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NewsWatch for July, 2009

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Greetings, and welcome to July! This month's NewsWatch brings you some news about the digital TV transitions, Nortel's self-sales, Nimbuzz, some customer wins and awards, and of course, some information about the brand new Apple iPhone . Sound interesting? Then read on and enjoy what we offer to offer you in the same way we hope you're enjoying the beautiful July weather. Happy reading!

As usual, the iPhone is in the news again with Apple's release of the iPhone 3G S. The new device offers video recording, longer battery life, and various other enhancements that further Apple's stronghold on the personal device marketplace. If you're a new customer to AT&T, you can snag the phone for \$199 at the 16GB level and \$299 for 32 GB. If you plan to upgrade or are already an AT&T customer, expect to pay a much heftier out of pocket price for the new devices. Following Apple's success with the iPhone, touch screen devices are now hugely popular in today's industry and are seemingly the big thing in the foreseeable future, at least until devices can start to read their owners' minds. The Palm Pre is also getting some good reviews, (and some bad ones, including comments about crashed devices) with its touch screen and ability to run multiple applications at one time. It seems we're currently in an era where consumers are demanding that their one device do nigh everything. But have consumers considered what will happen if they lose that device, or if it gets stolen? Are we living in an era where lives will begin to unravel because someone happened to misplace their multi-function device? Only time, as it so reliably does, will tell.



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Nortel Networks, which recently filed for Chapter 11 bankruptcy in January of this year, has decided to forgo its original plans to restructure and is, instead, breaking itself apart with various sales, a move the company confirmed as possible in May. Most recently (to our publishing date), Nortel agreed to sell "substantially" all of its CDMA business and LTE access assets to Nokia Siemens Networks (NSN) for US\$650 million, contingent on a "stalking horse" sale agreement, where a higher bidder may step in at the last moment, though it's considered unlikely. The sale will turn NSN one of the largest CDMA vendors in the world, a big leap for a company that currently has no CDMA product line at all. It may also open some doors for the company to pick up business from the likes of Verizon and Sprint, both of which use CDMA, thereby giving NSN a far larger presence in North America than it previously had. In a release issued on the sale, Richard Lowe, President of Carrier Networks, Nortel, commented that, "Seeking a strong and stable buyer is the best path forward for our CDMA business and LTE Access assets. If successfully completed, this transaction would give many of our CDMA customers a clear roadmap for the future evolution of their networks and the opportunity to extend their relationship with a long-term partner. Further, we expect that a significant portion of the employees associated with the assets being sold would be able to continue their innovative work." Nortel has also announced that it will be "advancing in its discussions with external parties to sell its other businesses." These maneuvers likely signal the end of the once giant Nortel and at least one business, i.e. NSN, will be reaping some major benefits from its demise. Unfortunately, however, creditors and suppliers of Nortel have recently objected to the NSN bid, which could put some road blocks in the way of what appeared to be an easy win for NSN.



As of June 12th, all TVs officially became digital, and, at least according to the FCC, the transition was smoother than expected. FCC Commissioner Jonathan S. Adelstein issued a statement saying the transition looked more "like Y2K than the Bay of Pigs," and that, on the day of the transition, the FCC reported more than 300,000 consumer calls, a record number for the commission. Acting FCC Chairman Michael J. Copps, in his post-transition statement, commented that, "Digital will do for television what it has done for every other communications technology it touches—make it better, more efficient, more interactive, more competitive, and more exciting than ever before. The world is going digital, and I have no doubt that over-the-air television had to go digital as well. It's a win-win for consumers and for the long-term health of the broadcast industry." Those are definitely some optimistic words, particularly when there are some consumers out there that seem to feel that the switch was merely a money-making scheme for the government and various other telecom entities (a quick Internet search will prove that statement.) Hopefully, however, that isn't the case and consumers will start seeing improvements in the services available to them, like better sound fidelity,

subchannels, simulcast programming, etc. We're not there just yet, however, and at this point, the FCC says that their work is still far from over and states that their number one priority is to find and rescue the stragglers who are still without TV. The FCC is also reminding everyone with a converter box to make sure they rescan in order to get the widest array of channels.

Redknee, a provider of communication software products, solutions, and services recently announced their win of a multi-million dollar Triple-Play Billing Contract with a leading service provider in the EMEA region for their Turnkey Converged Billing solution. The better news? They anticipate that more than half of that revenue will be recognized in fiscal 2009. "We are proud to announce this strategic contract. It further validates our product platform, and demonstrates our continued ability to gain market share in the converged billing space." said Lucas Skoczowski, CEO at Redknee. "Moreover, we believe that by addressing billing requirements of the growing list of multi-play service providers, Redknee significantly expands its future market opportunities globally." Such a win puts Redknee, heretofore a smaller player, farther up on the totem pole, which may bring them more recognition in the near future.



FairPoint Communications, the company that recently took over services from Verizon in the Northeast and has already had its credit rating downgraded, among other issues, including disruptions in service, has appointed a new Chairman and CEO in the form of one David L. Hauser. Hauser was recently a group executive and CFO at Duke Energy Corporation, and has also been a member of FairPoint's Board of Directors since February, 2005. "While it is gratifying to be named chairman and CEO of this longstanding organization, I am very aware of the operational and financial concerns surrounding the company," commented Hauser. "My primary focus will be to address these concerns in quick succession and empower our team to seek and implement solutions. There is a lot of work to be done, and I am looking forward to getting started." Certainly, it's difficult for any new CEO to step in during a time of financial crisis and Hauser definitely has a full plate ahead of him. Let's hope, for the sake of FairPoint, that he has a huge appetite.

In the world of awards, Frost and Sullivan has awarded Verizon Business the 2009 North American Enterprise Telephony Equipment Implementation and Management Customer Value Enhancement Award. The company was measured for its market growth and customer satisfaction success. Our research clearly shows that Verizon Business is taking an industry-leadership role in the development and delivery of managed IP telephony services," said Imran Khan, research analyst, Frost & Sullivan. "Verizon Business' commitment to innovation and customer satisfaction - underpinned by

relationships with leading technology providers, strong technical acumen and its own robust professional services capabilities - position the company well for future gains, especially as enterprise customers look to deploy advanced collaboration solutions."

In the world of mobile phone apps, Nimbuzz, a social messaging aggregator with VoIP capabilities, is growing in popularity and forcing wireless carriers to consider alternate options for making money. The application, which can be used on your mobile phone or desktop, compiles popular social networking services like AIM, Facebook, Yahoo! Messenger, Skype, and others and allows users to take advantage of all the services from one neat and tidy place. The service also allows users to place calls through their handsets to other Nimbuzz users who are also using Nimbuzz on their mobiles, or to users who are sitting behind their computers. Anyone with a VoIP account on Skype, Gizmo5, or other VoIP providers can also use that account to place calls through Nimbuzz to landline and mobile phones directly. Voxxbone recently announced their partnership with Nimbuzz (although the partnership actually started prior to Nimbuzz's public release last year) to provide local numbers for access to inexpensive local and international calls to users who have stepped out of bounds of a WiFi connection. Users get charged only for the use of their local wireless minutes. Initially, it may seem like Nimbuzz is stepping on the toes of wireless carriers, but Tobias Kemper, head of communications at Nimbuzz, says that that is, in fact, not the case. "We encourage all of our users to get an unlimited data plan from their carrier so they can use [Nimbuzz] 24/7 without any further thoughts," said Kemper. He went on to explain that wireless carriers are realizing that there is money to be made in data services and value-adding applications that come pre-installed on new mobile devices. "Handsets are no longer about the bigger megapixels and the camera or more colors on the screen, but about the software. That is what's becoming the key differentiator... It's all about the software to enrich your experience and keep people hooked," said Kemper. Nimbuzz has several partnerships in the works, including one with RIM, where Nimbuzz would be integrated with the traditional Blackberry software. Toshiba is also coming out with the TG01, which will launch shortly in Germany with Nimbuzz preinstalled. And what profits are Nimbuzz collecting from this? At present, just about none. They've run, up until recently, on private funding, but hope to begin collecting revenues from the above mentioned partnerships and possibly from advertising. So what does Nimbuzz cost the end user? Again, nothing. When asked if they'll begin charging for their services in the future, Kemper said, "Never. Nimbuzz is completely free to download, and will remain that way. It's a product for everyone."