

SecurIBL Australia

Business Plan October 2007

Executive Summary

SecurIBL Australia is the Australian operation of the Validity card system, a global service guaranteeing the identity of individuals and protecting their privacy.

SecurIBL's market is the verification of people's identity in such a manner that the individual's privacy is protected. SecurIBL provides a smart card based service that can drive any number of service provisioning systems, thus enabling customers to replace multiple cards with one card. The Validity card was established to protect end-user identity against identity theft and to enable an individual to interact within a modern society without having to sacrifice personal privacy. SecurIBL provides its services through online databases and its provisioning systems are completely automated. The organisation relies upon direct sales, word of mouth promotion and media exposure to enhance market growth.

SecurIBL is an exciting investment with global aspirations. SecurIBL's purpose in prioritising SecurIBL Australia is to create one of its testbed markets prior to global roll-out.

The SecurIBL Australia operation alone is positioned to generate a pre-tax profit of A\$62 million from A\$435million of revenues after the first three years of operations, while creating over A\$120 million pre-tax profits from revenues exceeding A\$300 million each year in the long term. The business is expected to achieve a dominant position in its market, thus enabling substantial long-term returns for all stakeholders.

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Introduction

This business plan provides a method to understand SecurIBL and provides information into the techniques that will be used to realise its potential. First, the strategic situation facing SecurIBL is described, including an overview of the significance of the Validity card system within the greater economic context. Second the market is described and the marketing plan briefly outlined. Third, the role of research and development is noted, followed by a description of the operations required to operate the organisation. Finally, the assets required to support the business case described

However, SecurIBL represents much more than another business. It is the catalyst for revolutionary change on an industry-level that will ripple through all aspects of modern society. As an event that breaks the pattern of change (discontinuity), SecurIBL will redefine the computer industry and the way information is used, thus transforming other economic sectors. The economic effects of these changes are incalculable, but as an instigator of change, SecurIBL stands to be one of the major beneficiaries of the changes.

Thus, SecurIBL Australia is a business that is exciting and daunting at the same time. The problem for customers to understand SecurIBL initially is their limited understanding of the value of privacy, as it is something only really appreciated once you have lost it and then it is hard to regain. The problem for investors and financiers analysing the SecurIBL business case is that SecurIBL may offer their only real option to enhance their economic position while their traditional portfolio is devalued by the economic changes triggered by SecurIBL, and yet it defies their decision-making models for selecting successful investments. The problem for people operating within SecurIBL and the Validity card system is that traditional management practices are displaced by entrepreneurial skill in an internal market while traditional computer industry knowledge is devalued by new technologies and concepts, thus devaluing their experience and requiring relearning of their skills.

Hence, SecurIBL is a business that defies traditional analytical techniques. It is a promise of change, a hope for a better future and a map to achieve a goal. At the same time, SecurIBL offers customers major benefits in enabling new information products and services in a protected manner, investors and financiers the superior returns normally associated with an industry going through a period of rapid change and the people within the business an exciting experience creating real benefits for other people while having a lot of fun. In Australia and elsewhere, SecurIBL is positioned as a white knight ready to save the day for the individual from the consequences of the essentially unfettered self-interest of government and corporate bodies over the past few decades.

Background

In the past people have relied upon governments to protect them from undue harm. Governments around the world have repeatedly put systems in place for one purpose, and then extended the reach of these systems, or at least allowed the reach to be extended, far beyond the original declared purpose. The dominant effect of individual protection legislation, such as privacy laws in various countries, has been to placate opposition to information use, while enabling government information gathering and collation in ways that would have been considered draconian by earlier generations.

The consequence in 2007 is that people in every advanced country have every aspect of their lives probed, examined and collated for political, security and commercial advantage. Governments have the systems in place to monitor every telephone and computer communication, every financial transaction, every Internet webpage you access, your movements, the products you buy, the people with whom you interact and to listen your conversations. The primary barrier to the complete exploitation of this information has been the large scale computing requirements to analyse this data, but the ongoing average 30% per annum compounding increase in computing power is rapidly breaking that barrier down to the point that all information will soon be available in almost real-time.

However, the overwhelming majority of the population do not recognise this situation. Over the past few decades governments have developed sophisticated management of the media and control of the stories on the news. In the past this management process has relied upon the use of propaganda slogans, the spinning of information to distort or hide the truth, the feeding of disinformation and the general disinterest in the general population of the events of the world in the belief that current events do not really affect their daily lives. However, since the Twin Towers incident of 2001, there has been more overt control of information, threats against non-compliant media in order to control information in the national interest and a concentration of power over the news.

Furthermore, there are clear historical examples of this process. The average German only recognised Hitler's final solution after the fall of Germany, and the power of the Nazi control of information was such that initially the average German believed that the claims of Jewish extermination camps were merely Allied propaganda. More recently, the United States has been quite open about its lesson on control of information from the Vietnam War and the need to manage the media, with the two Gulf Wars demonstrating their improved process in action. In fact, governments have repeatedly stated that misinformation is justified if it is in the national interest. As Churchill said, "in war the first casualty is the truth".

In addition, the population is generally unaware that the primary interest of any government is self-continuance – not the well-being of its citizens. Further, it is clear that governments are currently using their powers for their advantage. The United States gives a clear example, with the CIA listing economic advantage as a primary purpose of the agency. Other countries are more secretive, but whether it is appreciated or not, there is an espionage war underway for economic supremacy.

This situation places ordinary people in an awkward dilemma. The very agents they rely upon to protect their liberties and lifestyles are the agents that are subjugating them to pawns in the global power game. The only thing that is certain is that you cannot trust any government to protect your interests. They all have too many vested interests, too many conflicts of interest and too much power, and as Shaw remarked, "power corrupts, and absolute power corrupts absolutely". In essence, the average person needs a white knight to protect them against the misuse of power that omnipresent information systems enable.

Strategy

Purpose

The purpose of SecurIBL is to be the white knight and is empowered by the concept that “everyone has the right to be anonymous”.

SecurIBL offers to protect anyone and everyone from the misuse of information by protecting their privacy. This protection is achieved through (1) identification verifications services, so people can prove their identity to the system in a manner that preserves their identity from others, (2) through double-blind connection to external information systems so services can be provided without compromising a person’s identity and (3) defending this capability against others attempt to usurp the individual’s right to be left alone.

Requirements

SecurIBL can only be successful as a white knight if it is trusted. That creates a set of specific and unusual requirements for SecurIBL.

First, SecurIBL must not be under any obligation to any government or major commercial body in order to avoid a conflict of interest between the interests of the individual and the groups currently benefiting from the exercise of the misuse of information. Thus, SecurIBL cannot accept any grants, loans, investment or other form of funding from any body with any vested interest in large scale information.

Second, SecurIBL has to be both local to deal with local affairs and truly international to be beyond the influence of one region over another. That paradox requires a two tier structure, with local agents interacting with local organisations to establish and enhance the double-blind links to external information systems, while a global coordination and integration capability is required to be located beyond the jurisdiction of any government. SecurIBL Australia is the local agent for interfacing with Australians and Australian systems within the Validity card framework.

Third, SecurIBL cannot favour any individual over any other individual, or any government or organisation over any other government or organisation. This requirement requires a robust and effective governance system answerable to the individuals protected by the system.

Fourth, SecurIBL has to be economically effective in order to not impose an economic burden for its benefits. SecurIBL has to use technologies, systems, structures and strategies to enable an outcome that can enhance lifestyles in order to become completely acceptable to the world’s population.

Finally, the Validity card has to be available for everyone, regardless of location, wealth, ethnicity or other factors. The white knight is required to be ready to rescue all of those who wish to be rescued.

Industry Effects

SecurIBL represents a discontinuity to the computer industry. SecurIBL devalues the knowledge and skills of existing suppliers and operators of information systems, through alternative business models and technologies. Thus, SecurIBL will destroy their competencies (skills and knowledge) and replace these with new competencies based upon a different business model and technology base.

Therefore the introduction of the Validity card service will change the trajectory of the industry, acting as a discontinuity in the development of computing. As a consequence, SecurIBL will initiate (1) a period of uncertainty when large numbers of new entrants will attempt new business cases and technologies; (2) the existing large players in the industry will fade and lose significance and (3) there will be a massive improvement in the value offered by the industry to customers. These are the normal effects of a competence-destroying discontinuity, as last experienced by the computer industry in 1985-7 with the introduction of the microcomputer.

It is certain that existing industry incumbents will not like this situation. In fact, the existing customers of large-scale information systems will ignore the Validity card system until the service offers a capability that fulfils their business or political requirements while delivering substantial economic benefits. The early adopters of the Validity card service will be those customers not currently served by the current industry or for whom an effective solution does not currently exist.

The Validity card service reduces information to commodity status, thus achieving increasing returns from its service where the benefit of each new service interface added to the Validity card system enhances the benefits to each individual customer and each new individual customer enhances the benefit to each service operator. Thus, SecurIBL's returns will continually improve and at a point will achieve the critical mass required to dominate the industry sector, thereby enabling SecurIBL to define further progress in the industry.

Further, SecurIBL will intensify the information density in the industry output. This will result in more rapid change in an industry already known for change, thus creating more rapid advantage for individual customers.

Organisational Environment

SecurIBL operates within a dynamic environment. The current competitive environment is favourable and has been analysed using traditional strategic tools to provide a perspective of the situation at the time of the writing of this business plan.

However, as noted above, SecurIBL represents a discontinuity to the industry, and thus will trigger a period of dynamic change that will alter the basis for competition within the industry. Thus, a prediction of a future environment has been included to provide the context for the strategies required to prosper in the industry through the triggered turbulent period (era of ferment).

Current Environmental State

Currently there is no effective competition and suppliers have no real hold-up capability, while the customers have limited switching capacity, thus ensuring that SecurIBL cannot price-gouge this sector.

Competition

SecurIBL has no direct competition in the protection of privacy market. There is no other entity at present enabling individual privacy against government and corporate power.

The various privacy laws of governments and their dispute processes are substitute products for the Validity card system. However, the process of privacy law is relatively expensive and has limited protective capability, largely as a consequence of its design within the preferences of the legal profession rather than as an operational service for effective protection for the individual. Further, it is clear that Governments tend to place their self-interest above such legal protections, and thus this substitute product is not effective in protecting individuals against Government encroachment of their privacy.

In the identity verification market a number of Governments are seeking to introduce their own systems in order to both verify identity before providing Government services and for extension into the private sector. The logical conclusion of this extension will be the long-term positioning of the Government as the sole guarantor of identity and the validity of any transaction in the economy. However, these proposed systems all place the needs of the Government above the needs of the individual, and thus represent an imperfect and ultimately ineffective competition in the long term, through their inability to garner trust and thus act as the stimuli for an information-based economy.

Suppliers

SecurIBL uses a range of technology inputs to deliver its services. First, essential physical computing components are purchased directly from manufacturers to design requirements and assembled into equipment by associated organisations. The components selected are commodities to ensure continuity of supply, while also preventing hold-up by a supplier of a critical component. The associated companies have been structured to act as reliable inputs to SecurIBL, thus preventing any threat from the equipment side.

Second, SecurIBL uses proprietary software and communications technologies in order to be economically effective and to deliver systems that are relevant to individual requirements. This technology is enabled through the Validity service and is licenced for SecurIBL's continual and unlimited use.

Customers

The primary customer for SecurIBL is the individual. Each individual is issued with a Validity card with no external identifying symbols or images, storing both identifying information and profiles for external services in local storage. This card can be used to identify the person for any supported external service and can be used to verify a person's location if required. The Validity card is only activated when a person wishes to take advantage of its capabilities, thus giving permission for their interface into other systems.

In addition, external information systems are also customers for the Validity double-blind service interface. An external information system can request a verification that a cardholder meets specific parameters and the Validity service will respond with a yes or no result, depending upon the circumstances, thus enabling the external service supply without compromise of the individual's identity.

The customers have limited hold-up power, as they can choose to not use the Validity service and instead act using traditional means. Thus, SecurIBL is obliged to pass on significant returns from its economic benefits to its customers in order to encourage their greater use of the Validity service in preference to traditional mechanisms. Over time customers' switching capability will diminish as SecurIBL achieves increasing returns by leveraging information over an increasing customer base, while traditional mechanisms simultaneously lose their economies of scale.

Further, as SecurIBL enjoys increasing returns, it is in SecurIBL's interest to increase marketshare rapidly in order to realise the benefits from its increasing returns. The end result is a natural monopoly, where marketshare needs to be maximised in order to maximise the benefits to individual customers - and incidentally to SecurIBL.

Future Environment

The era of ferment will last several years before a dominant business model reshapes the industry. The analysis of competition and suppliers is irrelevant, as these will all be altered beyond recognition by the discontinuity. Instead, the environment will be shaped by the shape of the market, i.e. the customer, the values of society and the clock speed of change within the industry.

Shape of the Market

The significant reduction of cost of information will lead to a widespread diffusion throughout the economy. Areas that had previously been uneconomic will be penetrated by information products and services, redefining entire economic sectors. The diffusion of information will be as significant and pervasive as the replacement of horses and hand-power by motors and electricity, and completely redefine the ways people organise, the forms of wealth created and the values of society.

Today information diffusion is at an early stage, analogous to the appearance of the first steam engines on railways while horses still ploughed the fields and homes still required maids for manual work. The real benefits of machines required more than a century to fully penetrate the economy. Thus, just as suburbs with people commuting by cars was unimaginable to the early steam era individual, so the late information age is unrecognisable to the current person. However, it can be predicted to some extent – though with naturally uncertain accuracy, as predictions of this nature are notorious for extrapolating the past and failing to recognise the significance of the future.

First, a trusted information protector will trigger substantial investment in new communications bandwidth, information processing and storage capacity and the infrastructure required to realise a massive growth in information capture, processing and use. SecurIBL's role as a protector of privacy will paradoxically enable far greater information sharing and analysis, as information can become trusted as correct and widely available throughout society. A vast number of new information suppliers can be expected to emerge to provide products in a large number of niche markets, with increasingly fine niches being exploited due to improving information infrastructure.

Second, Governments will be redefined. Current Governments are structured around an industrial era model of organisation in order to achieve political goals. Naturally, future Governments can be expected to adopt the organisational forms dominant at that time. Further, as Governments primarily produce information, they are much more subject to the diffusion of information redefining the market. It can be expected that a global governance system will emerge and nation-state governments will decline in favour of more niche structures focussed upon groups of like-minded interests. Indeed, this process can already be seen in the world, with the slow decline of the real power of nation states.

Third, large corporate hierarchical organisations can be expected to collapse. These organisations have relied upon their economies of scale to create a commercial advantage against smaller forms. However, a pervasive information economy devalues the benefits of economies of scale and enhances the benefits of niche markets, thus leading to a market preference for small, flexible organisations able to rapidly adapt to changing circumstances. The last large organisations to survive will be those companies producing products that are most difficult to create in small scale operations, but eventually it can be expected that small organisations using flexible manufacturing and service delivery systems will displace large-scale organisations in all economic sectors.

The only large-scale organisation that can survive will be non-hierarchical, probably a grouping of large numbers of small scale firms cooperating in a competitive market to achieve a mutually agreed goal or in support of a shared vision. However, these organisations are most likely to be temporary in nature or only loosely bound together, in order to achieve the required flexibility to compete in the market.

Fourth, the economic rationale of cities is the bringing together of people into close proximity in order to achieve the increasing returns inherent in contact of mutually supporting skills and knowledge (competencies). However, an information infrastructure can bring these people together without the need for physical proximity. Thus, the cities are devalued as economic units and people can be expected to gravitate towards communities of common interest rather than be located in areas of economic necessity. The future of cities may well become centres of live entertainment rather than as centres of wealth creation.

Fifth, an information infrastructure can reduce the energy consumption of the average person, through reducing the need for people to commute, by enabling localised manufacture, by enabling superior manufacturing techniques and by enhancing recycling capabilities. A useful byproduct is a substantial reduction of energy consumption per person, that can help

mitigate the economic effects of reducing supply of fossil fuels, and assist environmental objectives, through decreasing the per person carbon output.

Thus, a pervasive information economy triggered by a trusted central player can create substantial change to the world we recognise, the places we live, the way we work, the products we use and the resources we consume.

Values of Society

A society's values are based upon those things that assist an individual to be successful. Values that no longer assist become quaint and then forgotten, while new values perceived as useful become adopted as essential parts of society. Thus, values change over time according to the circumstances.

An information economy is a substantial change from earlier times. We can expect many values currently cherished to be discarded. However, predicting future values is extraordinarily unreliable. The best guide is to examine the appearing traits in today's youth that differentiate them from earlier generations, including: large scale personal networks; varying income based upon social requirements; enhanced audiovisual focus along with decreased focus upon written material; attraction to interactive activities; increased creativity; reduced attention span; and increased materialism. This would suggest the end of the puritan work ethic, allegiance to the group above the rest of society and a more nomadic lifestyle.

However, regardless of the final result, we should see a range of values expressed as alternative behaviours trialled to determine what values work and what values are counter-productive. Only those values that add value will end up becoming entrenched in the future economy.

Industry Clock

The pace of change in an industry is normally set by the dominant player in that industry. In the computer industry, Intel has set the industry clock at 30% increased density in microcomputers every year (popularly expressed as Moore's Law), which is roughly analogous to a 30% increase in computing power per annum. However, the clock is actually an arbitrary value set by the dominant incumbent that defines the pace of the industry.

SecurIBL has the opportunity to set the industry clock to a faster pace than traditionally experienced as a method to generate turbulence in the industry, in order to create conditions more conducive to Validity services.

Intentions

SecurIBL's intention is to create associated groups in each country, as a technique to penetrate the varying market conditions around the world.

The objective is to maximise penetration of all markets in order to generate the discontinuity required to reconfigure the industry and to forestall the rise of a competitive threat through rapidly realising the full benefits of increasing returns inherent in SecurIBL's business model.

Thus, SecurIBL Australia is an essential element of the SecurIBL strategy. The Australian market represents one of a small handful of markets that have been recognised as key indicator markets and thus used as a trigger for global market penetration (the others being the United Kingdom, the United States, Canada and New Zealand).

The schedule for the first Validity system is being set by the first major Government foray into widespread identification services. The Australian Federal Government is currently intending to introduce a public sector registry in 2008, while the United Kingdom Government is planning a nation-wide identification system by 2009 and the New Zealand Government is planning an identity verification service for government services by 2009. Validity systems are planned for these markets in order to forestall Government entrenchments in the identity verification sector and the investment in massive surveillance capabilities with the potential for political misuse.

Surprise

The primary strategic tactic is surprise. The intention is to enter the market with sufficient momentum to generate the industry discontinuity before traditional industry incumbents can react. After that time, the existing industry incumbents will rapidly cease to be relevant.

Marketing Probes

The initial Validity systems are marketing probes to fine-tune the service prior to global service delivery. The intention is to use the experience to enhance interfaces, improve equipment specifications, improve access to equipment sources and unearth unexpected technical complications.

Financial

The Validity systems are largely self-funding. Modest additional financial resources will be required by the Validity programme if it is accelerated in order to forestall political action, such as Government attempt to nationalise the market niche.

The 2007 SecurIBL Australia business plan is based upon accessing these financial resources. The required resources are described under the 'Assets Required' section of this business plan.

Risk

Risk is about uncertainty, and SecurIBL will generate large amounts of uncertainty in the market. However, risk is also the creation of opportunity and there is no intention to manage the risk by traditional risk management techniques, but instead to take advantage of the uncertainty to thread a path through the unknowable future – more analogous to a surfer riding a wave.

In reality the bigger risk would be to not accept the uncertainty, as history demonstrates that such policies are linked with failure during an era of ferment. Thus, the real management of risk is to embrace the uncertainty – a policy utterly foreign to traditional investors and management, but the only one capable of successfully achieving SecurIBL's purpose. Hence, the long-term risks are not necessary to forestall.

The risks that do influence the organisation's long-term capabilities are the initial risks that are faced prior to SecurIBL triggering the discontinuity. These risks include Government nationalisation, Government use of power to protect vested interests and access to assets required to initiate the Validity system.

Government Nationalisation

The common expectation amongst current western governments, including Australia's, is that the only entity suitable for establishing and operating an identity verification service is the government itself. A Government can nationalise the market sector by creating its own compulsory form of identification and using a combination of market dominance and the power of the state to entrench such a system. The current Australian Government identification card project represents the genesis of such a threat.

SecurIBL's approach to meet this risk is to meet the threat directly in the first western government to proceed with such a system, and to use the Validity system example as a method of undermining support for the inevitably more expensive, less secure and less effective public sector option.

The SecurIBL Australia business case is an example of this risk response in action, in the context of risk to the global market.

Use of Government Power

The emphasis on criminal syndicates in the 1990s and the Twin Towers incident in 2001 have been catalysts for a substantial usurping of power by governments in all western countries. The creation of money laundering and terrorism legislation go beyond control of the stated targets, but also act to restrict legitimate flow of money and the suppression of political and economic change within countries. The laws exist for a government to freeze money for six months and to imprison people for questioning, with no need for explanation or reason, and with the expectation that all good citizens will subject to this treatment in order to 'do the right thing'.

Thus, there is a risk of use of power by the state in order to preserve the status quo for vested interests. This risk can only be controlled by using strategic surprise to put all capabilities in place before the state security services recognise the significance of the actions.

Denial of Required Assets

SecurIBL needs access to a range of technologies to implement its system. Smart cards are currently in shortage due to proliferation of the technology throughout society outstripping manufacturing capacities. Computer components go through cycles of over and under supply, but at the moment are in sufficient availability to meet initial requirements. Communications capacity is available, but may be committed by the time SecurIBL is prepared to contract for bandwidth.

These risks can be mitigated by applying finance to access resources ahead of schedule, in order to build a buffer against supply variations. This risk approach is a primary reason for the need for capital to accelerate the SecurIBL Australia business programme, which is the basis of this business plan, in order to mitigate the risk of Government nationalisation of the market sector.

Market Analysis

The Market

SecurIBL is entering two interrelated markets: identity verification and privacy protection. These markets are not currently perceived as the same market by potential customers, but the Validity service will eventually cause these two issues to be perceived as the two sides of the same coin.

Identity Verification

Identity theft is a growing problem, with increasing numbers of people reporting theft each year and the types of theft increasing in variety. In Australia a survey by the Office of the Privacy Commissioner in 2007 suggests that 9% of Australians have experienced privacy theft.

Similarly, Governments and commercial organisations are increasingly concerned about establishing the identity of people before providing services. The proposed Australian identification card project is an example of the scale of the concern, while the widespread introduction of chip and pin cards by banks around the world is evidence of the economic cost of fraud from identity theft.

First, the Validity service offers the individual the ability to verify their identity using all or any of the techniques available (including photograph, password/PIN, signature, fingerprint, retina scan, DNA, etc) with a single card. The card does not externally reveal any characteristic identifying the individual, thus protecting the person's identity.

Second, the Validity service offers third party information services the ability to verify the individual without having to issue and maintain their own card systems, thus saving a typical \$1 per card use. Instead, the third party information service stores its profile onto the Validity card, thus enabling access to their system, and pays a small fee per access.

Each Validity card can store a vast number of profiles, thus allowing the individual to carry a single card for a wide range of uses – reducing the card proliferation in people's wallets.

Privacy Protection

The Validity service also enables privacy protection. The double-blind interface to an external organisation operates by the third party creating a profile that presents criteria for its information service and the Validity service passing an acceptance or rejection to the information service based upon that profile whenever a cardholder presents their card to access the third party's service. The advantage is that the cardholder is not identified to the third party information service, thus allowing the cardholder to avoid negative consequences of rejection and avoid leaving a footprint on the third party's system.

The ongoing loss of privacy is a major future problem. In commenting on surveillance camera (CCTV) proliferation, a similar problem to online information logging, the Canadian Privacy Commissioner noted that the effects of the stress of observation:

“The psychological impact of having to live in a sense of constantly being observed must surely be enormous, indeed incalculable. We will have to adapt, and adapt we undoubtedly will.”¹

The Validity service offers the adaptation required to reduce the stress of being constantly monitored by online information systems.

¹ Dawanksi, George, Privacy Commissioner of Canada. (2001). *News release of investigation of video surveillance activities by the Royal Canadian Mounted Police in Kelowna, B.C.*

Market Potential

The latent potential of the market is large. The Australian market for the new government identity card has been estimated at 20.5 million cards, which is similar to Australia's total population, and that is a reasonable estimate for the Australian market potential for Validity cards. Once sufficient external information systems are accessible by the Validity service, there is a strong likelihood that SecurIBL Australia will be able to fully penetrate the marketplace for cards.

However, the more significant market potential is the number of profiles stored, rather than the number of cards in circulation. It is commonplace for people to carry over ten cards each, for a range of activities including motor vehicle licence, credit cards, charge cards, loyalty cards, electronic locks, lift access and car park access. However, once a cost effective card system is available, it is expected that the number of organisations wishing to adopt such a scheme could easily be tenfold those currently issuing cards.

Hence, the market potential is probably nearer to one hundred profiles per card, for 20.5 million cards in Australia (i.e. one for every person), totalling 2.05 billion profiles. If each profile is used on average once every two months at an average revenue of \$0.10 per profile use, then SecurIBL Australia has a potential revenue of \$1.23 billion per annum from transaction fees alone.

It is expected that the market will grow exponentially towards its potential, following the classic 'S' curve typical of new technological products.

Marketing and Sales

Marketing Strategy

The marketing strategy is to be a first mover in the market if possible and rapid second-mover if necessary.

The product is an increasing returns product, and therefore it is a natural monopoly. The first organisation to achieve a significant penetration of the global market will probably dominate the market for the next twenty years. Therefore, marketshare is the most important measure of success, in order to maximise long-term performance.

The intention is to define the market upon the measures of privacy and ease of use (as a result of single-card verification). A superior cost advantage per transaction will provide additional competitive strength.

Brand

The essence of the Validity brand is that you can trust the Validity card to protect you.

All communications and positioning of the product are designed to support that marketing proposition. However, traditional brand management has limited effectiveness with younger people, and in fact can be counter productive as branding has become associated with corporate power. While young people are only one sector of society, that is the growth segment for the long term and the Validity brand must appeal to that market sector. Further, as SecurIBL is creating its own market, branding has less significance compared with mature markets

Thus, SecurIBL is not intending to use traditional techniques, such as mass media campaigns, to enhance its brand image. Instead, the 'old-fashioned' approach of delivering what is promised combined with highly visible public displays of protecting privacy against encroachment by government and corporate entities and word of mouth advertising will be the tools used to create and support the brand.

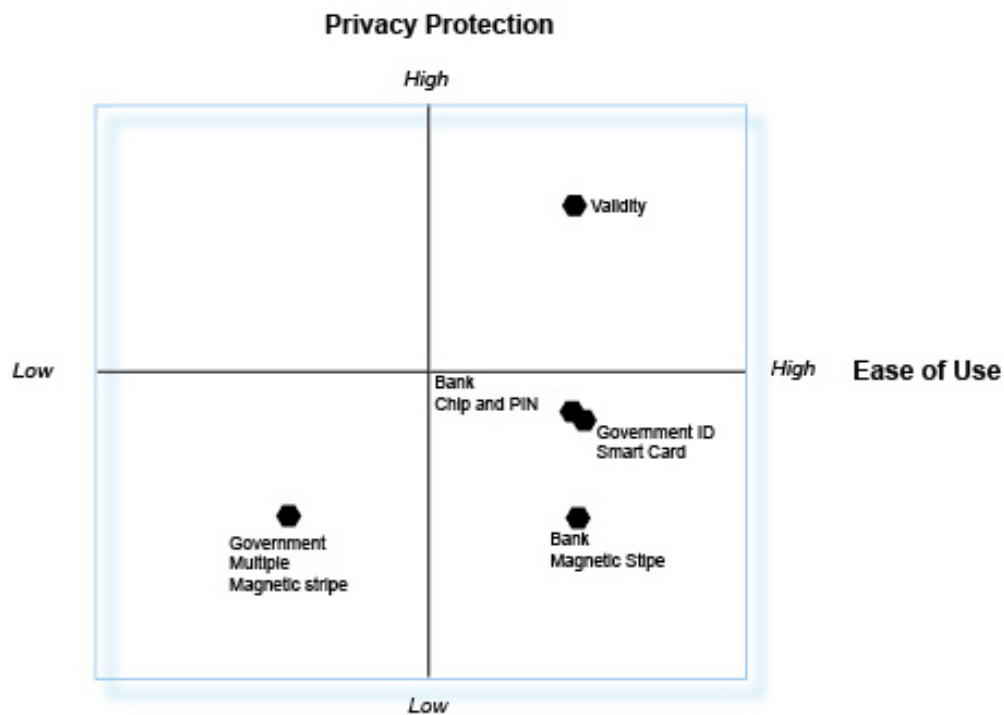
Market Positioning

The SecurIBL market position can be illustrated by its positioning against government and banks (as examples of commercial entities), as competitive business models to the Validity card service, which are also delivering services using card technologies to the individual.

The bases of competition are the two criteria illustrated in the graph below: protection of privacy and ease of use. As illustrated, the Validity service represents a similar ease of use to other single card technologies, but is easier than multiple card requirements, such as the current Australian government system where some clients require as many as three different cards to access different sections of their entitlements.

However, the main difference between the alternatives is the protection of privacy, where the Validity service excels, and the combination of traditional databases and business practices with chip and pin cards are mediocre and with magnetic stripe cards are poor in comparison.

This market positioning supports the brand position of emphasising privacy and trust.



Product

Individual

The product offered to the individual is an identification card. The card is a smart card, with a chip containing personal data stored using a method that requires Validity access to decipher. The storage in the card is sufficient to store all identification data and the profiles of external services.

Further, the card uses RFID technology, meaning that passing it near a scanner induces an electrical current that activates the chip in the card. The RFID card will be fitted with a device to supply positive feedback to the cardholder of its use.

The outside of the card does not contain any method to identify the cardholder. It is intended that the card will be printed with graphics to support the Validity brand.

Service

The primary service for external information services is the profile stored in the Validity card. This service enables the transaction, whilst protecting the individual's privacy. Each profile is created by the Validity service in response to the customer's specific needs to level of identity verification, types of equipment integrated and the required responses from the Validity service.

Equipment

Further, SecurIBL can arrange the supply of equipment to enable the card services, including handhelds, terminals, integrated cameras, phones and kiosks. The handhelds enable mobile services for card use, and can be expected to be used by security groups (e.g. Police, Customs, Security firms) for remote access where wireless communications are the only feasible option and where operational requirements dictate flexibility. The terminals enable Validity access from fixed locations (e.g. offices, points of sale/service and automated services such as car parks, building entrances, lifts). Integrated cameras enable a range of value-added services designed to enhance privacy protection. Mobile phones provide a combined small-screen handheld and cellphone, thus reducing the equipment carried by a mobile person. Kiosks enable service delivery in public places (e.g. shopping malls, public buildings and public transport centres, including airports and railway stations.).

This equipment is used to enhance the customer access to the Validity service and to enable the delivery of services for third party systems.

Place

The core Validity service is in cyberspace. The equipment supporting the service are located in areas outside jurisdiction of any Government in order to eliminate any conflict of interest and competition between governments. Suitable locations for SecurIBL cyberspace systems include the extra-territorial section of airports and seaports, non-territorial countries located on oil rigs or similar platforms and placing server equipment outside of the Earth's atmosphere. It is planned to build a number of cyberspace sites in order to maximise service reliability.

The SecurIBL Australia group is an Australian operation and requires space within Australia's jurisdiction. Installers and support staff will be locally trained to support Validity operations as close to the customer locations as practical. SecurIBL staff typically use equipment located at home to connect to the Validity online market in order to interact with others within the Validity system and take responsibility for specific projects.

SecurIBL Australia also has a requirement for a local registry located in a compound to support Australian information. This compound requires physical security, autonomous power generation and access to high capacity data communications. The information stored in the registry is replicated within SecurIBL's cyberspace systems in order to ensure total reliability.

Price

Every access of a Validity page carries a standard price per use. A page may trigger one or more transactions with other Validity pages and/or third party information services. The page is priced in order to achieve a substantial economic advantage over traditional systems, while still providing sufficient profits to fund the growth of the Validity network.

The pricing policy will alter over time as the benefits of increasing returns become realised and can be returned to the customer, in order to stimulate the market. As a pricing example, the 2008 price for a significant-scale project, such as the Australian Government ID card registry, has been set at A\$0.10 per page.

Promotion

The Validity service represents a new market for its customers. Thus, the initial promotion programme will focus upon educating the market regarding the benefits of the Validity service and associating the Validity brand with privacy.

The SecurIBL market will initially be early adopter customers and key clients seeking a sophisticated solution to an existing problem. Thus, the promotion will be targeted using one-to-one sales techniques and Internet information dissemination for market education purposes.

The second part of the promotion programme will be the deliberate support of individuals in high profile legal actions when a government agency or commercial organisation attempts to breach the Validity service's privacy protection. The support of individuals will generate free and high profile media interest, thus substantially enhancing the brand while effectively reaching a significant proportion of the market. It is intended that this action will portray the Validity service in a similar light to consumer protection groups, while simultaneously exposing the true intentions of both government and corporate groups regarding information theft, disregard for individual privacy and abuse of power.

It is expected that the promotion programme will have achieved its goals within one year, in time to support the Validity system growth to dominant market position and will entrench individual perspectives relating to privacy issues.

Organisational Design

Governance

The SecurIBL Australia governance is made up of key people from the international SecurIBL Group, with input from key investors as required. The SecurIBL Australia governance will be restrained by a constitution that will empower individuals to vote on issues and influence the direction of the organisation. This direct link back to individuals will ensure the continual focus upon the individuals and prevent capture of SecurIBL's governance by existing or future interest groups.

It is intended that the temporary governance group responsible for establishing the service will relinquish its position in favour of stakeholders as soon as SecurIBL Australia's direction has been secured.

Structure

The SecurIBL Australia group structure is an online market, with tasks allocated on a project by project basis. SecurIBL personnel log onto the Validity system in order to post, access and book projects. The online system provides a complete logistical system for SecurIBL, thus enabling a dispersed organisational form with a high degree of coordination.

The SecurIBL structural form can be conceptualised as a galaxy of stars, representing individuals operating within the Validity system, rotating around a centre of gravity, representing the governance core. Each star is contributing to the brilliance of the whole, while combinations of stars move together and apart in response to various projects, as groups of stars appear to move when viewed from a point within the system, such as our night sky.

The Validity system does not have a central command and control function, but instead relies upon self-interest and effective coordination systems to achieve superior organisational performance.

Facilities

The principal facility for SecurIBL Australia is the registry that will be located in Australia. The registry requires a secure compound, access to high capacity communications and independent power capability. These facilities will be established in time to support the initial service delivery in Australia. The location of this registry will be selected with the guidance of stakeholders.

Research and Development

SecurIBL Australia will have access to all Research and Development conducted on behalf of the SecurIBL Group. It is intended to significantly enhance Validity services with new technologies as they become available in the future.

SecurIBL has access to two research and development streams: Core research and new product development. Development Systems Limited has been conducting core research and development in New Zealand since 1996. This has involved creating new product categories and creation of novel equipment to test market hypotheses. The purpose of this research is a probe into future possibilities, to determine the viability of ideas and to learn from the experience to improve performance of new market opportunities.

New product development is conducted by associated companies and suppliers in response to directions from Development Systems Limited. It is anticipated that the ongoing development of new products will drive substantially improved performance over time, thereby enabling improving service delivery and improved economics for services.

The intention is to use research and development to continue to open new market opportunities and to improve the performance of SecurIBL for the benefit of all stakeholders.

Operations

Registry

The Registry is SecurIBL's prime operations asset. The registry consists of racks of proprietary equipment supporting massive database systems. An interconnected group of over two hundred racks has the capability of supporting 20 Petabytes of storage, which would be one of the largest databases in the world. It is expected that the SecurIBL Australia registry will grow to this scale within one year of operations in order to meet service demand.

The Registry is totally automated. All administration is automated and there is no requirement for any systems administrators. The Registry automatically replicates data with other registries in order to ensure continuity of service in case of disaster.

An unusual feature of the Registry is that the entire centre will operate from battery power. The batteries will be charged by external power sources, such as solar, wind and hydro power, in order to eliminate dependencies on external energy services.

The Registry is required to have access to high speed communications. Ease of access to a fibre optic cable is preferred for cost-effective connection to customers while minimising propagation delay.

Finally, the Registry has a high level of security requirements. The compound is required to be surrounded by a perimeter fence, with the Registry building separated from the perimeter by a defence zone automatically monitored by cameras and motion sensors. The Registry building will be accessible only by a small number of authorised personnel for business or maintenance purposes only.

Logistical System

The SecurIBL logistical system is mounted upon the Registry system. This system enables all staff to operate as independent business entities, including sales to the internal market, purchasing, payroll, tax services and general accounting. SecurIBL staff access this system to search for available projects, book projects to their account, to post projects for others, evaluate performance, to sell services to customers, and every other task required to support the business. The relationships between all aspects of the system and customers is governed by an automated contract management system covering all operational contingencies.

The logistical system is the essential infrastructure required to enable the SecurIBL organisation to operate effectively and to meet the scaling challenges required to meet customer projects.

Cards

The Validity system can integrate most manufacturers' cards. The cards selected for use depend upon their meeting specifications and availability to meet project schedules. Smart cards are now available from a range of sources and multiple sourcing reduces the risk of supply delays.

Profile Creation

Profiles for third party systems are generated by SecurIBL staff in response to project requirements. Each profile is a page enabling access to the third party's information system, including passing of data between the systems in order to enable the service. The profile creation includes the posting of online documentation, to enable customer staff to self-train on their profiles.

Training

Training services are available to train the trainers or to train customer staff in the use of Validity systems and equipment. The intention is to use local people and online training systems wherever possible to deliver customer training.

Customer Equipment

Customer Equipment is ordered via the logistical system. Associated companies are responsible for the sourcing of products and the posting of available stock onto the logistical system.

Customer equipment is supported by optional maintenance contracts. These contracts are typically priced around 15% of the capital cost per annum and cover a three-year period. The maintenance contracts enable assured service levels for customers, while providing additional revenues. The normal procedure is to swap out equipment with a replacement pool for reengineering or discard.

Assets required

Intellectual property

The Intellectual property is the primary asset required by SecurIBL and comprises its licence for the technology, the company name, the Validity product name and the domain name.

Licence

The Validity service is based upon intellectual property developed by Development Systems Limited. This intellectual property has been made available for commercial exploitation under a licensing agreement.

Name

SecurIBL is a functional name conveying security. Validity is a functional name conveying the purpose of its service, i.e. that the cardholder's identity is valid, and as such, enhances brand and product awareness.

Domain Name

The third element of intellectual property is the Internet domain name. This domain name is registered and E-mail addresses for contact are available using the name@securibl.com format.

Capital

SecurIBL Australia is in the process of capitalisation. The current intention is to raise up to A\$20 million in order to meet the schedule for the Australia ID card project. The final subscription accepted may be reduced if market circumstances change reducing the short-term need for capital, such as a deferral in the ID card project.