

Today in Telecom, 6/3/03

TOP STORIES

- FCC Votes 3-to-2 to Revise Media Ownership Rules
- Cablevision to Spinoff Satellite Unit
- IBM is Subject of SEC Probe
- HP to Intro Shared PC Processing Today

NETWORKING

- Microsoft to Invest \$1.7 Billion in Server Software

WIRELESS

- Nokia Inks Deal with Warner
- China Unicom Unveils New Marketing Strategy
- Handset Sales up 18 Percent in Q1

BUSINESS

- PeopleSoft to Acquire JD Edwards for \$1.7 Billion
- C&W to Announce Cuts this week
- SingTel Sells Directories Businesses

INDIA

- Bharti plans US listing
- Bharti subscriber base reaches one million in Delhi
- Hathway mulls expansion
- DoT to revise tele-density target
- Tata gets green signal to OFC backbone

LATIN AMERICA

- Information storage companies expect US\$1 billion in sales for Latin America
- AT&T,s Mexican affiliate extends bond exchange deadline
- Telecom Americas to invest US\$500 in Brazilian GSM network
- Americatel to invest US\$50 million in Peru

NEW REPORTS

- The Telecom Market: A Delayed Return
- Ethernet and SONET: A Marriage Made in Heaven
- 2003 Telecoms in the Middle East

UPCOMING CONFERENCES

- POF 2003 Plenary Session: Bandwidth for People
- NFOEC To Include a Gigabit Ethernet Pavilion

TOP STORIES

FCC Votes 3-to-2 to Revise Media Ownership Rules

The FCC voted 3-to-2 to revise the media ownership rules yesterday, making it easier for media companies to own multiple properties in certain markets. FCC Chief Michael Powell was the catalyst behind the rules change and told the New York Times in a telephone interview that court challenges to the decision are inevitable, both from proponents who think the commission didn't go far enough and from critics who think the commission went too far. The first challenge may come from Capital Hill, where some lawmakers are already busy drafting legislation to reverse the rules. The FCC is

under a Congressional order to review the media rules every two years. The changes they voted on yesterday include allowing companies with certain restrictions still in place to own three television stations in the same market; permitting companies to own up to 45 percent of the national viewership, up from 35 percent; leaving in place the radio ownership limit of eight in markets but changed the way it defines those markets, which critics say loosens the law; and retaining the dual-network ownership provision, which prevents any merger between the top four national networks.

Cablevision to Spinoff Satellite Unit

Cablevision will spinoff its satellite unit and launch its first satellite on July 17, according to a story in The Wall Street Journal. The unit will be called Rainbow DBS and will concentrate on providing HDTV signals as well as over 100 channels of programming. Cablevision said it will cap its investment in the unit to the first \$114 million it invests over its initial cash injection of \$450 million. The company said its investment should provide the unit with enough cash to operate until 2006. Analysts are cautious about the move which they say is too expensive, given that Cablevision has a lot of debt on its balance and that there are already two competitors in the market, EchoStar and DirectTV. Still, Cablevision is plunging forward and has already spent an estimated \$300 million in the venture since the early 1990s. The move, which the company said should be completed by the end of this year, requires regulatory approval.

IBM is Subject of SEC Probe

IBM announced after the market closed yesterday that the SEC has opened a formal investigation into the way the company booked revenue on "certain types of customer transactions" in 2000 and 2001. The company said the SEC informed it that its inquiry was a "fact-finding investigation" without conclusions. The company further said it believes the investigation stems from a separate investigation of a company that in the past had purchased retail systems from IBM. Whatever spurred the investigation, the company said it is cooperating with the authorities.

HP to Intro Shared PC Processing Today

Hewlett Packard will announce at a meeting with industry analysts today a new technology initiative which the company says will shave 45 percent off the cost of owning and managing a corporation's PCs, according to a story in The New York Times. The new technology shifts the processing power to a central bank of shared computers. It uses clusters of "blade" PCs which is a circuit board held in the central computer that handles all of the PC's processing power. For example, the desktop PC will be a thin client, no processing power, instead of a regular PC. When the user logs onto the network, the processing power is allocated by the central computer which will be running HP's OpenView software. The bottom line, HP says, is that if a company has 10,000 workers and the maximum PC use at once is 70 percent, the company might be able to buy a system with only 7,000 blades instead of 10,000 desktop PCs. The company said the new blade system will be ready by the end of this year.

NETWORKING

Microsoft to Invest \$1.7 Billion in Server Software

Microsoft said it will invest \$1.7 billion in R&D into its Microsoft Windows Server System software. The company said the investment is designed to decrease maintenance costs associated with information technology.

WIRELESS

Nokia Inks Deal with Warner

Nokia said it entered into an agreement with Warner Music International to deliver music content for its upcoming 3300 cellphone. To be released later on this month, the 3300 cellphone has a 64-Mbps multimedia memory card and supports MP3 and AAC audio-file formats. Financial terms of the transaction were not released.

China Unicom Unveils New Marketing Strategy

China Unicom said this week it will undertake a new marketing strategy to increase its CDMA subscriber base by 13 million this year, bringing its total number of CDMA subscribers to 20 million. The company said it will increase its sales channels, introduce new services and handsets, and increase its advertising budget. The strategy revolves around using basketball superstar Yao Ming as its spokesman.

Handset Sales up 18 Percent in Q1

Gartner said worldwide handset sales rose 18 percent, compared with the same period last year. According to Gartner, 112.7 million handsets were sold in Q1. The company said if this pace keeps up, full-year sales could climb 10 percent and surpass last year's total of 423 million handsets sold. Nokia leads the pack with 35 percent market share, followed by Motorola with 14.7 percent; Samsung with 10.5 percent; and Siemens with 7.6 percent.

BUSINESS

PeopleSoft to Acquire JD Edwards for \$1.7 Billion

PeopleSoft said yesterday it had agreed to acquire JD Edwards in a \$1.7 billion stock transaction. PeopleSoft sells software to track payroll and inventory to large companies in the healthcare and financial markets. JD primarily sells software to midsize companies. The acquisition makes PeopleSoft second only to SAP in the \$20 billion market. SAP has about a third of the market.

C&W to Announce Cuts this week

The Wall Street Journal reports today that Cable & Wireless is expected to announce major cutbacks in its Global unit's operations in the US and Europe this week. The cuts will mostly take place in the company's US and European divisions and are designed to refocus the company on its profitable markets, such as the UK and its regional divisions in the Caribbean. The Journal reports that the company would like to sell some of its US assets rather than close them down, but because of overcapacity in the US infrastructure markets that seems unlikely.

SingTel Sells Directories Businesses

Singapore Telecom said it will sell its directories businesses to JP Morgan Partners Asia and private equity firm, CVC Asia Pacific, for

about \$127 million in cash. SingTel's directories businesses posted sales of \$48 million last year.

INDIA

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LATIN AMERICA

Information storage companies expect US\$1 billion in sales for Latin America

Information storage companies like EMC estimate that sales for Latin America over the next five years could reach US\$1 billion. By 2007 the accumulated annual growth of data volume would reach 37% while the cost per terabyte would be reduced by 19%. According to the IDC much of the demand would be driven by replacement of papers, film, and microfiche, to digital storage.

AT&T,s Mexican affiliate extends bond exchange deadline

Alestra, the long distance operator controlled by AT&T, BBVA Bancomer and Alfa, for the sixth time extended the deadline for bondholders to accept the terms and conditions offered for bonds maturing in 2006 and 2009. The new date was set for June 11. Alestra proposed to repurchase the previously mentioned bonds valued at US\$570 million at a 60% discount or to exchange them for new issues with longer terms and lower interest rates. Together with the debt-restructuring program Alestra,s shareholders proposed to inject US\$80 million in fresh capital, but bondholders are requiring a US\$200 million capital injection.

Telecom Americas to invest US\$500 in Brazilian GSM network

It is estimated that the Mexican-based regional mobile operator will invest roughly US\$500 million to build out its GSM network in Brazil. Ericsson and Siemens have been allocated 80% of the contract value, together with Alcatel. In a second phase Nortel would provide GPRS technology. The project is expected to be finance by the operations of Telecom Americas, Brazilian mobile affiliates like ATL, Americel, Claro Digital, Tess and BCP Nordeste. During the third quarter this year, Telecom Americas plans to launch an ad campaign unifying the brand name of all the aforementioned operators.

Americatel to invest US\$50 million in Peru

The Telecom Italia long distance Peruvian subsidiary plans to invest US\$50 million in the next five years to build out a WLL network throughout the country. Thirty million of the total investment will be deployed this year. Americatel has performed well in the long distance sector and now claims to have 100,000 customers since the beginning of the year.

NEW REPORTS

The Telecom Market: A Delayed Return

In early to mid 2002, our reports, "The Recovery Trilogy" led by "The Return of the Telco Market: When?" forecasted a return of the general telco markets in the first half of 2003. While the market is somewhat better, perhaps, it clearly has not recovered as we forecast.

What has happened to prevent this return, and what is the best forecast now for a recovery? These issues are the subject of this report "The Telecom Market: A Delayed Recovery!" from IGI Consulting.

This new report analyzes the current market (both the telecommunications sector and the general market) and provides an authoritative forecast for the telecommunications recovery. Unlike some published reports, the approach used in this report relies on sound analytical tools for forecasting the recovery, and the level of the recovery. It offers a time schedule forecast for the recovery of the market and the level of the recovery. To establish a widely understood basis for stating the level of the recovery, it provides detailed capital expenditure forecasts by the major carriers (IXCs, telcos and Cable companies.)

The information in this document will be invaluable to everyone involved in the telecommunications market. Anyone needing to decide when to make expenditures; when to look for price breaks; when to look for new sales; how various sectors of the telecommunications market are likely to be impacted by recovery; sectors that may make new capital expenditures; traffic levels; the nature of traffic in coming years, and many others will find this report their main reference!

The study is profusely illustrated with well over 30 figures containing graphs and drawings where needed for clarity. The methodology used is completely detailed to allow the reader to make his personal judgment as to the approach.

In addition to providing forecasts for market recovery and the level for that recovery, this report:

- Describes and analyzes the changes that have caused a delay in market recovery.
- Provides a new forecast for the growth of High-Speed Access lines, segmented by xDSL, Cable Modem, and RF lines.
- Provides a new forecast for Telco market return.
- Provides a new forecast for total network traffic with an analysis of growth rates.
- Provides a new forecast for VoIP traffic.
- Provides a new forecast for Transatlantic IP traffic.
- Provides a new forecast for B-to-B traffic.
- Provides a new forecast for by year capital expenditures by the major players in this area.

Published: June 2003

\$2495 - print copy
\$3495 - Single-user PDF
\$5495 - Unlimited-user PDF

To view the Table of Contents or order the report please visit IGI's website, <http://www.igigroup.com/st/pages/return.html> or contact Dr.

Hui Pan, Chief Economist, IGI, Tel. +1-617-782-5033 or toll free +1-800-323-1088, email: hpan@igigroup.com

Ethernet and SONET: A Marriage Made in Heaven

Ethernet-based technologies have dominated the market for support of multiple data services with various rates and types of networks (Enterprise, MAN, Core), and Ethernet has become a de-facto data transmission standard.. The installed base of Ethernet networks is larger than any other alternative technology deployment, largely due to simplicity of the Ethernet standards and the cost-efficiency of equipment.

Although attractive for variety of reasons, the features of traditional Ethernet and its derivatives are not always in line with current users' requirements:

- Manageability. Native Ethernet OA&M (Operation, Administration and Maintenance) capabilities are limited.
- Restoration. Even with the latest improvements, the restoration time of native Ethernet networks tends towards seconds instead of required milliseconds;
- Distance limitations.

This situation has led to development various flavors of Ethernet standards, and most importantly, adaptation of SONET/SDH and other transport techniques as carriers for Ethernet frames. The goal to using these carriers for Ethernet transport is to mitigate Ethernet shortcomings by bringing its features closer to those of carrier-grade technologies.

The telecommunications industry is experiencing a quantum leap in transport technologies, preparing it to move from SONET/SDH infrastructure to all optical networks. There were opinions in the industry that SONET/SDH technology may not survive such an evolution. The industry trends show that Ethernet is being deployed at a growing rate, but SONET/SDH research deserves more attention. This situation produced a number of questions; such as whether Ethernet development can now influence further SONET/SDH industry progress, or alternative ways to transport Ethernet frames will result in even more erosion on SONET/SDH.

The proliferation of transport networks based on SONET makes it logical to assess possible Ethernet- SONET symbiosis: Ethernet for data transmission and SONET as an Ethernet carrier. This Report analyzes technical and marketing aspects of the dependency between these two drivers within the telecommunications industry.

This Report analyzes the industry's position on the relationship between Ethernet and SONET/SDH, feedback nature of their development, as well as the role of the alternative solutions in Ethernet transport. A multitude of factors influence Ethernet - SONET/SDH relationship, many of which are addressed in this Report.

This Report emphasizes technological development issues in the relationship between Ethernet and SONET, as well as other transport

technologies. Market forecasting will be addressed in an upcoming issue.

The primary conclusion is that SONET-based transport methods are developing together with alternative ways to transport Ethernet signals. At the present time, SONET is leading the market for Ethernet transport. The feedback nature of SONET - Ethernet relationship exists as an industry trend, i.e., Ethernet proliferation calls for further SONET R&D and implementation. Ethernet has become a driver to develop and implement SONET features that make this technology adaptive to not only to voice but to data transmission as well.

Published: June 2003
\$1995 - Print copy
\$2495 - Single User PDF
\$3995 - Unlimited User PDF

To view the Table of Contents or order the report please visit IGI's website, <http://www.igigroup.com/st/pages/marriage.html> or contact Dr. Hui Pan, Chief Economist, IGI, Tel. +1-617-782-5033 or toll free +1-800-323-1088, email: hpan@igigroup.com.

2003 Telecoms in the Middle East

Released: 2003

\$695 - Print copy
\$595 - Single-user PDF
\$1,195 - 10-user PDF

The latest Middle East telecom report, published by BuddeComm and marketed by IGI, provides information on Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, United Arab Emirates and Yemen. Each country is represented by its own chapter, comprehensively covering the key areas of interest including: Key trends, Market overview, Regulatory environment, Major fixed network operators, Telecommunications infrastructure, Public data communications services, Internet, Broadband networks and services, Content and e-Services, Wireless communications, Broadcasting.

There is a wide disparity in telecommunications development in the Middle East region, ranging from Israel and the United Arab Emirates (UAE), which have levels of Internet and mobile use not dissimilar to those in Western Europe, to Iran, Syria and Yemen where levels are below Sri Lanka or Vietnam. Some of this disparity is caused by differing economic circumstances but political and social attitudes, corruption levels and economic openness also play a part.

A feature of the Arab countries is a growing tendency for operators to have interests across the region. This has long been the case in the TV market, where both free-to-air and pay TV Direct-to-Home (DTH) satellite operators have footprints covering all countries and have their headquarters and production offices in countries other than those of their chief investors. Internet Service Providers (ISPs) and Internet portal operators have also spread across the region. A more recent trend is the regional investment by Kuwait's two mobile operators, MTC and Wataniya.

The UAE has dramatically high Internet use levels and also high mobile penetration levels. The governments have pursued policies of strong encouragement of technology use, both directly and indirectly. They have policies of direct funding of e-commerce and e-government projects and Internet and computer use in education and the community. In addition, Dubai Internet City and Dubai Media City, both government instigated and funded projects, have been successful in attracting regional and multinational information technology and communication companies of all types. The presence of these companies then in turn raises the levels of Internet and computer use, leading to a self perpetuating effect. The UAE is however one of the least liberalized of markets, with majority government owned operator Etisalat having no competitors in fixed lines, Internet provision or mobile telecommunications.

Israel has also been a major player in both hardware and software for the international communications industry for some years. However, the collapse of the 'dot.com' bubble hit the country hard and Israel's ongoing economic recession has also impacted both the industry and telecom users. Turkey is another country where previous fast growth, particularly in mobile telecom use, has been hit by a long-lasting economic recession.

There are signs of greater openness in the industry across the region but change is coming slowly. Several countries are moving towards greater competition in the industry and to privatization of government owned operators but mostly at a glacial pace. An exception is Bahrain, where the government has passed the appropriate laws, introduced a relatively independent regulator, announced a liberalization timetable and awarded a second GSM mobile license (on schedule according to the timetable) all in the space of less than a year.

To view the Table of Contents or order the report please visit IGI's website, www.igigroup.com or contact Dr. Hui Pan, Director Asia, IGI, Tel. +1-617-782-5033 or toll free +1-800-323-1088, email: hpan@igigroup.com.

UPCOMING CONFERENCES

POF 2003 Plenary Session: Bandwidth for People

The topic for the plenary session at POF 2003 to be held September 14-17, 2003 at the University of Washington in Seattle, will be Bandwidth for People, Imaging and Implementing High Bandwidth to Enrich People's Lives. The technology of communications has advanced at an astounding pace. It is now technically feasible to deliver information at gigabits per second rates to people in their homes, vehicles, and even in person as they carry out their daily tasks. You may ask, what role does POF play?

For more information about POF 2003, visit www.pof2003.com or contact Patty Hoffman at 617-782-5033.

NFOEC To Include a Gigabit Ethernet Pavilion

NFOEC 2003

September 8 - 10, 2003

Orange County Convention Center

Orlando, Florida

NEFOC 2003, taking place Sept. 8-10, 2003 at the Orange County Convention

Center in Orlando, will include a "Gigabit Ethernet Pavilion". This new Gigabit Ethernet Pavilion (Booth # 1430) on the NFOEC exhibition floor will

feature Ethernet experts presenting to NFOEC attendees in an open theater..

Featured talks to include:

- All about Ethernet Services
- Network Processors
- Storage over Ethernet and IP
- First Mile / Last Mile Issues
- Gigabit Ethernet and Beyond
- Convergence
- Gigabit to the Desktop
- Metropolitan Area Networks
- Wireless Ethernet
- Ethernet to the Home

Featured Exhibitors within the Gigabit Ethernet Pavilion will include:

- Syskonnnect
- Sunrise Telecom
- Transition Networks
- Synopsys

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| Quantity | Catalogue Code | Format (paper, .pdf, etc) | Journal Title | Rate £/\$ | Page No. |
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