

# Confident companies return to the skies

By MATT O'SULLIVAN

THE country's busiest air route, between Melbourne and Sydney, has had a sharp increase in passengers due to companies easing their travel restrictions and stronger competition between airlines.

Government figures show the number of passengers carried on the route rose 18 per cent to 632,400 in May, compared with the same month last year. The route had the biggest surge in traffic of any in the country, followed by Adelaide-Brisbane and Gold Coast-Sydney.

The number of flights on the Sydney-Melbourne route — one of the busiest in the world — rose by a quarter in May, which analysts attributed to the entry of budget



airline Tiger Airways, as well as Qantas, Jetstar and Virgin Blue increasing capacity as signs of a recovery appeared.

However, the large rise in capacity on the route has meant that airlines are filling fewer seats on their aircraft. Load factors — a measure of seats occupied by paying passengers — fell by 5.5 percentage points in May, according

to the latest figures from the Bureau of Infrastructure, Transport and Regional Economics.

Tiger, which is backed by Singapore Airlines, has launched services over the past year on the three routes that recorded the largest gains in passengers in May. The airline has up to five flights a day between Sydney and Melbourne, and is estimated to have a 7 per cent share of the domestic travel market.

Royal Bank of Scotland analyst Mark Williams attributed part of the increase in passengers to companies loosening their purse strings and allowing their staff to travel more, as well as to an increase in competition between the airlines on the Sydney-Melbourne route over the past year.

The Tourism and Travel Forum's aviation national manager, Caroline Wilkie, said the

upturn in passenger traffic reflected improved business confidence.

Despite signs of an improvement in demand from corporates, airline executives remain concerned about weak demand from leisure travellers. Virgin Blue warned in late May that its full-year earnings could plunge as much as 75 per cent due to a "rapid deterioration" in demand from leisure travellers.

Meanwhile, Tiger has axed two routes to Tasmania — Launceston-Melbourne and Hobart-Adelaide — due to a lack of demand. The changes will take effect from August 2.

Tiger said several thousand passengers affected by the changes would get a full refund.

Virgin Blue shares lost 0.5¢ to 31¢ and Qantas fell 5¢ to \$2.27 yesterday.

# Melbourne minnow takes on the sharks

Pete Hannan aims to show the IT multinationals how it should be done, writes Garry Barker.

**H**IS name is Peter, but his friends and associates see him as a David stepping bravely out to do battle with the giants — the multibillion-dollar corporations of the world's information technology industry.

Peter Hannan, founder and owner of Hannan IT, a Melbourne-based software and computer infrastructure outfit, at the age of 50 and with three children under 10, is in the process of realising his dream of "going out on my own and showing the big boys how it should be done".

He started in 2007 with only \$50,000, raised from the mortgage on his house, and a staff of five. Nearly four years on, Hannan IT now employs 40 programmers, infrastructure experts and sales staff. Last year, its turnover was \$5 million, with all the profit ploughed back into the business.

Hannan said his decision to tackle the multinationals that dominate IT in Australia did not come from bravado or a midlife crisis.

He is well aware of the challenges, but he knows the giants, having worked for several of them after leaving the Victorian public service in 1997, where his last post was second in charge of state development.

"I had been through Jeff Kennett's downsizing of government departments; 20 departments became nine. I was chief information officer at Transport and Tourism when nine became eight. Transport and Tourism was gone and I went to State Development.

"Outsourcing had just become the flavour in favour. Fujitsu was in our department and Unisys in Premier and Cabinet.

"I saw what they were doing and

I thought I would give it a go. I went to Unisys at the end of 1997 and a bit later was headhunted to Fujitsu. And then I got caught up in Advantra (a consortium formed by IBM, Lend Lease and Telstra)."

Advantra aimed to be the biggest IT corporation in Australia and won some big deals with companies such as Qantas and National Australia Bank but was ultimately absorbed by Telstra, with its critics calling it a failure.

Hannan worked there as an account manager "but for someone like me, trying to do \$20 million deals... well, they just couldn't get the delivery model right," he said.

"I have been in IT since I was 21 — programmer, analyst, system administrator; pretty much every role you can think of — but I had this urge to be by myself, have my own vision, live out my own strategy and have my own IT company. We would like to be the largest Australian-owned and locally run IT services company.

"Most of our competitors are multinationals, but I believe they are not focused enough on their customers. They trade mostly on reputation — you know: 'nobody ever got fired for buying IBM'."

But in these fast-changing days in IT, with activity centred on the internet "cloud" and virtualisation and mobility, small, flexible companies can do well if they share their customers' passion.

"For me it is all about customers," Hannan says. "That's why working for big multinationals drove me nuts. Their concentration was all internal. That kind of thinking gets in the way of what needs to be done.

"You have to win a customer and be more responsive to the customer than the big boys. It's all about value. If people want to buy IBM,



Peter Hannan: You have to be more responsive than the big boys.

PICTURE: CRAIG ABRAHAM

**Our competitors... trade mostly on reputation — you know: 'nobody ever got fired for buying IBM'.**

that's down to them, but then it is a matter of how satisfactory that relationship is, and how responsive the big company is to their needs."

Hannan IT's customer base is mainly small and medium enterprises turning over \$8 million to \$10 million, with some in the \$2 million category, but it also includes Optus, Iveco and the Victorian Fruit and Vegetable Market. One of its first jobs was writing management software for the Melbourne Commonwealth Games in 2006.

"A CIO [chief information officer] will take a risk with a smaller IT company, but he has to like them," Hannan says. "A lot of people stuff is involved in the relationship. They get interested in what we are doing and we tell them what we are doing.

"But in order to give them something different and meet their needs, you must have really good, committed people who think outside the square. Companies, particularly smaller companies, will buy from people they trust.

"When you deal with a smaller company, you don't have a 97-page contract, you have a handshake and three pages of agreement and that means you are both fully committed to achieving the outcome... it is people working with people instead of managing a contract. It means we are very involved."

# ASIC deepens freeze

By ELISABETH SEXTON

THE corporate regulator has accused Sydney businessman Andrew Sigalla of breaching court orders that froze his assets by using his credit card to pay for "what are euphemistically called female models or escorts" and for betting with Tabcorp.

The freezing orders were obtained by the Australian Securities and Investments Commission in September to prevent Mr Sigalla dissipating funds while ASIC investigated his conduct as executive chairman of the listed TZ Ltd from April 2004 to June 2009.

A New South Wales Supreme Court judgment has revealed that ASIC's investigation includes suspicion of multiple criminal offences relating to the misappropriation of "many millions of dollars" from TZ.

Notices issued by the regulator to gather evidence refer to suspected contraventions of four sections of the NSW Crimes Act relating to directors fraudulently appropriating company property, cheating, obtaining money by deception, and publishing false statements.

Last year TZ brought a civil suit seeking to recover \$13.2 million from Mr Sigalla. He is defending the case and has launched a counterclaim for \$1.2 million in unpaid entitlements.

ASIC laid 43 charges of contempt of court and Mr Sigalla challenged the validity of notices the regulator sent to banks, credit card issuers, four escort services and gaming company Tabcorp.

Justice White gave mixed rulings on the admissibility of evidence relating to 25 charges of contempt over payments to escort agencies ranging from \$660 to \$3850 and six charges over bets placed with Tabcorp ranging from \$250 to \$1000.

# \$2.7bn bid for Healthscope could be a spark for the sector

◀ From Page 1

board that shareholders should accept this offer," said Citi analyst Alex Smith.

"To justify the offer price, we would need to adopt a highly optimistic scenario in terms of sustainable margin expansion in the hospital division, sustainable and

profitable market share gains in pathology, and significant cost reductions.

"In our view, these will be difficult to achieve in practice. Hence, we are highly supportive of accepting the offer."

The deal could spark a rush of takeover activity in the healthcare sector, Mr Smith said. "The offer

shows that private equity is back and that leveraged financing is available in the right circumstances.

"We expect, therefore, that the healthcare stocks with depressed share prices are probably getting some attention, though it remains to be seen if anything will transpire."

The scheme of arrangement

provides for a \$A19.9 million break fee payable to the private equity bidders under certain circumstances and a reverse break fee payable to Healthscope of \$US30 million (\$A34.5 million).

The transaction is subject to several conditions, including the approval of Healthscope shareholders, the courts and other regulators.