

Holmes, Jim

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Subject: Fibre Degradation
Date: Thursday, 16 September, 1993 3:41PM
Priority: High

You will recall a week or so ago I briefly mentioned that Network Products had experienced difficulties with parts of the optical fibre network and that Gerry Moriarty & Harvey Sabine (GM - Transmission) had asked that I and suitable external litigation experts consider Telecom's legal position.

My initial preference for external legal support was Russell Berry & Wayne Condon. Because one of the possible defendant's (Olex Cables) is a division of Pacific Dunlop Ltd, Freehill Hollingdale & Page had a conflict of interest. Due to the firm's commercial litigation expertise and the knowledge it has acquired of Telecom's supply processes through the Switch Vendor Study, my other preference was Molomby & Molomby. Lindsay Collins & Nick Nichola were available, Molomby's had no conflict of interest, so I have briefed Molomby & Molomby.

Problems were experienced in the MacKay to Rockhampton leg of the optical fibre network in December '93. Similar problems were found in the Katherine to Tenant Creek part of the network in April this year. The probable cause of the problem was only identified in late July, early August. In Telecom's opinion the problem is due to an aculeate coating (CPC3) used on optical fibre supplied by Corning Inc (US). Optical fibre cable is supposed to have a 40 year working life. If the MacKay & Katherine experience are repeated elsewhere in the network, in the northern part of Australia, the network is likely to develop attenuation problems within 2 or 3 years of installation. The network will have major QOS problems whilst the CPC3 delaminates from the optic fibre. There are no firm estimates on how long this may take.

Telecom's sources its optical fibre cable from 3 suppliers, Pirelli Cables Aust Ltd, Olex Cables and MM Cables. These 3 suppliers obtain their optical fibre from Optical Waveguides Australia (OWA) [using Corning technology] and Optix [using Sumitomo technology]. To date Telecom has not experienced any problems with cable that uses Sumitomo technology. From October the cable suppliers will only provide Sumitomo sourced cable. Existing stocks of Corning cable will be used in low risk / low volume areas.

Legal involvement at this stage is part of NWP's risk management exercise. It is clearly understood that any decision to pursue legal options will require senior management endorsement.

Kevin Bruce