"Where does the industry go from here?" Discussion led by Tony Lavender, Director of Telecoms Research, Ovum Wednesday, 24th November 2004

Nick Marsh, Managing Director – Technology and Telecoms Practice, opened the event and set the scene by talking about the Technology and Telecommunications search business at Harvey Nash. He referred to significant growth in headcount and revenue as a consequence of demand for executive hiring within the sector as a good bell weather for the rest of the market. Nick was upbeat about the future of the telecoms industry and was anticipating growth in the Harvey Nash Technology Practice by some 35% in 2005. He pointed out that this also related to the raised profile and success of the Harvey Nash Technology Practice, which is now ranked as one of the top three firms (from 13th) in the previous 18 months (According to Grapevine).

Tony Lavender, the headline speaker from Ovum, reiterated Nick's positive overview, referring to increased demand from his client base. Tony also reflected that the future of telecoms was one of more radical change. Tony suggested that reinvestment and new investment was a dominant theme at the moment and that the confidence in the industry and the future would drive a more sensible level of capital investment.

Tony's other key statement was the reference to "Outside In" as important change agent as telecoms companies seek to reinvent themselves and drive profitability and growth. There are also implications of this change on neighboring industries such as IT, outsourcing and consumer electronics.

Key findings and points of view included:

- Acknowledging that the telecoms industry is reaching a level of maturity, however, it is still experiencing organic growth at a rate of 5%. This was broken down to a decline in fixed voice of on average 2%, growth in internet services by 10 – 20%, growth in mobile / wireless space by 6 – 7% and growth of enterprise services by 5 – 10%.
- Margins remain constant, EBITDA across a range of major players is running at 37%. This is better than was predicted three years ago.

Wireless Operators:

- 3G – Tony saw the take up of 3G as a fundamental shift in the way we communicate. However the challenge is to drive innovative new services that utilize the capability being invested in 3G networks.
- Key issue is to provide Enterprise Customers with methods for managing their wireless use and expenditure – "Enterprise Mobility."
- MVNO – how long will it last in its current form? Tony questioned whether scalability of the model was sustainable longer term. He specifically referred to Virgin and Tele 2.

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Fixed Operators:
- Alters vs ISPs – what is their longer term future and potential blurring of the lines between the two
- The 'second generation' of cost reduction is becoming evident as operators have to think about investing capex to reduce opex.
- Controlling the DSL land grab as local loop unbundling and bit stream solutions gather pace.

Personnalisation and localisation services
One of the key elements driving growth was understanding the user influence on the way we make decisions in the enterprise marketplace. Tony talked about growth in enterprise revenues, a key driver of which is personalisation of mobility of enterprise services.

VOIP
There is no doubt about the growth of VOIP traffic in both the consumer and enterprise sectors. Some is modernisation of existing services, some is driven by new consumer solutions and some comes from enterprise VPNs, together with MPLS. The key issue for operators is do they consciously cannibalise their own revenues.

Content
Tony talked around ideas of ownership – who owns the revenue line for content and where does it sit in the network?

Where do the Altnet players sit in this equation and who has the coverage to execute the deal. As more and more parties get involved in bringing the service to the customer the revenue opportunities for each player diminish.

Capital expenditure
Tony sees one of the most important transitions coming by way of more sensible levels of Capex to enable the telecoms market to get back into a growth position.

Regulations
In Tony's mind regulation is still an area that can not be overlooked. The way in which regulators behave and make policy will have a definite impact on the ability of the telecoms sector to return growth to the world market.

Splitting up BT – 'not this time round' – Tony did not think the time was right for BT to come under the legislative hammer. However with last weeks news and Pierre's exit who knows what the future will hold from a BT perspective.

Looking ahead
The next five years are going to be an exciting time for telecom players as they strive to change in a dynamic landscape, and in fact at the bleeding edge, "LEAD" change.

Tony's key points were:
- We have only just reached the Cusp of what IP can do for the industry.
- Telecoms is converging and becoming part of a much bigger picture.
- Rolling out of Broadband, in the workplace and the home.
- There is a lot more focus in delivery of results.
- Businesses in the telecoms space are running more effectively and definitely on a lean tank of gas.
- There is an interesting interconnect between needing to attract and / or retain customers and more segmentation around the attraction and cost of new customers versus retention.
- Content and the distribution channels – such as the impact of music on the telecom companies and the retailers.

Questions from the floor
- VOIP – how significant will VOIP be and what is driving then take up of VOIP from an enterprise perspective?
- Capex – What increase in capex spending are you forecasting in the future?
- Operators stifling innovation by acquiring mobile applications specialists etc?
- Who owns the network and at what point do the regulators intervene?
- Architecture – where will technical architecture drive change for instance in the emergency services where Tetra can't support change?
- Global or Regional – where do we go from here with the continuing consolidation and decline of global players?
- Altnets – what is the future for them, do they have a future?
- The cost of public safety networks in the light of changing circumstance and the terrorism act?
- What is the cost of regulatory compliance?
- Data protection – how will this effect innovation and curtail growth?
- Business Mobility – what is driving this and is this the great hope for profitability in the Telco sector?
- Consumer Electronics and Wifi – with consumers driving change how will the consumer electronics industry interface with telecoms from an access perspective?

List of attendees and apologies

Acceptances:

Atos Origin	Patrick Bossert	Senior Manager Telecoms & Digital Media Practice
Bain and Company	Michele Iuzi	Partner Telecoms
BT Exact	Phil Holmes	CTO
BT Global	Vernon Bubb	Strategy
BT Retail	Donald Muir	CFO
Callserve	Ajaz Ahmed	CEO
Digital Rum	Bob Pike	CEO
	Andy Evans	Chief Technology Officer
Global Crossing Europe	Steve Jenkins	VP Marketing
Infonet	Robert Cavan	VP Sales & Marketing UK
Interoute	John Wilkinson	Head of Voice Services
Logicalis	Joanne James	Interim Campaign Manager
Logica	Chris McDermott	CEO & COO, Global Telecoms
Lucent Technologies	Ravi Rajagopalan	Director Technologies & Solutions, Mobility
Nexagent	Royce Murphy	CEO
Sony Ericsson Mobile Communications	Per Aspemar	Director of Leadership
Teleglobe	Tim Barclay	Managing Director
Tellabs	Mark Johnson	Regional VP of Sales, EMEA
Level 3 Com Netherlands	Floris Van Den Broek	VP European Marketing & MD
BT	Esther Canonico	Head Of Business Development – Bt Mobile
Atlas	Johnathan Wolf	Associate
Video Networks	Roger Lynch	CEO
Ovum	Andrew King	Sales Director
Ovum	Tony Lavender	Global Head of Research – Telecoms

Apologies:

3i Investments plc	Krishna Visvanathan	Associate Director
Alternative Networks	Sebastian White	Director Strategic Projects
AT&T Business Services EMEA	Jeff Ace	Vice President, Business Development & Operations
AT&T Business Services EMEA	Kevin Harvey	Vice President, Northern Region
Axiom	Jeff Gordon	Chairman
Bain & Company, Inc	Stephen J. Bertrand	Partner
Cable & Wireless	Andrew Tindell	MD Services
Cable & Wireless	Carol Olney	Vice President, Group IT Services
Cable & Wireless	Mark Quartermaine	Director Marketing
Cerillion	Louis Hall	CEO
Cisco	Robert Lloyd	President EMEA Operations at Cisco Systems
Global Crossing Europe	Phil Metcalf	Managing Director
Lucent Technologies	David Poticny	President, Lucent Europe
Motorola Broadband	Paul King	VP Emea
Newport Networks	Craig Decker	VP EMEA
NTL	Keith Monserrat	Chief Technology Officer
O2	Steve Alder	Head of Strategy
Orange	David Crozier Taylor	Vice President, Marketing – Consumer & Small Business
Reach	Sturt Eastwood	Managing Director – EMEA
Samsung Telecoms	David Norton	Managing Director
Symbian Limited	Thomas Chambers	COO
T-Mobile	Peter Scott	Director Of Customer Services

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If you are interested in being involved in future events please contact Tina Mariosa on +44 (0)20 7333 1896 or email her at tina.mariosa@harveynash.com