Not a multinational this time

Getting the heave-ho from BT was not what I would have chosen for myself, had a choice been available. I had no contingency plans in place. A brief holiday would be an unexpected pleasure.

I received an invitation to attend the opening of the Adacel Telecommunication Services office in Melbourne, which was to take place on 16 February 1994, and drove over 1,000 kilometres to Melbourne, stopping off in Canberra on the way. Adacel Telecommunication Services was founded in 1987 by Danny Rowley, an ADA programmer;¹ Silvio Salom, who knew C programming; and Dave Smith. All considered themselves electronic engineers (EL), so they put together the name thusly: ADA + C + EL. At the time, the group were working at the Civil Aviation Authority in Canberra on software maintenance of Thomson-CSF radar systems. Adacel was created with the assistance of Thomson-CSF, who took a 30 per cent share in the new company.

The smart, modern building that was the Adacel head office was in the middle of a parade of retail establishments, with a hairdresser on one side and a Jetset franchise on the other. The shops along Bay Street in Brighton conveyed an air of success. There were a number of restaurants, banks and estate agents among the premises. Adacel Telecommunication Services (ATS) shared the huge ground-floor space with a subsidiary, Adacel Multimedia Limited. The first floor of the building contained the

¹ The ADA programming language was named after a daughter of Lord Byron, Lady Ada Lovelace, who was a respected mathematician of her day.
reception area and Adacel Pty Ltd proper — system developers, software writers, and technical expertise. It was a young company, and its people were mostly very young.

As many as 80 people attended the party and my impression was that the event had been successful. At the conclusion of the event, a group of about 20 retired to Mitzi’s, a nearby hotel, where we drank several beers before crossing the road for an Indian meal and a late evening.

The next evening, I had the opportunity to talk to Silvio Salom, one of the founders of Adacel. He is the most disarming man I have ever met. He was just 34 years of age and already operating his own software development business with a staff of approximately 150. I was impressed with his unassuming attitude and direct questions. I told him of my conviction that there is no money in travel. I had witnessed first-hand the decimation of airline profits that occurred in 1990 as a result of the Gulf War and the worldwide drop in tourism. At SITA, we saw a 30 per cent annual attrition rate of travel agents.

We sat at a small round table in his office that was deep in papers, although somewhat less deep than Silvio’s desk, where his PC screen sailed the sea of papers. Silvio was born in Belgrade. He wore his hair in a wild afro style, but that was the only wild thing about him. He asked about my SITA experiences, particularly my selling of the Aircom satellite communications service to Qantas and Air New Zealand, and we discussed the terrestrial network system I had developed for Ansett Australia and Australian Airlines. Silvio explained the Adacel vision to provide air traffic control systems to the world’s airlines, following the principles understood by the acronym FANS — Future Air Navigation System.

Silvio’s argument was that the pilot knew where he was flying. He had registered a flight plan before take-off and was monitoring his progress along the route. The on-board computer knew where the plane was through the global positioning system, with communications provisions being provided through satellite. But the radar-controlled air traffic control systems that were in use did not know where the plane was unless they were specifically monitoring its position via radar, during its approach to an airport, for example. Silvio illustrated the point by examining the actions of an air traffic controller in Sydney waiting for a regular Ansett flight from Melbourne at 10.00 am in the morning.
This flight usually appeared at a set time, but the controller was lost if it did not show up when expected. There might be many reasons for a delay — fog, mechanical problems, late arrival of an incoming flight, etc. — but it would take a radio call from the controller to the pilot to establish the actual location of that flight. Adacel had been working with the Civil Aviation Authority in Canberra towards the best use of radar technology, with a positive eye towards FANS. Adacel was about to enter a joint venture with American Airlines and the US Federal Airports Administration, to be called Airspace Management Systems. Adacel was to provide the CEO of this venture, who would be based at Adacel head office in Melbourne. Was I interested?

I definitely was interested. Silvio asked that I consider joining the company, subject to satisfactory interviews with David Smith, the Adacel technical director, and Jeff Barrow, the joint managing director (along with Silvio) of Adacel Communications Pty Ltd, who I had met the evening before at the ATS opening. The next day I was able to meet David Smith, a cuddly teddy bear of a man whose office was certainly more disciplined than Silvio’s. David did not want to commit to anything with me, but I did feel that he would not veto my employment if that was what Silvio wanted. Silvio confirmed the job offer following my meeting with Jeff Barrow and I eventually attended the Adacel office, having travelled via the overnight train from Sydney two nights before.

My first day was not auspicious. Silvio Salom was not in the office, nor was he expected for a few weeks. Jeff Barrow was not in the office, but was expected. When Jeff arrived he took me into Eddie Pacula’s office. I had done some consulting work on travel and transport for Eddie Pacula — a very big man with an aggressive moustache and an attitude to match — at Ron Perry’s instigation at the end of 1993, and it was Eddie who had invited me to the ATS opening. When Jeff declared to Eddie that I had been appointed a CEO in the group, Eddie was apoplectic. He left for a long session with Jeff to express his concern at my appointment to a role higher than his. Jeff subsequently asked that I attend to ATS matters in support of Eddie.

The ATS ‘promise’ was summarised in a spreadsheet that Eddie Pacula had used to sell his idea to Adacel. To my mind it illustrated a business disease I recognised as rampant spreadsheet syndrome. It is all too easy to forecast small increments in business that become magnified out of reality when compounded. Eddie’s forecast for ATS was a profit of $20 million
in the first year of operation. The business plan was not realistic. Eddie would not listen to or answer any questions. I think he anticipated that he could browbeat me into agreeing with his projections and was initially keen to have help in confirming the business plan. It was fanciful. I kept my head as low as possible. My perception was that I was only helping out with ATS as a favour until I had the chance to meet again with Silvio.

When I presented my version of a business plan to the Adacel Communications board it was met with muted aggression. The prevailing attitude was expressed by Jeff Barrow: ‘I have never, ever, seen a business plan that showed a loss of $400,000 in the first year and took three years to get into a profitable situation. That is not a business plan.’ After the meeting, I was forever branded as not understanding business planning. I had found that ATS was a crusade, with staff but very little substance. ATS might achieve one new customer every three months, but because we could not implement any quicker would never be in a position to introduce 10 new customers a month, which Eddie had convinced Adacel was achievable.

Jeff Barrow asked that I provide a revenue model for him to better understand our objectives. Silvio reacted promptly to the revenue forecast I had put forward, suggesting that the ATS team accept pay cuts in order to help financially.

Adacel was pursuing several diverse paths of software development, including air traffic control and simulation of air traffic control functions, the cornerstone upon which the company had been founded. The HMAS Watson in Sydney was a significant customer, with Adacel supplying and maintaining seaboard simulation systems. The machine language translation team, which had as many as 10 linguists at any time, although working on generic principles, was concentrating on the translation of Indonesian Bahasa to English. The team leader was Helen Lam, and the project had the name of ‘Memtah’. Helen had a real passion for language, but was uncomfortable with the business realities of working for Adacel. The basis of the work the team was doing was an extension of the software developed as a part of her Master’s thesis. The work was supported by a $5 million grant, over five years, from the Australian Ministry of Defence.
Adacel Communications Pty Ltd was a general reseller of hardware and software, a mechanism through which the parent company would be able to buy any hardware or software at a discount.

Adacel Multimedia was a group of very young technicians working in emerging technology. In 1994, it had developed a self-service information kiosk for the Government of Victoria, and Brian Hennessy, the young Canadian team leader, was a favourite of the local television news program. Brian had retained a 30 per cent shareholding of the multimedia company after it was acquired by Adacel Pty Ltd. The multimedia team appeared to work all day, every day, and certainly seemed to be enjoying what they were doing. They also became involved in one-off projects to build a revenue base. One team member was a gifted penman with a penchant for cartoons, who went by the nom de plume of ‘Grob’, and kept us all amused through his interpretation of our world.

Adacel should have been a vibrant environment, but it fell short. Most things seemed to be done in a penny-pinching fashion. Silvio’s mother’s discarded kitchen table in the managing director’s office was symptomatic. Apart from the ATS computer room, the ground floor was squalid in comparison with the client offices we visited when representing the company. The main Adacel offices on the first floor of the building were
open plan, which was being confounded by readily moveable partitions as team leaders of the various projects staked their territorial claims. It was a rabbit warren where it was easy to hide or get lost according to temperament. The work ethic, however, was huge. Weekends did not exist and Silvio was always in attendance. Any technician could involve Silvio in the solution of a technical problem and he would be lost as a manager while he reverted to his favoured role as a technical problem solver and software engineer.

I was disappointed that the different groups did not really mix in a business sense. The company tried to tie the organisation together with an in-house magazine, *Adacel Antics*, and the groups did some socialising in Mitzi’s Bar, particularly on a Friday evening, but the average staff member was not a drinker. The young technicians had not yet acquired social graces.

Eddie Pacula was a potent force and would not take ‘no’ for an answer. In the past, he had bullied potential customers, including some who had previously been his friends, into signing contracts with little thought for implementation. When Eddie called out James Strong, the charismatic CEO of Qantas Airlines, demanding that ATS should be allowed — encouraged even — to carry all the airline communications in Australia, the argument was documented by the Australian Broadcasting Corporation and featured in a 10-minute section of an emerging technology television program. The confrontation was also played out within the pages of the Australian travel press. Eddie cajoled Ian McMahon, the editor of *Travel Week Australia*, to visit us to see the ATS offices and listen to the ATS sales message. Mr McMahon gave Eddie full page treatment, describing him as ‘Pugnacious Pacula’ in the headline.

After a few months in the job, I was finally told I had been employed by Adacel to rein in Eddie Pacula and the grand disaster. Eddie was under tremendous pressure, was not a well man and left Adacel to concentrate on his consulting interest, his company called Chesscab Consulting.
Figure 13.2: Eddie Pacula as a particular butt of Grob's brand of humour. This sequence is an indication of affection for the boss, Silvio Salom.
Source: Adacel Antics. Cartoon by Grob.

Figure 13.3: Silvio was not seen as a spendthrift.
Source: Adacel Antics. Cartoon by Grob.

ATS spent considerable time and effort trying to increase its presence in the networks and business of Harvey World Travel and the Abacus CRS. My pal Doug Norton was no longer the data processing director of Harvey World Travel, which was now firmly controlled by Paul Fleming and Paul Kieran. Harvey World Travel had not stipulated which of the two major CRS systems, Sabre or Galileo, the franchisee should choose. ATS proposed and facilitated discussions whereby Abacus would become
the Harvey World Travel CRS of choice. We provided circuits to Harvey World Travel for its head office functions, although it did not earn us significant revenues. Ian Norris, the general manager of Abacus, was keen to take advantage of any cost savings we could provide to reduce travel agent costs and encourage the uncommitted travel agent to affiliate with Abacus. We also hoped to win business for the ATS Space-Track bureau from Abacus tour wholesalers.

But we were being thwarted with everything we attempted in the travel and tourism world by ATS’s inability to interface with TIAS and the main airlines’ booking systems via the TIAS network. ATS had several meetings with TIAS, who was adamant that ATS would never bring anything to the table that TIAS would not eventually control as a result of its own strategies.

This point was being discussed with the Adacel board when Jeff Barrow snarled: ‘Sue the bastards.’ It was not often that Jeff would be available to discuss matters. We followed his advice. I met with Jeff’s company lawyer. He advised that matters concerning the Trade Practices Act would require that a specialist approach be taken. I took it upon myself to take the matter to Minter Ellison Morris Fletcher Lawyers — now Minter Ellison — and prepared documents for a young partner, Glenys Fraser. Ms Fraser said that we might have a case under the Act sections 46 and 47, citing a TIAS abuse of market power. Ms Fraser also recommended that we open discussion with the Trade Practices Commission (later to become the Australian Consumer and Competition Commission (ACCC)), based in Canberra. We met with and received a receptive hearing from two of its lawyers. Glenys Fraser earned her money for the calm wisdom contained in her summing up at the conclusion of the meeting. We committed to write a paper for the Trade Practices Commission (TPC), outlining our concerns. Harvey World Travel was a keen supporter of the ATS initiative with the TPC, and it acted as a middleman between TIAS and ATS as it sought the best deal it could effect. It was Paul Kieran who realised that the TIAS pressures and negativity towards ATS was because it saw us as a competitor in realising a ‘landbase’ tourist database covering events, functions, and specialist tours available in Australia and New Zealand. Mr Kieran attempted to arbitrate a meeting between ATS and TIAS and, late in the day, John Lilley of TIAS suggested a way that connections might be made between the ATS and TIAS networks. It was a stalling tactic.
The TPC invited ATS and TIAS to a meeting in Canberra. Richard Hall, the TIAS managing director, was not happy to have been called in to explain that TIAS was not monopolistic or using market power to thwart a competitor. The meeting did not come to a decision.

The competitive strategy of TIAS had been easy to read. To confuse the argument, it denied the existence of ATS in any public forum, and referred to ATS as British Telecom (at the time ATS was a reseller of BTA services), while accusing BT of sour grapes at not winning TIAS business and suggesting that BT was subsidising network costs to gain entry to the market. TIAS would delay any activity to facilitate ATS and used its national marketing company (NMC) to stall activity and would confuse ATS customers and the TPC by referring all questions to the NMC — buying time to catch up with the ATS network functionality, while suggesting that TIAS was changing to a more user-friendly organisation — and even rebidding prior to ATS prospects’ decisions to cause further delay.

Richard Hall and his lawyer did not attempt to refute anything we said with much vigour or determination. They resorted to stating that everything they did conformed to the industry code of practice. This seemed to be the opening that the TPC was looking for, and it asked TIAS to send a copy of the code to itself and to ATS.

The TPC took a positive step towards resolving the matter in our favour when it called all interested parties to meet in Sydney on 1 September 1995 at a TPC conference to be convened by Assistant Commissioner Alan Lewis. Would this be too late to save ATS? We helped compile the list of interested parties and when the date arrived, we sat around a very large table that would seat perhaps 40 people. The room was equipped to allow further people to sit behind their principals at the table. We knew most of the participants, and lined up as TIAS versus ATS. Supporters sat lined up against one another on opposite sides of the table. TIAS supporters included Southern Cross Galileo NMC, Fantasia NMC, Qantas, Ansett Airlines, and Australian Airlines. Adacel supporters included Abacus NMC, Harvey World Travel, Concorde Travel, and Jetset Travel. Journalists sat on the crossbenches.
Mr Lewis outlined his understanding of the code of practice and asked Richard Hall to explain the problems in allowing Adacel network users to access the TIAS network to gain access to the two CRSs, Galileo and Sabre. Mr Hall attempted to describe the network in words, but was asked by the deputy commissioner to use the whiteboard. Mr Hall drew it simply.

Mr Hall’s argument was that TIAS had been formed at a time when CRSs had cost the airlines up to $70 million to establish, that the TIAS marketing company had further invested, and that it was not in its interests to allow other network providers to use its infrastructure. This produced a lot of head nodding from the TIAS side of the table.

An Adacel colleague, Harold Horsfall, took up the cudgels for Adacel, arguing that ATS’s activity was complementary to TIAS, and that we would be automating a different client base to TIAS. We would potentially bring more business to the CRS.

Richie Hall looked dumbfounded, and asked how that could happen. I stood up from the table and changed his drawing:
I argued that the Adacel network was no different technically to the TIAS network — they were interchangeable. That statement opened a floodgate of comment from the attendees and in no time it was the lunch recess.

We convened again after lunch and I was amazed to see that the amended diagram was still in view of every participant. If I had been a TIAS representative, I would have removed the diagram. The afternoon session was not long. Mr Lewis summed up, recommending that the code of practice be looked at to state that the Australian customer of TIAS should have a choice of networks to carry them as far as the TIAS communications network. This was potentially a huge victory. It was a Pyrrhic victory, however, as ATS was struggling to keep afloat. We did, however, propose alternate wording for the code to the newly established ACCC, which it accepted.

Shortly after this, a new person appeared at Adacel. Shane McEwan had recently left the employ of a major business consultancy and now spent time with Silvio and the general managers of the various business units. Shane examined the telecommunications side of the business intensively and asked us to update the sales plan as best and as honestly as we could. We subsequently learnt that Shane and Silvio had presented our sales plan

Figure 13.5: The revised drawing.
Source: Author’s recollection.
to two potential purchasers of ATS — but it did not share that information or any feedback with us, which was disappointing. ATS was clearly not going to be a contributor to Adacel’s long-term plans.

We also spent time investigating whether we could combine our expertise with that of BCS-Focus, a Melbourne-based company that was also pursuing travel reservation computer business and was in the same situation as ATS — it had no money. BCS-Focus had an accountant with money to invest, but he was concerned that it looked vulnerable as a stand-alone business and that an association, however tenuous, with Adacel might make sense. We also spoke with BT about a closer relationship, but this was never going to work. It had more problems than it could cope with.

There was business to be had. I did not heed my own advice — that there is no money in travel — when starting negotiations with Kiwi Airlines, a start-up New Zealand airline. While there was real potential for ATS to provide the infrastructure for its administrative services, they were children playing in a tough adult’s world. Ewan Wilson has written the brief history of his airline in the book called *Dogfight: The Inside Story of the Kiwi Airlines Collapse*. There is no doubt that Kiwi Airlines spotted a niche market but the established airlines — Air New Zealand and Qantas — were not about to relinquish any of their market power. Kiwi Airlines was excluded from using established systems such as TIAS. In the end, Air New Zealand added a new no-frills subsidiary, Freedom Air, to its flight portfolio in order to kill off Kiwi Airlines as competition.

Jeff Barrow had been making waves with his plans to take over the world, but limply collapsed into bankruptcy, owing Ericsson telephones some $14 million. The money to operate ATS had long dried up, so this came as little surprise, but one or two of Barrow’s managers did talk to us to seek a joint venture approach to anything that looked at all promising — a case of too many entrepreneurs, too many egos, and not enough practitioners.

Meanwhile, a management consultant had completed an overall Adacel business plan, excluding the communications company and ATS, as Adacel moved towards going public. A new manager appeared on the scene and pared Adacel expenses in anticipation of the float. By mid-1996, I had quietly left Adacel and ATS to its own devices. In truth, I was pleased to be released from Pacula’s legacy, which I had done my best to put right.
I was, however, keen to see the Adacel initial public offering (IPO). IPOs were popular at this time of the dot-com revolution. The Adacel IPO was unique in that its main assets were its intellectual property. I met Helen Lam one morning after the issue of the IPO. She was distraught and in tears. Her machine language translation group’s intellectual property value had been placed at $6 million. It was Helen’s contention that the intellectual property was hers alone, as Adacel had not developed the software that she had brought to the company. There was a similar feeling amongst other employees I spoke to, but the IPO was well received by the investing public. The float valued the Adacel intellectual property at $14 million and made Silvio Salom, David Smith and Ian Russell into instant paper millionaires. The IPO stated that Adacel directors’ emoluments would be related to the share price — no gain in share value meant no payment. What a lovely concept. It did not last long.

During the time of the IPO, I was in no rush to seek other employment. I was enjoying getting my stamp collection and reading up to date. But by the time that 1997 came around, I was keen to get back to work. Finding the right job was not easy. I was approaching 60 years of age and could boast of a stellar career — until I had hit Adacel, which had a terrible reputation in Melbourne; it was not a company of good reputation with any Melbourne recruitment company. I was beginning to worry about age being a barrier to future employment when I was called back into the Adacel environment by Ian Russell.

BTA was giving Adacel and ATS grief. Adacel was a reseller of BTA services, and BTA was claiming it was owed monies for services that had not been supplied. The situation had got as far as the exchange of solicitors’ letters by the time that Ian Russell called. We agreed on a daily consulting rate for me to come back to Bay Street and sort out the BTA accounts. It did not take long. Adacel owed BTA nothing, although its claim was for several hundreds of thousands of dollars. I was convinced, at the time, that any rebuttal from Adacel would get BTA off its back. Such was the case. The dot-com businesses were beginning to grow up.

I did not enjoy this consultancy. I found Ian Russell arrogant in not wanting to understand the background or the arguments put forward to BTA as a rebuttal of its claims. I went so far as to describe him to Silvio Salom as a dilettante. Silvio asked me for patience and not to leap to
a quick decision. He agreed that Ian might not be the best facilitator, but that his many responsibilities meant he could not dig too deeply into the many problems facing Adacel.

I must have made a more favourable impression on Ian Russell than he made on me. He called me back again with a view to evaluating the worth (if any) of the remnants of Adacel Communications Pty Ltd. The communications company had the exclusive marketing rights for a product that I had admired: OPNET, optimum network performance modelling tools. I looked at the customer base of the product and could see $50,000 per annum in renewable business that should not need any great effort. I advised Ian Russell of my thoughts and he responded by saying that Adacel would be prepared for me to work in its offices part-time to test this assertion. This was not a burden, so I did so. I gradually got sucked into the OPNET opportunity. There was good new business to be had.
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