



Advisory Report

Monthly Round-up: Infrastructure Services Contracts Announced in November 2006

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■ Summary

Twenty-nine new infrastructure services contracts were announced by 11 telecom vendors and services firms in November, up from 21 deals in October. This increase in announced contracts reflects continuing services sales growth reported by top vendors in recent earnings reports. Despite a handful of deals announced by integrators and software vendors, the November list is dominated more than usual by network hardware providers. More than half of the contracts include a managed services element (e.g., recurring, process-based services such as hosting or network outsourcing).

Note: These contracts reflect the new customer wins that network vendors and services firms have chosen to highlight publicly, and they do not therefore represent every new contract agreed during the month. Announced customer wins are included where the vendor's services organization plays a key role in the overall deal. These sales may or may not include product supply revenues as well. We do not include wins where the services component is limited to routine, product-specific installation and support services.

Current Analysis
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■ Perspective

Of notable interest from November's list of announced contracts:

- There is ongoing robust activity occurring in developing country markets, including one of the largest, Indonesia, which shows up four times in this report. So much network building is happening there that Nokia and Ericsson each reported two significant deals in Indonesia within a month, spread across three operators (Telkomsel, Indosat, and Hutchison). Russia, China, Singapore, Korea, and a handful of other developing country markets are also represented.
- While almost all of the contracts during the month involved product-attached services, some of these deployment-related projects included services that go well beyond the installation, integration, and commissioning of the network. On the one hand, there is an increased emphasis on service-related and business-related consulting. Operators are increasingly asking vendors not only to roll out and integrate new network equipment, but to provide operational and business advice as well. This is reflected in the TV Cabo, Batelco, and Hanaro Telecom deals and one of the NTL projects listed. On the other hand, an increasing number of deployment services deals also include full network operations, going beyond the build-operate-transfer model to include long-term outsourcing.
- Ericsson is featured in three deals ranked with a high market impact. These include a three-year contract with Yoigo (which is TeliaSonera's mobile operation in Spain), an expanded multi-vendor managed services contract with Telkomsel, and a \$110 million deal with AIS in Singapore. Each of these contracts involves significant, long-term network operations responsibilities on behalf of the vendor, a feature that is clearly helping Ericsson continue to win equipment sales. Operators are now coming forward to say that outsourcing operations

is a strategic decision, rather than avoiding talking about the subject, because it was only being done to cut costs, as was the case in the very recent past.

- OpEx reduction, nevertheless, remains a powerful driver. Nokia, IBM, and EDS are all benefiting from Vodafone's desire to reduce its unit costs by 25 to 30% within three to five years. IBM and EDS were each given long-term (seven years) responsibility for applications outsourcing and maintenance for billing and CRM systems in a total of 12 different country operating units, taking business that was previously given to a larger number of smaller outsourcing providers. The top line opportunity in service revenues for IBM and EDS is in the hundreds of millions of US dollars. Nokia, meanwhile, has signed a network, services, and outsourcing deal with Vodafone Australia worth \$230 million. The services component is so comprehensive—including design, engineering, optimization, network management, monitoring, and field maintenance—that it is likely generating over one third of the total revenues.
- Only nine of the 29 announced contracts in November fall on the wireline side, with incumbents such as Bell Canada and SingTel generating services business for Amdocs and Siemens, and cable operators such as NTL and TV Cabo awarding deals to Alcatel-Lucent, ECI, and Nortel.
- Application and content hosting services are increasing their success. Ericsson announced another music download hosting contract, going to market together with Napster. In addition, Nokia has finally converted Mobitel Slovenia into a commercial customer for its Push To Talk over cellular (PoC) and presence hosting service, following a lengthy, much-publicized trial.

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Vendor	Operator	Service Type	Description	Market Impact
Alcatel-Lucent	Kazakhtelecom (Kazakhstan)	Professional Technical	Kazakhtelecom selected Alcatel-Lucent's 1626 Light Manager (LM) DWDM equipment, 1678 Metro Core Connect (MCC) and its Optical Multi-Service Node (OMSN) systems for triple play service delivery. The 6,000 km optical transport network will be the largest in Central Asia. Alcatel will provide installation, commissioning and integration of the equipment.	Low
	Sierre-Energie (Switzerland)	Professional Technical	In this services-led deployment, Sierre-Energie picked a multi-vendor solution for the deployment of Ethernet services over its broadband fiber to the home (FTTH) network. Alcatel-Lucent will supply it with World Wide Packets' LightningEdge CPE and other products while also providing integration and maintenance services for the deployment.	Low
	TV Cabo (Portugal)	Professional	Alcatel-Lucent completed a network readiness assessment for TV Cabo's existing hybrid fiber/coaxial (HFC) cable network. A comprehensive methodology was used to provide a thorough view of the pay TV provider's network capabilities, including a layer-by-layer analysis of the network. The result was a set of recommendations and tools that allow TV Cabo to improve performance and refine its service deployment strategy for next-generation communications services.	Medium
Amdocs	Bell Canada	Managed Professional	Amdocs announced an extension of its managed services relationship with Bell Canada to support billing services across the organization through 2012. Amdocs is performing BSS transformation while also helping to operate the new billing systems on behalf of the carrier.	Low/Medium
	Sensis (Australia)	Managed Professional	Sensis, a provider of directory, advertising and information services, selected Amdocs to upgrade and consolidate its front- and back-office systems onto a single Amdocs platform. It also extended its managed services agreement with Amdocs by five years.	Low
	MetroPCS (US)	Managed Professional	Amdocs announced that MetroPCS will use its Qpass digital commerce platform to deliver premium content and services. In addition, Amdocs will provide integration and content management services to support and manage the content.	Low/Medium
Convergys	NTL (UK)	Professional Technical	NTL will replace four architecturally and technologically different legacy billing systems with Convergys' ICOMS solution, supporting over 5 million video, telephony, and broadband customers resulting from the recent ntl and Telewest merger. Convergys' Professional Services team will perform business analysis, software design and development, implementation, migration, and testing services.	Low
ECI	NTL (UK)	Managed Technical	ECI Telecom announced a three-year \$5.5 million contract with NTL for ongoing multivendor support services. ECI will provide maintenance and support services for its national network, expanding its previous relationship which included repeat purchase agreements for ECI's optical and data networking solutions.	Low/Medium
Ericsson	Batelco (Bahrain)	Professional Technical	Batelco chose Ericsson to upgrade its mobile network with HSDPA, deploying a nationwide solution supporting Batelco in its Broadband Bahrain initiative through the offering of wireless broadband services, including multimedia. The contract also includes network and technology consulting services to assist Batelco in optimizing the network performance. Ericsson will also provide business consulting expertise in a Go-To-Market program for its advanced 3G services.	Medium
	Yoigo (Spain)	Managed Professional Technical	Yoigo, TeliaSonera's mobile operator in Spain, awarded Ericsson a three-year managed services contract for its new 3G network. It covers the operation, management and maintenance of the whole network, including field services, network operation center and integral system support covering software and hardware. The contract also includes other activities such as engineering, network optimization and administrative services.	Medium/High

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Infrastructure Services Contracts Announced in November 2006 *(Continued)*

Vendor	Operator	Service Type	Description	Market Impact
Ericsson	Warid Telecom (Bangladesh)	Managed Technical	Ericsson signed a new deal with greenfield operator Warid Telecom in Bangladesh. The four-year network expansion and managed services contract covers 600 sites and includes the design, rollout, operations, management and maintenance of the operator's GSM/GPRS network in the capital city of Dhaka. This adds to two previous contracts to supply and roll out Mobile Softswitch, packet core and backbone transmission equipment in other parts of Bangladesh.	Medium
	TMN (Portugal)	Managed Professional	Ericsson and Napster announced a hosting agreement with TMN for the Napster Mobile music service. Subscribers will have access to more than 2 million full-length tracks from the Napster catalogue as well as Ericsson-aggregated personalization content. Ericsson will integrate and manage the round-the-clock operations of the service for TMN under a managed service agreement.	Medium
	Telkomsel (Indonesia)	Managed	Telkomsel is giving Ericsson expanded responsibilities for managed services. Ericsson will now manage the operations of Telkomsel's multivendor 3G/WCDMA network, extending the scope of a contract signed earlier this year, under which Telkomsel chose Ericsson to deliver and deploy a 3G/WCDMA radio and core network including HSPA and managed services.	Medium/High
	AIS (Thailand)	Managed Professional Technical	Ericsson has been chosen by AIS to expand its existing GSM/EDGE network in Bangkok in a contract worth USD 110 million. Ericsson will have turnkey responsibility for building the network, providing network design, deployment and integration services, including core and radio network. Ericsson will also provide its spare part management service.	High
	Proximus (Belgium)	Professional Technical	Belgian operator Proximus awarded Ericsson a contract for an end-to-end mobile TV solution. In addition to its Channel Selector for mobile TV channel surfing, the solution includes services such as implementation, systems integration and system support.	Low
	T-Mobile (USA)	Professional Technical	Ericsson announced a contract to deploy WCDMA 3G for T-Mobile USA. It will provide turnkey network rollout services, serving as the prime radio provider for WCDMA 3G services in certain markets, including New York City. In addition, Ericsson will deliver services including network planning, civil construction, installation, testing and network optimization. The agreement is contingent upon the award of AWS spectrum to T-Mobile USA.	Medium
	Indosat (Indonesia)	Professional Technical	PT Indosat selected Ericsson to deliver a 3G/WCDMA network in Indonesia, including HSPA. The turnkey deal includes network design, deployment, integration, and network optimization services.	Low
IBM	Hanaro Telecom (Korea)	Managed Professional	IBM announced a business transformation outsourcing contract with Hanaro T&I, the subsidiary of Hanaro Telecom responsible for customer service. IBM has been hired to transform and manage Hanaro's call center operations, streamline its related business operations, and improve customer service, via its new BTO delivery center in Jeonju City, Korea. The center will be expanded over time to provide support to other Korean companies to meet the growing demand for process outsourcing and transformation in Korea. In the Asia-Pacific region, IBM has 20 centers delivering BTO services in Japan, Australia, China, India and the Philippines.	Medium
IBM/EDS	Vodafone (Global)	Managed Professional Technical	IBM announced that, together with EDS, it will manage Vodafone's application development and maintenance services in a new global IT outsourcing deal. Vodafone's operating companies in Germany, the UK, Hungary and the Netherlands will work with EDS as their outsourcing partner, while operating companies in Spain, the Czech Republic, Australia, New Zealand, Portugal, Ireland, Greece, and, subject to board approval, Italy, will work with IBM as their outsourcing partner. Each contract is set to run for seven years with Vodafone retaining the right to bring it to a close earlier if required. Vodafone will retain strategic control of the initiative, which focuses on writing code for and maintaining systems such as billing and Customer Relationship Management applications.	Medium/High

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Monthly Round-up:

Infrastructure Services Contracts Announced in November 2006 (Continued)

Vendor	Operator	Service Type	Description	Market Impact
Motorola	Mobile Telesystems (Russia)	Professional	Mobile Telesystems has awarded an equipment upgrade and services contract to Motorola to improve the quality, capacity and performance of its Moscow macro region network. The project includes base station upgrades and the deployment of EDGE technology, in addition to network optimization, performed using Motorola's Intelligent Design and Growth Planning service.	Low
	BT (UK)	Managed Professional Technical	Motorola announced it was selected by BT to supply Mesh Wi-Fi network infrastructure and services for six of BT's Wireless City initiatives across the UK. The contract includes the design, deployment and management of city-wide Wi-Fi networks in major cities such as Birmingham and Newcastle, based on the vendor's MOTOw4 wireless broadband solutions.	Medium/High
Nokia	Vodafone Australia	Managed Professional Technical	Nokia and Vodafone Australia have signed a USD 230 million, seven-year managed services agreement that includes engineering, operations and maintenance of Vodafone's HSDPA, 3G, GPRS and GSM networks. Nokia will be responsible for managing Vodafone Australia's ongoing network operations covering HSDPA, 3G, GSM and core networks infrastructure including the detailed design, engineering, optimization operations as well as network management, monitoring, fieldwork and maintenance services for the networks. As part of the managed services agreement, Vodafone Australia will transfer related employees and contractors into the Services business unit of Nokia Networks.	High
	Guangdong MCC (China)	Professional Technical	Nokia announced another GPRS packet core network expansion contract with Guangdong MCC. Nokia will provide its intelligent GPRS packet core solution for the 8th GPRS expansion of Guangdong MCC, and will also deliver network planning, implementation and integration services.	Low
	Hutchison Telecom Indonesia	Managed Professional Technical	Hutchison Telecom Indonesia has selected Nokia to supply and manage a Service Delivery Platform (SDP) solution as part of its GSM/WCDMA 3G rollout. Nokia will be responsible for multivendor systems integration and implementation, including integration of the OMA compliant Service Delivery Platform in Hutchison's multivendor network. Nokia will also operate the platform under a managed services contract.	Medium
	Mobitel Slovenia	Managed	Nokia and Mobitel Slovenia have signed a contract for hosted Push to talk over Cellular (PoC) and Presence services. Nokia will integrate and host commercial, OMA (Open Mobile Alliance) compliant services for the operator.	Medium/High
	Orange (France)	Professional	Orange France has launched its High Speed Downlink Packet Access (HSDPA) services in Toulouse and Bordeaux, using Nokia's HSDPA solution. In addition to WCDMA 3G and HSDPA infrastructure, Nokia provided Orange with radio optimization services for optimal HSDPA experience.	Low
	Indosat (Indonesia)	Managed Professional Technical	Nokia and Indosat extended their relationship by signing a WCDMA 3G/HSPA network and managed services contract. Nokia will provide turnkey network services, including civil works, network planning, implementation and integration of a WCDMA 3G/HSPA network. Nokia will also take responsibility for building, operating and transferring as well as optimizing the Indosat 3G network. Training services are also included, and the network will be supported by the Nokia NetAct network and service management system.	Medium/High
Nortel	NTL (UK)	Professional Technical	NTL picked Nortel for an optical solution to deliver its voice, video and data services to residential and enterprise customers. The deal includes services such as network staging, engineering, integration, implementation, and stability testing.	Medium
Siemens	SingTel (Singapore)	Professional	Siemens and Juniper announced that SingTel has deployed Juniper Networks SDX Service Deployment System and E-series Broadband Services Routers to support new IP services, including a new bandwidth on demand service. Siemens will deliver and integrate the new network.	Low/Medium

Recommended Actions

Vendor Actions

- Alcatel-Lucent should commercialize and publicize the network and service readiness assessment solution it delivered to TV Cabo in Portugal for a pre-existing network. This new professional services competency provides recommendations and tools that allow operators to improve and insure performance as well as refine service deployment strategies prior to rollout. Operators are increasingly looking for this kind of advice that bridges the worlds of business operations and network technology integration.
- For its part, Ericsson should further define its own professional services that touch on business, rather than network, operations. In its Batelco deal, Ericsson is even heavily involved in the marketing strategy for the new services being launched following the associated network deployment. While sales and marketing is perhaps the one area that operators will never relinquish to outsourcers, there is nothing stopping them from engaging partners for relevant consulting and advisory services.
- Ericsson, Nokia, and other hardware vendors that are providing full network outsourcing services on top of turnkey deployment must explain to customers, shareholders, employees, and partners how this fits into their long-term strategy. As this business grows, an increasing percentage of vendor employees will be involved not in developing and selling technology, but rather in operating it on behalf of customers. Service providers have started to rationalize this process, but vendors also need to acknowledge this gradual mutation of their corporate DNA.
- ECI should do a better job explaining the investment it has made in professional services, differentiating its new offerings from traditional product support. The NTL announcement helped raise the profile of its Global Professional Services unit, but the multi-vendor and managed

maintenance aspects of the deal were not, on the surface, very clear.

- A dozen of the above deals involve operators in the Asia-Pacific region, and yet none of the vendors come from that region. This does not reflect the reality across the region, where local and regional vendors and services firms maintain a large part of the market. The latter players, including suppliers as diverse as Huawei, ZTE, Wipro, Infosys, and Patni, should better leverage their Asian market expertise on the international stage to build credibility in other regions.

User Actions

- Service providers should test their network suppliers on their ability to deliver business, as well as network, consulting services. Providers should benchmark the suppliers' business, service, and operations-related portfolio and track record against more traditional business advisors. The trend toward using suppliers as advisors should be welcomed only cautiously by operators, with the obvious benefits (networking expertise) weighed against the even more obvious drawbacks (commercial biases).
- Fixed-line operators planning next-generation network rollouts should consider the way mobile operators have used multiple vendors for the deployment, integration, and even operation of new networks. Using multiple but equal vendors keeps them honest, and in a standards-based environment, it forces them to trade on and therefore maximize the quality of their service offerings, since that is where much of the differentiation will occur.
- Operators considering the use of service hosting partners should follow the lead of Mobitel Slovenia and take full advantage of initial trial periods. Such services are still very new, and while part of their allure is the ability to achieve faster time to market, some of the offerings are not yet fully market-tested themselves.

Telecommunication Infrastructure Services

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» Amdocs	» Fujitsu	» Nokia
» Atos Origin	» Hewlett-Packard	» Nortel
» CapGemini	» Huawei	» Relacom
» Cisco	» IBM	» Siemens
» Convergys	» LogicaCMG	» Telent
» EDS	» Lucent	» Telindus

MARKET SEGMENTS COVERED

Market Segment	Service Opportunities
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Managed Services	Network outsourcing Managed network services Hosted application
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- » The incessant drive among network service providers to reduce operating expenses
- » Growing demand by operators for multi-vendor expertise from equipment suppliers
- » Increased pressure on vendors to assume greater risk in new technology deployments
- » The debate on outsourcing, including the changing definition of what constitutes core functions and competencies



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