benchmark-it performance

This new 269-page report profiles and compares 17 key alternative providers of trans-border telecoms services, with a focus on Western Europe.

The report includes the following:

- Profiles of 17 carriers
  - Verdict
  - Summary (strategy and recent activities)
  - Geographic reach
  - Portfolio
  - Management (revenues and reputation)

Who should buy the report?

- Operators selling telecoms services in Western Europe
- Companies investing in or supplying the above
- Companies buying services from the service providers covered

Key benefits:

- Source of key information on 17 service providers
- Independent market analysis and comparisons
- Gives customers time to concentrate on analysing implications and to formulate action plans

Updated since last report:

- 17 updated player profiles
- Analysis of player positioning and differentiation strategies
- Market analysis and updated conclusions from previous report

Key conclusions:

- A ‘big four’ of global players, comprising BT Global Services, Orange Business Services, AT&T and Verizon Business is becoming dominant;
- ‘Traditional’ alternative service providers do not have the deep pockets to compete, especially with so much emphasis being placed on service provision in emerging markets like China and India;
- Further consolidation amongst alternative players is inevitable.

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Alternative Trans-Border Telecoms Service Providers In Western Europe

May 2007

Author: Rob Pritchard

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Executive Summary

The market for serving larger business customers across Europe has stabilised greatly since the ‘boom and bust’ days of the beginning of the century. However, it appears that ‘traditional’ alternative carriers face an uphill struggle when it comes to investing in expanding network reach significantly (particularly in emerging markets outside of Western Europe), which is playing into the hands of their competitors that are backed by the deep pockets of their parent companies – the notable examples being BT Global Services, (France Telecom’s) Orange Business Services, AT&T and Verizon Business.

The one exception to the ‘big boy’ rule currently is Deutsche Telekom’s T-Systems Enterprise Services, which is undertaking a strategic review for possible partnerships to establish critical mass in either the systems integration or networking market. The results of this review should be available at the time of publication of the next update of this report and should make for interesting reading.

All service providers have recognised the need to meet the key requirements of their target customers and have their own spin on essentially the same key points, which are:

- Service flexibility;
- Service reliability;
- Security;
- Control and visibility;
- Value for money;
- Efficiency.

All service providers are able to articulate arguments in their own favour for most, if not all, of the above needs. However, it is becoming increasingly the case that it is the ‘big four’ that are best able to offer the most in terms of value-added functionality, backed up by the availability of more and more professional services offerings. As a result, ‘traditional’ alternative carriers have seen their revenue growth rates slow and even stagnate as they are less able to compete on better customer service.

Virtual network operators continue to play a niche role, but one which is capturing a growing proportion of the total market. Initially seen as ‘sweepers up’ of revenues that other operators did not particularly want, they are increasingly winning significant contracts with blue chip companies and, in Vanco’s case in particular, have been signing up a growing roster of major distributor deals – often leveraging the domestic competition that the likes of Swisscom face from the local operations of the big global players.

The market seems almost to be strangely settled, but there is plenty of scope for further consolidation, particularly amongst the original alternative service providers as their battle with the big players intensifies.

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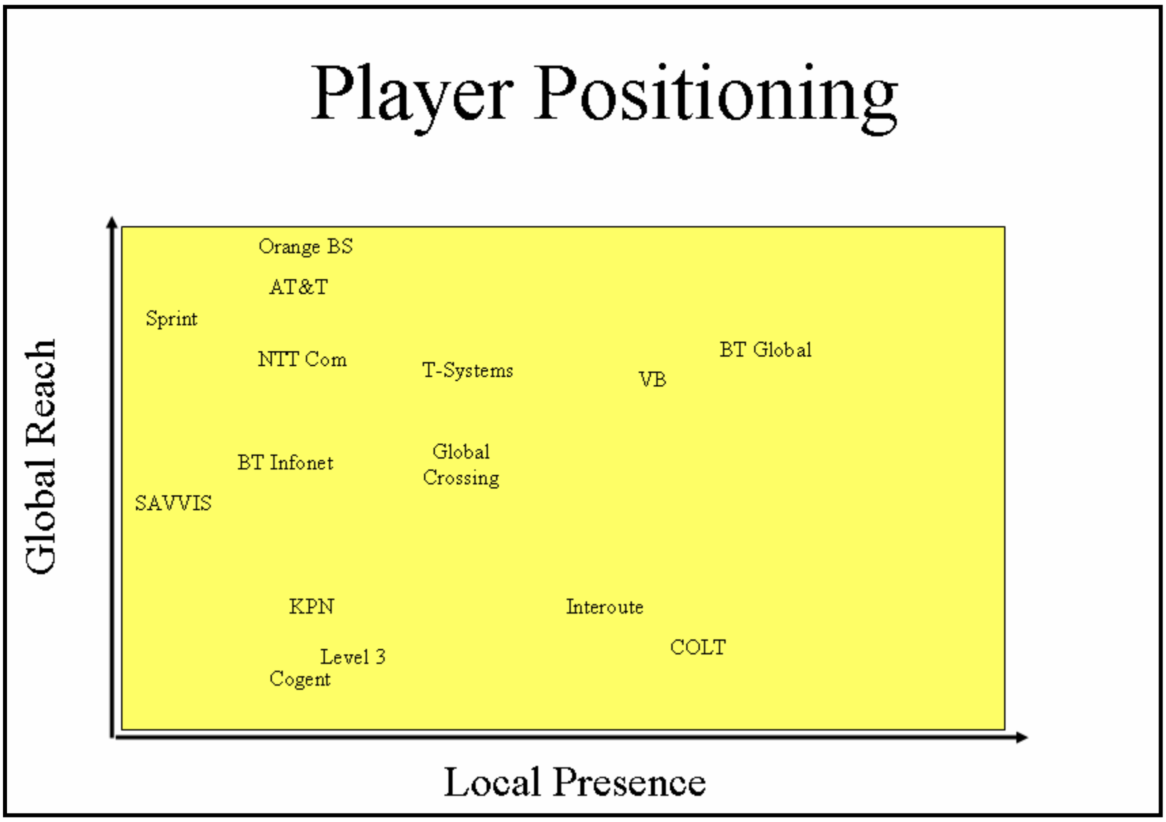
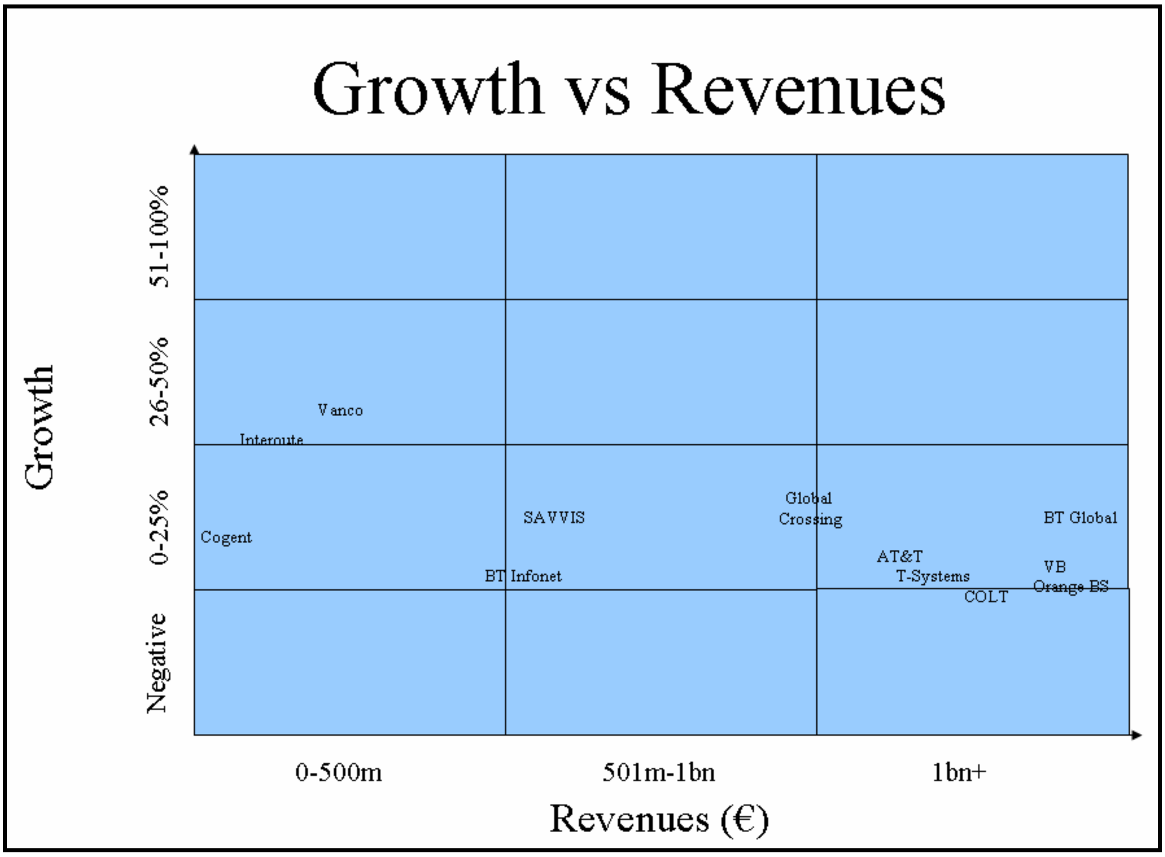

Player Positioning
Orange BS
AT&T
Sprint
NTT Com
T-Systems
VB
BT Global
BT Infonet
Global Crossing
SAVVIS
KPN
Interoute
COLT
Level 3
Cogent
Global Reach
Local Presence


Growth vs Revenues
Growth
51-100%
26-50%
0-25%
Negative
Vanco
Interoute
Cogent
SAVVIS
BT Infonet
Global Crossing
AT&T
T-Systems
COLT
BT Global
VB
Orange BS
0-500m
501m-1bn
1bn+
Revenues (€)

SAMPLE PAGE

COLT

Verdict: COLT seems to have hit the doldrums. Its revenues are stagnating and the company refuses to get drawn into the cycle of consolidation which is shaping the rest of the sector. The company still has an excellent reputation for its customer service and has a clear strategy – which has not been significantly adjusted by the company's fifth CEO is six years. However, the strategy of looking to sell more advanced and managed services is the same as most of the competitors with which it competes. Either COLT must hope that enough competitors disappear to offer it growth opportunities, otherwise the period of stagnation, in terms of growth, will continue, even if the company does deliver slowly improving financial results.

Summary

Founded by Fidelity Investments in 1992 and floated in London and New York in 1996, COLT Telecom was amongst the first significant alternative pan-European carriers. The company claims that its network passes more major business centres than any other single operator.

"COLT is a leading provider of data, voice and managed services to business and government customers in Europe. We focus only on the needs of business customers like you – mid-size, major and wholesale businesses – who demand higher performance from their communications and IT systems. Our secure and reliable network provides unrivalled reach across 13 countries, with last-mile fibre to over 10,000 buildings in Europe.

We believe there are many reasons to do business with COLT:

- It's easy to do business with COLT;
- Single point of contact dedicated to your business;
- COLT people are the difference."

COLT lists its key business goals as:

- To be the most trusted provider of converged data, voice and managed services for businesses;
- To deliver an outstanding customer experience;
- To deliver business innovation building on our unique fibre network and data centre infrastructure;
- To create and exciting and successful environment that attracts and retains the very best people;
- To achieve sustainable profit growth.

COLT's focus in 2007 will be "on growing revenue, especially data and managed services, introducing more innovative services and technologies. We will also concentrate on continuing to enhance the quality of service we provide to our customers and continuing to manage our costs and capital expenditure so that COLT becomes an even stronger business."

SAMPLE PAGE

Geographic Reach:

BT offers delivery in over 80 countries and network coverage to more than 200 countries across five continents. The company claims to have the world's leading MPLS network, with over more than 1,200 PoPs across more than 100 countries (to reach 160 by end 2007), as well as frame relay in over 70 countries (470 PoPs and 65,000 ports), and ATM in 32 (180 PoPs, 4,230 ports). Direct voice services are available in 27 countries, with indirect access available in a further 23.

Western Europe:

Belgium	BT Global Services Belgium – 100% owned, 1,100km fibre national network with interconnection points in 13 cities. Over 400 employees and turnover of over €500 million. 600+ major customers.
France	2,500km fibre-optic network, 11 high-speed backbone PoPs, 50 access nodes, national DSL coverage. 1,800 sites connected for 730 companies, over 2,000 customers in total.
Germany	BT Global Services Germany – 100% owned, national network. Over 11,500 route km fibre network that connects 75 towns/cities. Over 1,400 employees. MANs in Dusseldorf, Frankfurt, Munich and Stuttgart. Over 1,000 corporate and public sector customers. 2005/06 turnover of €840 million.
Ireland	100% owned, national network, formed by the merger of Esat Telecom and Ocean in 2000. Over 2,500 route km fibre network that connects 13 large towns/cities. Over 1,100 employees and 2006 turnover of €470m (2005: €372m).
Italy	Combination of Albacom and Atlanet. 1,400 people serving over 3,500 corporates and 240,000 SMEs. Over 200 PoPs, 12,000km network and turnover of €900m.
Netherlands	BT Global Services Netherlands – 100% owned, national network of 4,000 route kms connecting 45 Dutch towns/cities. More than 200 corporate customers.
Nordics	Presence since 1989. Network covering Denmark, Finland, Norway and Sweden.
Portugal	PoPs in Lisbon and Porto, as well as Frame Relay and MPLS nodes.
Spain	BT Global Services Espana – 100% owned, national network. Over 10,000 route km fibre network with 5 national interconnection loops connecting 47 towns and cities. 700 employees. 2006 turnover of €419m (2005: €352m).
Switzerland	Services distributed by Sunrise (in which BT sold its 34% stake in November 2000 – now part of TeleDanmark) and through a local BT Global Services team.
UK	BT Global Services UK – 100% owned, national network.

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Portfolio:

Global Crossing positions itself as having "a network and robust suite of services that can provide businesses with the migration path to an IP world."

Global Crossing's portfolio for corporate ('Enterprise') customers is arranged as follows:

Converged IP Services:

- VoIP (Voice over IP) Services:
  - VoIP On-Net Plus:
    - Cross Protocol routing enables IP- and TDM-based locations to share and participate in the same corporate dialling plan;
    - Network-defined and managed dialling plans that are maintained with the uCommand Web portal;
    - Audio conferencing services as an on-net VoIP-based solution;
    - VoIP Community Peering, providing usage-free VoIP calling to all Global Crossing VoIP Local Service users whether within or outside the customer corporate dialling plan;
    - Integration with other VoIP services, enabling call completion to the PSTN when required, inclusion of inbound calling and support of toll-free VoIP services;
    - 'No risk' interoperability testing;
    - Global Crossing provisions and manages the routers;
    - Full CDRs (Call Detail Records) available over uCommand;
    - Multiple IP access methodologies:
      - IP VPN Service;
      - Dedicated Internet Access;
      - Public Internet Access;
    - Multiple signalling variants and CODECs supported;
    - Billing in various currencies;
    - European availability in:
      - Austria;
      - Belgium;
      - Czech Republic;
      - Denmark;
      - Finland;
      - France;
      - Germany;
      - Greece;
      - Hungary;
      - Ireland;
      - Italy;
      - Netherlands;
      - Norway;

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Management

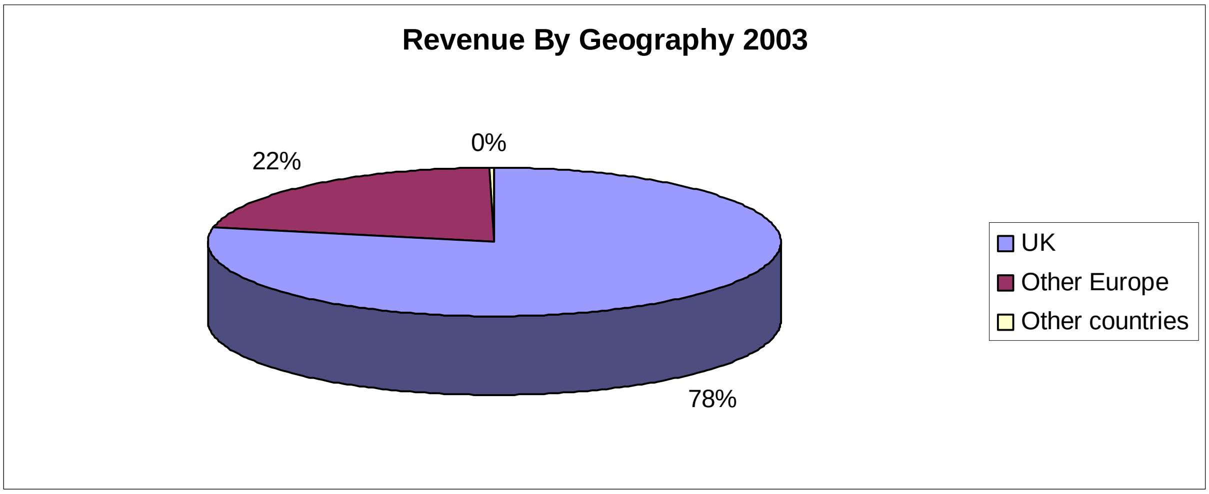
Revenue:

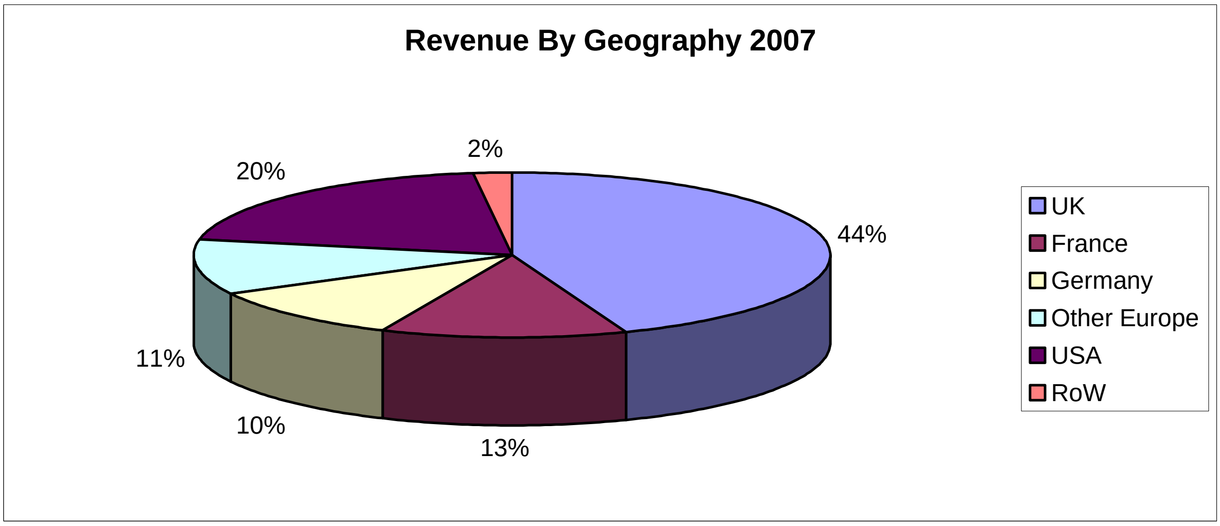
Vanco generated revenues of £183.2 million in its financial year ended 31st January 2007 (£146.6 million in the previous financial year), with operating profits of £19.0 million (£14.0 million the previous year). Year-on-year revenue growth stood at 25%.

The 2007 revenue figure is made up of £155.9 million for managed network services and £27.3 million for advance network provisioning.

As at 31st January 2007, Vanco's contracted order book value was £363 million (2006: £326 million).

The charts below illustrate how the balance of Vanco's revenue origin has shifted towards non-UK sources:





Vanco has customers in 161 countries (142 at in July 2005). This figure has been steadily growing over recent years.

For Further Information or to Order this Report
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Report

Call Michelle Nokes at CMS
+44-1494-771734
Fax +44-1494-778994
Email michellen@cmsinfo.com