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New mobile fuel cell technology developed:

Engineers at Purdue University have developed a new fuel cell technology that automatically recharges batteries in portable electronics. The current problem is producing hydrogen in fuel cell. In the solution, small cartridges, made of a triple borohydride-metal-water mixture, are inserted into portable electronics, and changed when they are used up. Today, engineers have reached a yield of about 7% and expect to reach 10% (100gr of mixture to produce 10 gr of hydrogen) soon.

China: The telecom market is expected to evolve in coming months, mainly driven by 3G licenses introduction, market restructuring and value-added services. Most of analysts now expect 3G licenses will be introduced early next year. Uncertainties still exist on the number (3 or 4), who would be granted and the chosen technologies (W-CDMA, CDMA 2000 and TD-SCDMA). If mobile operations are opened to current fixed line operators (highly expected), some are seeing 3G as the way to migrate PAS users (wireless fixed line) to 3G services. Why not! But this requires that operators heavily subsidize 3G handsets. Is it sustainable? It should be the first phase of introduction with an affordable phone, then in a second phase operators would introduce a range of 3G value-added services.

China is a country with low ARPU (not the lowest, but around \$10), and many analysts make the forecast that

Chinese mobile operators have to generate new business revenue models and need value-added services in order to increase ARPU. Foreign mobile operators are also interested to enter the Chinese market, but also have to overcome barriers put in place by government policy. They will only get in as niche operators, while Chinese mobile operators are expected to get the bulk of the market.

The situation is further complicated by the fact that the Chinese government plans to restructure the telecom market. The move could impact the number of players (how many fixed, how many mobile, how many with both businesses), their focus and perimeter, introduce perhaps MVNOs to reduce redundant network resources.

A lot of answers are expected. A first milestone should be the next 3G China Global Summit 2005 from 14-16 September, where new test results of its homegrown TD-SCDMA 3G standard could be announced. To be continued....

3G Americas reports that **GSM attracted some 1.5bn users**, up 347m in the past twelve months. The Americas were posting the biggest gains, with 79.4m new subscribers. 3G UMTS/W-CDMA accounts for about 33m. In comparison, CDMA 2000 users account for 185m, up 73m in past twelve months.

European spectrum reform:

Europe needs a spectrum management reform, and it is a key issue for regulators. Vodafone CEO pressured regulators to complete the work no later than 2010, as all mobile operators depend on spectrum allocation to offer wireless services.

Secure WiFi:

In spite of ad-hoc protocols, VPN tunnels or AAA servers used to secure applications, WiFi is not perceived as a secure transmission technology. In its recent Intel Developer Forum in San Francisco, Intel has presented an interesting solution to "fix the problem". By computing the time to transmit between the computer and the access point, and by triangulation between two access points, the system can precisely locate the computer. If it is inside a pre-defined perimeter, a connection is allowed, if not, it will be rejected. It is obviously an additional tool to secure WiFi transmission, to be used with (and not alone) other identification methods.

Market's corner

A few set of market information released this week:

- ⇒ Mobile Research Group (Russia) has cut by 10% its forecast for mobile handset sales in Russia this year to 31.5m units. The reason is police's fight against illegal importation and handset increased prices.
- ⇒ In-Stat forecasts solid growth for Telco TV subscribers in coming years. They were 1.6m in 2004 and will grow to 32m in 2009, with over half of the total coming from Asia.
- ⇒ Juniper Research forecasts 65m mobile streamed or broadcast TV users by 2010.
- ⇒ Healthy optical market: Dell'Oro forecasts that overall North American optical transport equipment revenue grew 20% in 2Q05 versus 1Q05 and 37% versus 2Q04. Dell'Oro Group now forecasts that the worldwide optical market will grow 18% in 2005.
- ⇒ According to OVUM-RHK, Alcatel secured 11% of the IP Edge router market in 2Q05, from 3% in 1Q05, on market worth \$315m, growing 7% qoq.
- ⇒ Parks Associates s predicting that the market for IPTV will reach 21.7m subscribers in 2009.
- ⇒ According to the Association for Promotion of Satellite Broadcasting in Japan, the number of digital satellite broadcasting subscribers top 10m at the end of August.
- ⇒ According to Informa, Africa has hit the 100 million mark in mobile subscribers.

- ⇒ According to Gartner, Japanese domestic sales of mobile phone handsets are expected to reach a record of 49m units in 2006 and then begin declining.
- ⇒ Forward Concepts predicts that the WiMAX and pre-WiMAX equipment market, including 802.16d and 802.16e, would grow from \$72m in 2005 to \$2bn in 2009.
- ⇒ The UMTS Forum says W-CDMA subscriber number 33m, on a total 3G subscribers of 50m.
- ⇒ According to Gartner, Juniper Networks has got the number one position in the broadband aggregation router market in the 2Q05 quarter with 41% market share.

Vendor's corner

Strategies/Organization

Huawei is partnering with leading networking and storage partner Zycko in the UK, to drive sales up. Zycko has in-depth knowledge of the networking market, an extensive reseller channel and integrated support.

Microsoft acquires 10% stake in ZTEsoft for \$5m.

Ericsson plans to invest \$1bn in China over the next five years in order to maintain its 35% mobile market share and boost its local presence.

Intel will acquire a \$16m stake or about 20% in Czech antivirus software vendor Grisoft.

Cisco completed the purchase of KiSS (Denmark) for \$61m in cash and stock.

EADS has purchased, with the green light from EU, the Nokia professional mobile radio (PMR) business, and combined the entity with its own PMR operations, to form the EADS Secure Networks unit. EADS Secure Networks has deployed 130 networks of digital radio across 56 countries in both TETRAPOL and TETRA standards.

Microsoft announced additional partner support for its IPTV software platform. Motorola, Thomson and Cisco/Linksys/KiSS have joined the pack.

Motorola and Apple have finally unveiled their iPhone, a Motorola handset with iTunes software, the Motorola Rokr. Cingular announced it will be the exclusive U.S. vendor of Motorola's Rokr E1 device.

Access (Japan) bought PalmSource, maker of the Palm OS for handheld computers and cell phones, for \$324m in cash.

eBay is rumored to be in acquisition talks with Skype. eBay should be ready to pay between \$2bn and \$3bn.

JDS Uniphase is to buy Agility Communications, a leading provider of widely tunable laser solutions for the optical network.

EU cleared BenQ to buy the mobile phone unit of Siemens Comm.

Fixed networks:

Alcatel has selected Convidia media servers to enhance its own media resource product portfolio.

NetCentrex (www.Netcentrex.net) claims Local VoIP Call Minutes leadership with 27% market share, confirmed by industry research firm, iLocus. It said it has shipped 2m Class 5 VoIP lines.

Zhone Technologies (www.zhone.com) announced several milestones for its Broadband Loop Carrier (BLC) equipment. It has shipped over 700,000 BLC ports of video-capable ADSL2+, and over 275,000 ADSL2+ DSL modems.

Cisco released its latest IOS security alert, warning of a hole in its firewall authentication proxy.

Mobile networks:

Motorola and Samsung have signed an agreement to cross-license wireless communications technology.

Motorola has acquired a European team of i-mode design employees and a research center in Rennes, western France. The team is part of Melco Mobile Communication Europe (MMCE), a subsidiary of Mitsubishi Electric. The Rennes facility will become a European i-mode focused development center for Motorola.

Ericsson will license its 3G wireless platform U250 (for phones) to NEC.

Contracts

Fixed networks:

Alcatel will build a fiber-optic network in Spain for the Principality of Asturias, under a €19m order. It will supply several broadband access systems to Uralsviazinform, a large regional telecom operator in Russia.

Lucent has deployed the first phase of a CDMA2000 1X network for TeleCard, a wireless local loop operator in Pakistan.

LHS got a BSCS billing and customer care solution order for the fixed line business unit of Maroc Telecom.

Juniper Networks has got an order from KT, South Korea's service provider, for its M320 Multiservice Edge routing platform to create a new, premium IP/MPLS network.

Redback will supply Telefonica Germany with its SmartEdge Service Gateway to increase network capacity and performance.

Ericsson will provide an IMS solution to Commander Communications (Australia). It will also provide Sonaecom in Portugal with managed services for both the fixed and mobile networks (Optimus and Novis).

BitBand is supplying B2 (Sweden) with Video-On-Demand (VOD) solutions over broadband IP networks.

Nortel and LG are jointly selected as the primary vendors for an ultra high-speed wireless service to KT Freetel in Korea.

Alcatel signed a MoU (worth \$400m) with the Kazakh government on modernizing the state's communications systems and widening the country's Internet network.

Cisco received a new sale reference for its CRS-1 core router with C&W.

Tanberg Television signed a deal with KPN for a flexible EN5930 encoding system for its IPTV plan.

Transmode will deliver its TS-1100 platform for UK's Gamma Telecom next-generation optical backbone.

Infinera has been selected by FLAG Telecom to supply optical networking equipment.

PacketFront has been selected by Dubai Internet City (DIC) to build its triple-play FTTH platform.

Alcatel will provide RAI Way (a unit of RAI in Italy) with a full Digital Terrestrial Television (DTT) backbone transport network for video contribution and distribution throughout Italy.

Mobile networks:

Alcatel has landed a deal with Vodafone Spain to provide equipment for multimedia services over its UMTS network.

Motorola will provide a TETRA system for 13 lines of Shanghai subways.

Ericsson is the sole supplier for Israel's Cellcom 3G/HSDPA radio network.

Alcatel won an \$18m expansion contract from Philippines' Sun Cellular

Nokia has signed an agreement to supply a nationwide EDGE radio network to Swiss operator sunrise.

Ericsson got 3G network expansion and upgrade to HSDPA with Maxis (Malaysia).

Nokia will supply its W-CDMA network equipment, including HSDPA solution, to EuroTel Praha (Czech Republic).

Telular won orders totaling \$23m with multiple LATAM mobile network operators in Colombia, El Salvador, Guatemala, Mexico and Venezuela. The orders are for CDMA 1X, TDMA and GSM/GPRS fixed cellular products.

Results

Axalto reported 1H05 turnover of \$498m, up 16%, operating income of \$47m, up 62% and a net income of \$33m, up 71%.

CapGemini is back in black with a 1H05 net profit of €58m, with an operating income of € 62m and sales of €3.47bn (+1.2%).

Comverse said its 2Q05 net income rose 160% to \$34.8m on sales of \$286m, up 23%.
Nokia is seeing gross margin of around 25% on network services.

Operator's corner

Strategies/ Organization

Europe has cleared the purchase of Versatel operations in Germany by Apax for \$565m, while Tele2 AB purchased the rest of Versatel's operations.

Greece: The Greek government confirmed it would place 10% in OTE, the telecom incumbent. It will, however, keep over the 34% required for a blocking minority.

Japan: The Japanese government has concluded the privatization process of NTT. The 7% disinvestments led to the reduction of government's holding in the telco to 33.7 %.

Broadcasters in France are also targeting video on demand. TF1, ARTE and Canal+ are expected to launch VOD services in 4Q05.

India became the latest country to sign up to the European Union Galileo project

Fixed networks:

Illiad/ Free (France) is buying Altitude Telecom (France) for about €20m. Altitude gives it a company with the only nationwide WiMAX license, and an early experience in VOIP over broadband wireless.

Interoute buys Via Net.Works, a pan-European hosting and managed services specialist, for \$18m. The move increases Interoute sales by about 50% and adds 12,000 new customers onto Interoute's books.

VSNL (India) will buy a stake in Tata Power Broadband for \$55m and get access to its broadband fiber-optic network.

France Telecom and Atrica jointly developed their revolutionary Virtual Private LAN Service with Traffic Engineering (VPLS-TE) capability. Atrica's bandwidth-conditioned VPLS-TE delivers guaranteed SLAs and hard QoS with sub-50ms service protection and is user-configurable, based on different traffic patterns. A commercial service based on the VPLS-TE technology should be launched within the next 12 months.

Skype is dealing with Chinese internet portal Tom Online to create a 49%/ 51% JV for voice over internet marketing. The famous Skype software will be translated in Chinese and distributed by the JV. The move highlights Skype's interest in Asia.

Telefonica has raised its stake in China Netcom to 5%, for around €178m.

T-Com (Germany) is offering customers broadband services in a WiMAX field trial (provided by Alvarion).

Vonage has exceeded one million lines in service on its network.

China Telecom has decided to merge its fixed and PHS operations. PHS (Little Smart) is a very successful wireless local loop system.

NY3G Partnership, a Broadband Radio Services (BRS) spectrum licensee in New York City, will trial WiMAX in Manhattan in early 2006. Adaptix will provide its all-IP Orthogonal Frequency Division Multiple Access (OFDMA) wireless mobile broadband access technology.

BSNL (India) has announced a €92m plan to upgrade and expand its broadband capability.

Equant formed a strategic partnership with Avaya for IP communications and related applications.

France Telecom is trialing VDSL2 at 100Mbit/s.

KT, the South Korea largest broadband and fixed service provider with 21m fixed lines and 12m broadband users, plans \$10bn network development project by 2010.

Mobile networks:

T-Mobile plans launching HSDPA in Germany in Spring 06.

Softbank (Japan) has applied for government approval to enter the mobile phone service business. If approved, Softbank plans to start mobile services as early as 2006.

eAccess, which offers ADSL broadband services in Japan, also plans to apply for a license to start high-speed mobile phone services.

Turkcell (Turkey) has signed the agreement, which reduces its stake in the Irancell project to 49% from 70%.

Telstra (Australia) has launched 3G services.

Hutchison Max Telecom (India) has changed its name to **Hutchison Essar**.

H3G Italia has launched "Pupillo", an UMTS video camera for €149.

SunShare, the JV between **Telekom Malaysia** and Khazanah, has got 24% of Singapore's M1.

Vodafone Japan could open its network to MVNOs in Japan. Jupiter Communications, a cable TV leader, could be close signing deal to offer mobile services.

Vodafone has launched a solar charger for mobile phones enabling users to recharge batteries anywhere where the sun is shining.

Vietnam: two new mobile networks should be launched next year. Hanoi Telecom and VP Telecom are expected to build nationwide CDMA networks.

BSNL (India) plans to offer 3G mobile services by March 06.

Spain intends to license a number of MVNOs to boost competition on the Spanish mobile market.

Orange considers a foray into the Indian mobile telecom market.

Subscribers

Russia: Megafon raised its subscriber base to 19.2m, as of July 31.

Japan: DoCoMo gained a net 119,900 subscribers in July, while KDDI added 185,300 net new subscribers and Vodafone added 3,600.

DoCoMo currently has 15.9m FOMA subscribers; KDDI reported 19.3m 3G users, and Vodafone has a little bit less than 1.6m 3G subscribers.

Telefonica Moviles has raised its total number of subscribers to 88.6 m at the end of August.

India: total subscriber base for the country's nine GSM-based mobile operators stood at 49m, up 4.3% or 2m in August. Bharti Tele-Ventures (India) subscriber base reached 13.4m at the end of August; the subscriber base of competitor Bharat Sanchar Nigam rose to 11.3m; Hutchison Essar Telecom subscriber base grew to 9.3m and Mahanagar Telephone Nigam Ltd. increased its user base by 4.9% in August to 1.2m. The total number of mobile phones in the country rose to 62.6m, giving a 13.6m share to CDMA users.

Russia: mobile user number reached 107.3m in August.

Results

Telstra posted a profit warning. Annual earning could fall as much as 10% due to intensifying competition and tougher regulation. The profit warning makes next privatization a much more difficult task.

Telecom Italia: report on its 1H05 results include a net profit of €1.7bn, up 80%, revenues of €14.7bn, up 5%, an EBITDA of € 6.5bn, and a net debt growing to €44bn (from € 33bn).

Iliad (France) posted a net profit of €24m, up 56%, and an operating profit climbing 62% to €39m.

People

Siemens Communications could continue to fire people and reorganize its Communications division. Unions anticipate the company could cut some 3000 additional jobs, and spin-off the division. Siemens already announced 340 people laid off in the mobile phone division.

Vinton Cerf, the Internet concept founder, has been hired by Google.

Agenda

GSM World Middle East, Gulf & North Africa. 11-12/ 09 2005 Dubai UAE

www.gsmconferences.com

Submarine Networks World 2005 20-23/09 2005 Singapore

call on +65 6322 2700

4th International Conference on Standardisation and Innovation in Information Technology.

21-23/09 Geneva IUT SIIT 2005

www.siit2005.org

European Conference on Optical Networking Markets, ECOC. 25-27/09 2005 Glasgow Scotland,

www.kmiresearch.com et www.ecocexhibition.com

NGN 2005 Conference 26-30/09 2005 Washington, DC USA

<http://www.bcr.com/ngn/index.php>

ITU Telecom Americas 2005 2-6/10 Salvador de Bahia Brazil

www.itu.org

SMAU 19-23/10 2005 Milano, Italy

www.smau.it

Satellite EMEA 2005 24-26/10 2005 Roma, Italy

<http://www.accessintel.com/>

WiMAX World Conference and Expo. 26-28/10 2005 Boston, MA USA

www.wimaxworld.com

Carriers World CEE 23-24/11 2005 Budapest, Hungary

www.carriersworld.com/2005/cwcee

Congress of Nanotechnology 2005 31/10-4/11 2005 San Francisco, CA USA

<http://nanotechcongress.com>

SIMO TCI 15-21/11 2005 Madrid, Spain

www.ifema.es/ferias/simo/default.html

Globecom 2005 28/11-2/12 2005 St Louis, USA

www.globecom2005.org

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