

IN BRIEF

□ US access network provider **Wilshire Connection** acquired substantially all of the assets of Micropathway. This acquisition will expand Wilshire Connection's network reach into several downtown Los Angeles buildings. In addition, the newly combined customer base is now approximately 30% of all the customers in the One Wilshire Building meeting room.

□ Equipment manufacturer **ZTE** has been selected by Indian service provider Tata Teleservices to deploy all-IP solutions for rural telecom networks throughout India in the next three years. ZTE won the multi-million dollar contract after a series of interoperability tests carried out by Tata Teleservices. ZTE will be responsible for the construction of the network covering many of India's rural regions.

□ **Alcatel** and **Lucent** have given an update on their merger plans – they are on track to complete their merger transaction by the end of calendar year 2006 and say they have achieved a number of significant milestones, including satisfying some regulatory conditions to the proposed merger. ■

Tata Group expands network

The future looks bright for Alcatel on the Indian subcontinent with the signing of a multi-million dollar deal network deal with Tata Group.

Alcatel has signed a \$20 million deal to extend the Tata Group's existing optical multi-service network. The Tata Group, owner of VSNL and Tata Teleservices, will enhance its ability to roll out CDMA mobile services and support new broadband services and Ethernet applications in 10 Indian states.

David Waterhouse, VP of product marketing at Alcatel, said: "India is a fast-growing market and technically demanding. Alcatel has developed its optical networking activity in the country over the last few years, and delivered numerous projects for the roll-out of broadband services and international connectivity via submarine networks."



David Waterhouse, VP of product marketing, Alcatel

The expanded optical transport network will meet 70% of the transmission requirements for Tata Teleservices.

Waterhouse said: "Bandwidth requirements are increasing rapidly to keep up with demand for data and internet services, so we see a move to a market where we're not only supplying capacity additions to existing

SDH and WDM networks, but a significant amount of greenfield builds."

In July, Alcatel completed a 5,000km extension of the existing optical multi-service telecommunications transport network for Railtel Corporation of India, a subsidiary of Indian Railways. This network extension follows the implementation of a 11,000km backbone network supporting multimedia communications among Railtel's sites throughout India.

Waterhouse said: "New systems are being installed in order to cope with this growth, but also to offer the benefits that increased system performance can bring in terms of operating cost reduction. Today these new networks are almost all based on 10Gbps design." ■

TAKE YOUR PARTNERS

David Ballarini analyses the reasons for the joint venture between equipment vendors Nokia and Siemens

On June 19, Nokia and Siemens announced a new strategic joint venture, Siemens Networks, which will be equally owned and focussed on the service provider infrastructure market. In the wake of the "Lucent" merger between Lucent and Alcatel, this is another consolidation play that each of the partners felt was imperative to compete against a shortening list of major vendors able to serve carriers.

This venture only involves the network side of Nokia's business, which is quite small relative to its mobile handset business. So, for Nokia, there was a strong motivation to partner with Siemens and create a stronger entity to pursue the wireline carrier market. Despite having substantial cash on hand – over €9 billion – the joint venture with Siemens required no cash initial investment. There likely is also some satisfaction as the other Scandinavian telecom giant Ericsson had long been considered the frontrunner to acquire the Siemens carrier operations. In essence, then, this deal allows Nokia to be a more meaningful competitor to Ericsson.

For Siemens, there were a number of factors at work. The Communications Group has been underperforming. Although Nokia is primarily a wireless company, it was seen as the right partner to make this group a better performer. Siemens undoubtedly felt the need to keep pace with Alcatel and Lucent. With carrier consolidation and Asia vendors growing stronger, Siemens could not stand still. The main question is whether Nokia is the right partner for Siemens. Clearly, the choice is a good one for the wireless network infrastructure market. Ericsson is the global leader, and Nokia Siemens Networks figures that this joint venture makes them a solid number two, ahead of Lucent/Alcatel.

This new venture is made up of entities that were secondary businesses for their parents. In the new joint venture, these two businesses now become primary. Both are clearly better off in this scenario, especially with so few options available for mergers or acquisitions.

No doubt Asian vendors will create constant pressure on market pricing and margins, and this will present a significant challenge the venture, as these companies have traditionally had high cost structures and will need to shed thousands of positions. The most immediate fall-out from the deal is with Nortel, who, as the most vulnerable major player, is now left with two fewer dance partners. Nortel seems committed to its own path, but market forces may dictate a change in thinking. ■

Analyst's Eye

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