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Contributors' Predictions - 2002: consolidation regulation, security

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CWI asked those who have contributed to our commentary pages over the past year to give us their predictions for what we might see in the world of telecoms in 2002 and beyond.

Liberalization in Europe has failed to crack open the local loop. Cable, wireless local loop and satellite will continue to skirt around this problem. Competitive carriers will make inroads in tier-one locations where aggregated demand supports alternative access infrastructure. But where they are forced to rely on incumbent-controlled exchanges and copper, there will be little movement without rethinking the regulatory framework.

Andrew Gliniecki, independent consultant, London

The success of e-mail, SMS and instant messaging shows that people love applications for sharing information with other people. In 2002, new phones and services will allow consumers to personalize messages by adding music, pictures, animations, voice synthesis and animated avatars.

Winners in this market will make communications easier and more expressive by offering easy-to-use applications.

Philip Guildford, Analysys, London

Cyber crime and the issues of trust associated with it will restrict outsourcing, especially in e-commerce, but more companies will take advantage of outsourcing as recession bites. Telcos will start to realize that organizations want whole solutions rather than bits.

Martyn Hart, chairman, NOA, London

Last year, I predicted that at least two incumbent telecoms operators would finally tie the knot. A few came close, but government interference, plummeting valuations and climbing debt loads led to spin-offs, asset sales and last-minute rights issues, but no mergers. What will 2002 bring?

Several carriers left at the altar in 2001 say they plan to stay single this year, but I think we'll still see a merger or two: first will be some of the incumbents' spun-off wireless operators and ISPs; then, perhaps, a few of the fixed-line companies that remain.

Audrey Mandela, editorial consultant to CWI

China's entry into the WTO promises to intensify competition in the mainland telecoms sector. But investors should be aware of the potential creation of a duopoly, as government ministries try to retain the larger slice of the communications pie. And look out for Huawei and ZTE, China's leading telecoms equipment companies. Benefiting from an increasing quality-to-cost ratio, in 2002 these companies will grow their presence in western markets.

Dan Margo, China Britain Business Council, London

The acquisition by Comcast of AT&T's broadband cable unit will be

completed, and two surprises will appear in 2002: the profitability of AT&T's long-distance business; and the huge losses of the cable TV business. At least one Baby Bell will become serious in attempting to acquire one of the long distance companies, possibly even AT&T. The percentage of households in the U.S. that receive television directly over the air will fall to about 10%. Giving television broadcasters control of 400 MHz of prime radio spectrum will no longer be tenable with the wireless industry demanding more airspace.
A. Michael Noll, Professor of Communications, Annenberg School for Communication, USC

Mobile telephony will continue to be the main driver of telecommunications in Central and Eastern Europe in 2002. Double-digit growth rate, a higher return, as well as higher market values are reasons for investors to continue to put money in mobile telephony rather than fixed telephony. Selling stakes in national operators will be not an easy task. Potential investors in region could be institutional investors, as well as a few local players (OTE, etc.) or second-tier telcos from western Europe.
Nicolai Oaca, strategic counsel, RomTelecom

The focus on security in the past few years has been on millennium compliance, software upgrades, secure payment systems, firewalls and the integration of private networks. The combination of the events of 11 September and a string of nasty computer viruses will make 2002 the year of security. For governments and organizations that must operate in a secure fashion, the bar for protection has just been moved higher.
Michael Potter, director, Paradigm Ventures, Palos Verdes, CA

Public networking companies will find it more difficult to attract new customers based upon the traditional lure of new technologies and innovation. New business prospects will demand increased business process consulting knowledge from public-sector vendors as they seek competitive advantage on both the top and bottom lines.
Michael D. Radice, President and CEO Sellution Services Corporation

The effects of 2001 will profoundly shape 2002. Concerns with critical infrastructure protection, trusted identities and objects, and federal privacy laws, which received little more than lip-service in the past, will dominate the telecoms and Internet scene in the U.S. Similarly, the activities of standards groups flying by the seat of their pants and ignoring operations and vulnerability issues isn't going to wash.
Tony Rutkowski, Center for Next-Generation Internet and vice president, VeriSign Inc.

The outlook for 2002 continues to be bleak. Regulatory measures in Europe to promote entry and mitigate incumbents' market power are too little, too late; the FCC appears willing to "revisit" (i.e. relax) existing regulatory commitments. The primary political objective seems to be for broadband deployment: that it comes from a monopolist does not seem to trouble policymakers. Until a constituency for competition is present, we will return back to an "equilibrium of one."
Lawrence J. Spiwak, president, Phoenix Center, Washington, D.C.

More new operators with unsubstantiated business plans will go bankrupt. The industry will not consolidate - assets will simply be stranded as most of those built by new entrants are duplicative of existing assets. Incumbents around the world will be reinforced. Regulators will try to save ailing operators with futile market management techniques. Governments will still fail to recognize that the regulatory model needs to be revisited by the complete

separation of the only real source of market power, namely, the dumb bits of the local access network - ducts, poles and the wires within them.

Maev Sullivan

2002 is not for the optimist. GPRS will be trampled in the same dirt as WAP. Analysts will put "sell" against 3G operators. Incumbent operators will be imaginative only in thwarting others. Consolidation will be held back by depressed share prices. Some enthusiasm will be found for ultra-wideband, due to be cleared by the FCC in February.

Ewan Sutherland, INTUG, Brussels.

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