines is an Australian. The guy who was running Bangladesh until very recently was Australian.

In India this afternoon we have a very senior management role occupied by one of our Optus Business executives. We do move a lot of people around and there are great opportunities. I would say our culture has become a fusion of Optus and other companies inside the Group.

5. The importance of a long-term thinking and strategy

The final attribute I will mention as I talk about learning about the diversity and willingness to delegate a lot of power down in the group is the humility that you see at the top. There is a genuine level of humility among the senior leaders in the group and a very strong willingness to engage in debate and to hear and share your opinions at the very top of the Group.

There's also a very strong belief that the importance of the organisation in the collective is generally more important than any single individual. I can give you a very real example of that as the GFC hit and many of you remember a few years ago the initial reaction of many organisations was to start laying people off.

We met at the Group Management Committee level where we manage the group and we had a discussion; there were seven of us in that room; and as we discussed it we said, no we're going to take a different approach. We're about building for the future, so we will put the bonuses of all of our executives at risk, but we will look to not lay people off through the GFC. And nowhere, across our entire operation, did we lay off a single person off because of the GFC.

There are a couple more insights I wanted to share with you before wrapping up. The first insight I got was the importance of long-term thinking and strategy. You know it's true that you need to have an ability to adapt tactically, but it is essential to stick to a long-term strategy.

We've got a great example of that, backing of a financial goal with a long-term strategy in what happened in Australia in 2005.

Many of you may remember a bloke called Sol Trujillo and he arrived in our main competitor. In around 2005 he dropped the margins from about 47 per cent to 42 per cent. The margins were supposed to have gone back up, they never have, but nonetheless at the time it was seen as a good idea.

A lot of that leaped into the marketplace, We suddenly found ourselves, with that and a few other external factors, facing a *significant* down draft in growth both in the industry and in our own business.

Many companies would react to that in a very defensive way but working with the Group and with our Board, they backed management to take a different view. We actually *accelerated* investments in our mobile business and in building new infrastructure through that period, because we believed ultimately we could

strategically see a *huge* opportunity for Optus as a major player in Australia in the long-term.

I'm glad we did because although the storm was pretty harsh, by staying true to our strategy we sailed right through it and we have just recently celebrated our 14th quarter in a row of double-digit EBITDA or profit growth.

Interestingly as I speak, the latest generation of Telstra management has just repeated the exercise and we've just seen a significant margin down draft, a sacrifice of a billion dollars in profit by Telstra in the market in the last six to nine months.

Interestingly, we've guided the market this year to expect low single-digit growth from us.

But the same holds true, you will see us stick to a long-term strategy and not be thrown off course by any short-term tactics of our competitors.

6. Be innovative

Just in closing the last point that I really wanted to touch on was innovation. One of the most important things I picked up by working around Asia is the power of innovation and the amount of innovation that is evident in Asia today.

INSEAD recently released their Global Innovation Index. Singapore was 3rd in the world. Interestingly, Australia was 21st; Israel was at 14.

Asia is a very strong source of innovation. We have a great example of that inside the Group where in the absence of well developed ATM and EFTPOS capabilities in many of our markets, mobile payments have become very important and we took innovation from the Philippines in using mobile phones for electronic payments into India and got a significant market share lift.

I'm sure that you hopefully have a bit of a flavour for what it's meant for us as Australians to get involved in working in a large Asian Group, a Group in which we are today the largest single presence of any business.

Where are we heading and what are we doing? Well in the last month or two you would have seen in Australia we launched some of our cloud-based services. You've seen our Smart Safe. We've just launched Optus TV Now, that's basically the ability to record and playback and watch free-to-air television on any of our mobile devices.

These are great examples of where we're taking the Group. Whereas we have said 10 years ago that our goal was to be the largest and most successful telecommunications

player in Asia, we now say our mission is to become Asia's leading multimedia and ICT service provider.

I told you this story today because we don't talk a lot about SingTel and Optus in Australia, but as the debate starts to rage about direct investment in Australia from outside, I think it's important we have a look at Optus. I think we're a very good case study in terms of what it means for a large, Asian investor to come into Australia and make a significant stake.

We definitely benefited from the investments that we've had. One of our major gains has been in the financial area where when SingTel arrived we were significantly cash negative. And over the last nine to 10 years we've gone from a \$500 million cash negative position to annually generating a billion dollars in free cash, after we've invested another billion dollars in infrastructure in Australia.

In fact we're annually investing about \$1.1 billion and since SingTel acquired us we've invested \$10 billion dollars in Australian infrastructure and technology. That's allowed us to continue to bring choice and innovation to the market.

I'm personally glad that I didn't leave Optus 10 years ago as SingTel acquired us, that I didn't act on the impulse of seeing a Telstra-like vehicle come in and acquire

us. I've been very excited by the journey through Asia. I'm very excited by the journey that lies ahead. We already provide 10,000 high-tech, high-value add jobs in Australia today.

Looking forward we see huge opportunity in the region in a company that's at 400 million customers and growing.

So I'm going to close with a quote from Paul Keating. This is not his famous quote about expanding into Asia, this is a quote from just a couple of years ago, when he delivered the Cutin Lecture:

“I think we can safely say that the pendulum point of world economic activity has shifted and settled upon East Asia. It has settled, not with any particular comfort, but it has settled.”

It's true: Asia is becoming the centre of the world. It may not always be easy to do business, it may not always be easy to work with regional partners or to be comfortable moving through different cultures, but it's where our future growth lies, and believe me, the rewards for Australia can be spectacular.

I want to close by acknowledging the presence of many Optus staff and our customers here today. The fact that we put so much of that billion dollars into Victoria every year, the fact that there are several thousand people in Victoria who now work for Optus, the fact that we have a very strong presence here is a tribute to our people and to our customers and I want to thank you very much for that.

Thank you for your time and I look forward to hearing your questions.