

# Computer Daily News

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AUSTRALIA'S DAILY FAX AND E-MAIL NEWS SERVICE - AVAILABLE ONLY ON SUBSCRIPTION

## HOW THE BOOKS WERE COOKED '\$1bn betrayal': law enforcers throw the book at Nortel's sacked exec team

WASHINGTON — A storm of controversy has descended on Canada's **Nortel Networks**, with the US **Securities and Exchange Commission** (SEC) and Canada's **Ontario Securities Commission** (OSC) both suing officials of the company, including sacked CEO **Frank Dunn** and three other former executives, for alleged accounting fraud.

The SEC's suit claims the four repeatedly engaged in accounting fraud from September 2000 through January 2004 in order to meet earnings projections.

Also charged were: former CFO **Doug Beatty**; **Michael Gollogly**, a former controller; and **MaryAnne Pahapill**, a former assistant controller.

The SEC and the OSC, Canada's main regulator, have been investigating Nortel's accounting since problems came to light several years ago. Until yesterday, however, the problems were being treated as the result of incompetence, rather than fraud.

In fact "the fraudulent conduct at issue here was egre-

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## PBL, Ninemsn calculate value

SYDNEY — **Ninemsn** has joined PBL Media to purchase a 35 percent stake in online education company 3P. The organisation owns the popular **Mathletics** educational Web site which is used by around 400,000 school students in Australia and New Zealand to compete against each other online in maths competitions.

"The potential growth for this online offering in the US and the UK is significant," said Ninemsn chief executive **Tony Faure**. "It's a remarkable product that in just a

short period of time has already proven itself as a viable business." Terms of the deal have not been disclosed. It is believed to be the first joint purchase by PBL and Ninemsn.

## Lenovo off to flying start in F1 — but which PC was the slow coach?

SYDNEY — When the time-honoured cry "Gentlemen, start your engines," goes out at the Formula 1 Australian Grand Prix in Melbourne on Sunday, **Nico Rosberg** — the youthful No 1 driver for the **Williams** team — won't be turning a key.

Somebody else, standing behind the car, will switch on — using not a key but a **Lenovo** ThinkPad. That's how it's done in F1 these high-tech days, the 22-year-old blond-haired Rosberg confided yesterday at a meeting with the Sydney press, organised by new Williams sponsor Lenovo.

Presumably in the interests of weight, there's no starter motor in the car — the engine is started by a separate external motor, operated by computer. It will be Lenovo's first big moment in Formula 1 — let's hope the engine, an all new donk from **Toyota**, fires off first time.



## Wings ablaze, but no fizz

Lenovo — the Chinese outfit which purchased **IBM's** PC business a couple of years ago — has spent many millions of dollars to sponsor the Williams team this year. It's seen as an international branding exercise, said Lenovo Australia/NZ CEO **Alan Munro**.

The Lenovo logo will certainly be in plain view, emblazoned on the lateral wing and side panels of the all-new Williams cars, *pictured*. **AT&T**, major sponsor and supplier of telecommunications, should also be very evident.

But don't look for their logos on the winners' podium at Albert Park, unless there's a miracle — Rosberg conceded it would be "very optimistic" to think he can get a top three placing. Car and engine are very new, and there's a lot of learning and fine tuning to be done, he said.

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## Law enforcers throw book at Nortel team *Continued from page 1*

gious and long-running," said **Linda Thomsen**, the SEC's enforcement chief. "Each of the defendants betrayed Nortel's investors and their misconduct gave rise to billions of dollars in shareholder losses."

### House 'still not in order'

And the problems may not be over: this month Nortel announced its fourth restatement of results in as many years. "The house is still not in order. This company was out of control for years and we didn't know about it or understand the extent of it," said **David Rea**, chairman of **Davis-Rea Investment**, which manages about \$380 million in IT stocks.

The figures involved are indeed mind-boggling. In late 2000, it is alleged that Beatty and Pahapill broke US accounting rules to bring forward revenue recognition to meet market expectations. As a result, Nortel's Q4 revenue was increased by a cool US\$1 billion.

After he became CEO, Dunn manipulated Nortel's reserves to "manage Nortel's publicly reported earnings, create the false appearance that his leadership and business acumen was responsible for Nortel's profitability and to pay bonuses" to Nortel executives, according to SEC documents.

In 2002 and 2003, the executives allegedly set aside \$300

million and \$151 million to cover company performance against Wall Street expectations, failing to declare the amounts as income. Then, in 2003, Dunn, Beatty and Gollogly released \$490 million from those secret funds to boost earnings, the prosecutors claim.

The enhanced financial results spawned \$19 million dollars in bonuses for Nortel's top 43 managers in that year. It is not clear whether any Australian executives benefited.

Dunn collected \$3.64 million in bonuses, Beatty \$1.31 million and Gollogly \$3.53 million.

Nortel fired Dunn, Beatty and Gollogly in April 2004 and Pahapill left the company in January 2005.

### Millions in fines sought

The four have been charged with violating and/or aiding and abetting violations of provisions of the federal securities laws dealing with antifraud, reporting, books and records, internal controls and lying to auditors.

Dunn and Beatty have also been separately charged with violations of the Sarbanes-Oxley Act.

The SEC has asked the court to force the defendants to forfeit gains from their conduct and pay unspecified fines; in the Canadian case the four face additional fines of up to C\$1 million (A\$1.09 million) each.

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Lenovo Aust is supplying 30 ThinkPads to the Williams team for the Melbourne race; its global parent will boost this to 300 desktops and 100 notebooks in coming months. They replace three-year-old computers from Another Maker — and Rosberg was quick to hail the switch. "The Lenovos are much, much quicker" at retrieving and analysing data from 120 sensors in the car, he said, adding: "The old ones took ages".

Rosberg tactfully didn't name the maker of the tardy models, but a PR lady helpfully hissed in *CDN's* ear: "They were from H-P". — **David Frith**

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## Govt throws \$67m at R&D

CANBERRA — **Australian Research Council** (ARC) Centres have scored \$67.6 million in additional funding over the next three years, with a Government review concluding that the existing 14 centres have made a significant contribution to Australia's R&D.

"The scheme is valuable because it supports collaborative approaches to challenging research problems, builds on Australian research strengths and supports the establishment of first-class training environments for the next generation of researchers," trilled **Julie Bishop**, Minister for Education, Science and Training.

The funding boost came on the heels of a review chaired by consultant and former **BHP Billiton** chief scientist **Bob Watts**.

The ARC centres receiving funding extensions are conducting research in the national research priority areas of health maintenance and promotion (\$6.42 million) and frontier technologies for building and transforming Australian industries (\$61.16 million.)

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## Net, trees, in jobs bloom

MELBOURNE — Newspaper job advertisements have weathered an initial storm of competition from the Internet, according to an **ANZ Bank** survey,

"Trend data show the demand for labour picked up in the second half of 2006 and into early 2007, with both newspaper and Internet ads showing stronger monthly trend increases," notes the ANZ bank's head of Australian economics **Tony Pearson**.

"There has been a theory that the Net would take the market ... but it just seems that newspapers have turned around."

Pearson says that the trend points to new demand for labour. Newspaper ads are nevertheless 1.3 percent lower than they were in February 2006. According to the ANZ, the total number of jobs advertised rose by 3.4 percent in February to an average of 216,621 per week, and the total number of advertisements in February was 24.8 percent higher than 12 months ago.

The number of Internet job advertisements grew by 4.1 percent in February to an average of 196,853 per week.

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## Beatty catches computer WOG

BRISBANE — Cadging a last-minute ticket to the whole-of-government gala, the **Queensland Government** has asked IT vendors to bid to be part of a shortlist of companies that would supply competitively priced computers and services. The offer would replace eight existing arrangements, and would kick off in July

"The new arrangement will ensure the government continues to get the best value," said Information and Communication Technology Minister **Robert Swarten**

in an AAP report. "Savings from maintenance costs to the taxpayer will amount to millions of dollars."

He added that suppliers would be required to dispose of obsolete equipment in an environmentally friendly manner under the scheme.

## Bam-bam: can-the-scam plan

CANBERRA — When a gaggle of government institutions gets together to formulate consumer protection strategies, expect a tide of motherhood statements to flow out of, er, the other end. This week, it's the turn of the **Australasian Consumer Fraud Taskforce**, comprising reps from no fewer than 18 Australian and NZ bodies.

"Consumers need to be aware that they could be targeted by unscrupulous people and be able to protect themselves from often ingenious scams," said Comms and IT Minister **Helen Coonan**, kicking off the second week of the taskforce's four-week anti-fraud campaign.

Here's the taskforce's advice: Be suspicious of unexpected calls and text messages; hang up, or text 'STOP' to unwanted messages; and, don't give out your number to just anyone. That's it.

In a separate statement, the **ACCC** fleshed out the detail, and gave consumers permission to hang up on telemarketers.

"If you receive a call with an offer that sounds too good to be true, it probably is, so hang up," advises the ACCC. Who needs a "do not call" register?

## Mikoh banks on cheaper chip

SYDNEY — Secure electronic tag maker **Mikoh** has launched a new radio frequency identification (RFID) electronic chip. According to the ASX-listed company, the new 13.56MHz chip will incorporate Mikoh's proprietary "Smart&Secure" technology, which lets a tag that has been tampered with keep working while it also reports the event.

The new chip will be produced by French company **Twinlinx** and is expected to be a quarter of the cost of Mikoh's existing Smart&Secure chip.

Earlier this year, Mikoh says it won a contract to develop an inkjet printing system for banknotes with **Reserve Bank of Australia** subsidiary **Note Printing Australia**.

## People, people

● The romantically-monikered **Christophe DuMonet** is now the managing director of workflow automation company **Esker Australia and NZ**, following promotion of former MD **James Elkington** to Esker's northern European business. DuMonet comes to the post from **Unique World Software**.

## MessageLabs tightens controls

SYDNEY — **MessageLabs** has launched version 3.0 of its Email Content Control and version 2.0 of its Email Image Control services.

Content Control is a managed service that is said to

## INSIDE COMPUTER DAILY NEWS

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identify and control confidential, malicious or inappropriate content sent or received by employees. Image Control scans and detects inappropriate images in e-mail.

MessageLabs says the enhancements have been developed following growing regulatory, compliance and e-mail security issues for business.

## Mini-card comes with 2GB

SYDNEY — Memory card capacity grows and this time it's the independent **Kingston Technology** that has announced a 2GB microSD card.

The capacity boost of the tiny microSDs will provide more storage on smaller devices, such as multifunction mobile phones and some cameras. No pricing was announced.

## Quad-cores save big money: Intel

SAN FRANCISCO — Further expanding its quad-core processor family line-up, **Intel** has introduced two energy-efficient 50-watt server processors that represent a 35- to nearly 60-per cent decrease in power from Intel's existing 80- and 120-watt quad-core server products.

Intel claims the potential for cost savings by replacing aging infrastructure with quad-core Intel Xeons and deploying virtualisation technology can be as much as US\$6000 a year over the lifetime of each server, based on Intel's own evaluations.

## Bobbies foil Net terror plot

LONDON — British police say **al-Qaeda** plotted to hack into the Internet in Britain to spread chaos through the business and financial services industry.

Detectives have recovered computer files showing the terror group plotted to blow up an Internet hub in London's Docklands, where virtually all information on the Internet travels in and out of Britain, according to news reports.

The suspects were arrested in southern England last year. The alleged target of the plot was the headquarters of **Telehouse Europe**, which houses Europe's biggest "Web hotel".

