



## IN BRIEF

Equipment vendor **JDSU** has been selected by **China Telecom**, the incumbent telecommunications carrier in China, to ensure the installation, maintenance and monitoring of its IP TV services. China Telecom purchased multiple units of JDSU's HST-3000 IP Video test suite with ADSL2+ options and the JDSU QT-200 xDSL and triple-play probe.

**Nutreco**, an international animal nutrition and fish feed company, has signed a €4 million contract with virtual network operator **Vanco** for a wide-area network. As part of the three-year contract, Vanco will provide a combined MPLS and IPsec network to the Dutch-based company, connecting about 100 sites across five continents and over 20 countries, including Australia, Belgium, Canada, Chile, Denmark, France, Germany, Italy, Japan, Mexico, Netherlands, Norway, Portugal, Spain, UK and the US.

The free Wifi network built to provide wireless internet coverage for small business users in New Orleans after Hurricane Katrina is to shut down. It will be replaced by an alternative system deployed by **Earthlink**.

## Ancotel, HKColo form alliance



**Klaus-Jurgen Orth**, CEO, ANCOTEL  
**Andrew Pang**, Director, HK COLO

**Co-location and network interconnection providers** Ancotel and HKColo have joined forces to form a strategic alliance to help foster leads between European and Asian carrier and network customers and increase the potential for new business.

The companies, who signed their agreement at *Capacity Russia 2006* in October, are kickstarting the alliance by establishing a virtual meet-me room in Hong Kong.

Said SH Cheng, CEO at HKColo: "The alliance doesn't just unify our facilities, but also two continents and brings huge connectivity opportunities to those living in the two

regions. Carriers and network providers in Europe and Asia who used to do business across two oceans and one continent will now find that they are much closer." He said that the alliance was a natural development after Ancotel had deployed its virtual meet-me room service at its facilities earlier this year.

Ancotel said that the alliance would benefit the customers of both companies, offering high cost reductions and advanced interconnection potential. "Our goal is to offer a network neutral interconnection option to help our customers choose the ideal solution for their needs from several solutions," said Ancotel CEO Klaus-Jurgen Orth.

Ancotel's Frankfurt facilities serve over 200 network carriers and HKColo's facilities serve over 200 carriers.

## NORTEL STICKS TO ITS STRATEGY

Nortel's sale of its UMTS access business to Alcatel is a clear demonstration of the changes the company is making, says **David Ballarini**

### Analyst's Eye



**DAVID BALLARINI**

PARTNER

MERCATOR CAPITAL

tel: +1 703 995 5521

email: dballarini@mercatorcapital.com



**On September 1**, Alcatel made a modest acquisition (by recent standards), but one that has notable implications on a number of levels. Alcatel has acquired the UMTS access business from Nortel Networks for \$320 million, in a deal that is expected to be finalised by year end.

Both buyer and the seller have different motivations. There are two pieces of Nortel's UMTS business, which serves the 3G wireless market – access and core equipment. Nortel has a stronger market position for core – estimated at about 10% – while it is a minor player for access gear, with a 2% share. Nortel CEO Mike Zafirovski indicated Nortel will only compete in sectors where it can hold a 20% share or better. By holding on to the core UMTS segment, it maintains a meaningful presence in 3G, which has yet to reach its potential.

On a strategic level, Nortel has recognised it cannot scale the access business enough to be worth keeping, and this is another step towards becoming a more focussed company. This is important for the balance sheet, and investors, who need to see Nortel reshape the company into something the market understands and approves. The UMTS deal is positive for Nortel in three ways. It brings in fresh capital, which can be deployed to strengthen Nortel's core businesses. Second, the UMTS access business was losing \$200 million a year, despite revenues of over \$200 million – so the divestiture makes good fiscal sense. And third, it helps bring clarity to where Nortel plans to focus. Wireless has long been a strength for Nortel, but it sees more growth potential in 4G, so backing away from 3G reinforces that direction. The shift to 4G positions it as a potential market leader in areas where it has solid expertise, namely Wimax and CDMA DO. Another pillar of Nortel's game plan is enterprise and services applications, and to support this strategy, it has already made its deal with Microsoft.

On the buyer side, Alcatel sees Nortel as a key piece in its bid to become a major player in the UMTS access market. Its share is reportedly only 4%, whereas Ericsson and Siemens each hold about 30%. When the Alcatel-Lucent deal closes, the combined product lines would make it a solid number three in the UMTS access market. But one must question the motivation of the unit's sale to Nortel's fiercest competitor, and with the pending Alcatel-Lucent and Siemens-Nokia mergers close to completion, whether Nortel's remaining portfolio positions it for a strategic merger which may be required to compete on a global scale.