

Cost ahead of technology ?  
Are purchasers buying criteria  
equivalent in the current market  
segmentation ?



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# Agenda

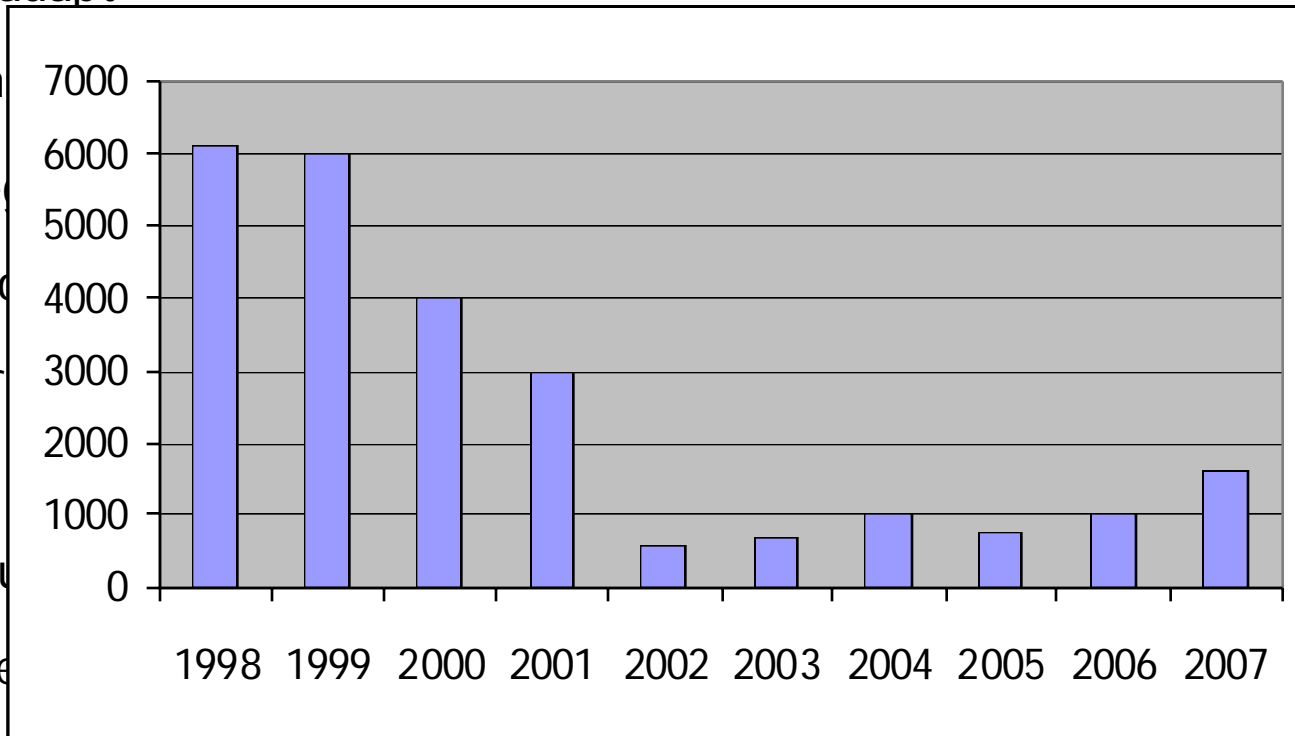
1. Introduction
2. Market Outlook
3. Market Environment
4. Market Segments
5. Conclusion

# Introduction

2001-2004 through

Supplier had to adapt

- Industry con
- Novel market se
- Better split of
- New Offshor
- Signed contracts
- R&D status in
- No breaktrow
- Cost improve



Growing market demand over 2007-2009

- Issues to meet market thirst

## Market Outlook - I

### Submarine market cyclical

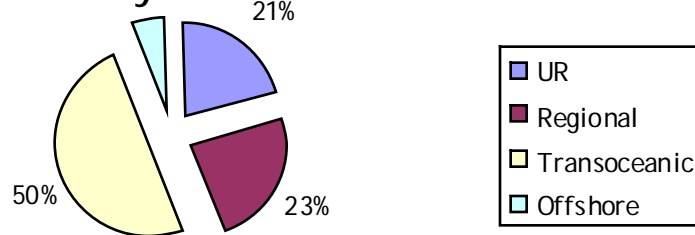
- Signs of recovery since 2004
- 2007-2008 expected sales twice those of 2004-2006

### New segmentation

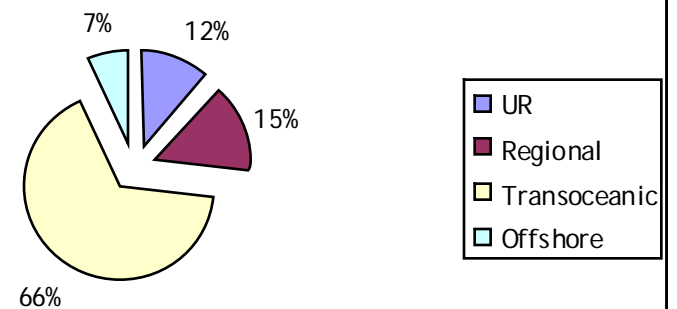
- Unrepeated, Regional, Transoceanic, Offshore

### 2004-2006-estimated sales split

- Driven by transoceanic needs

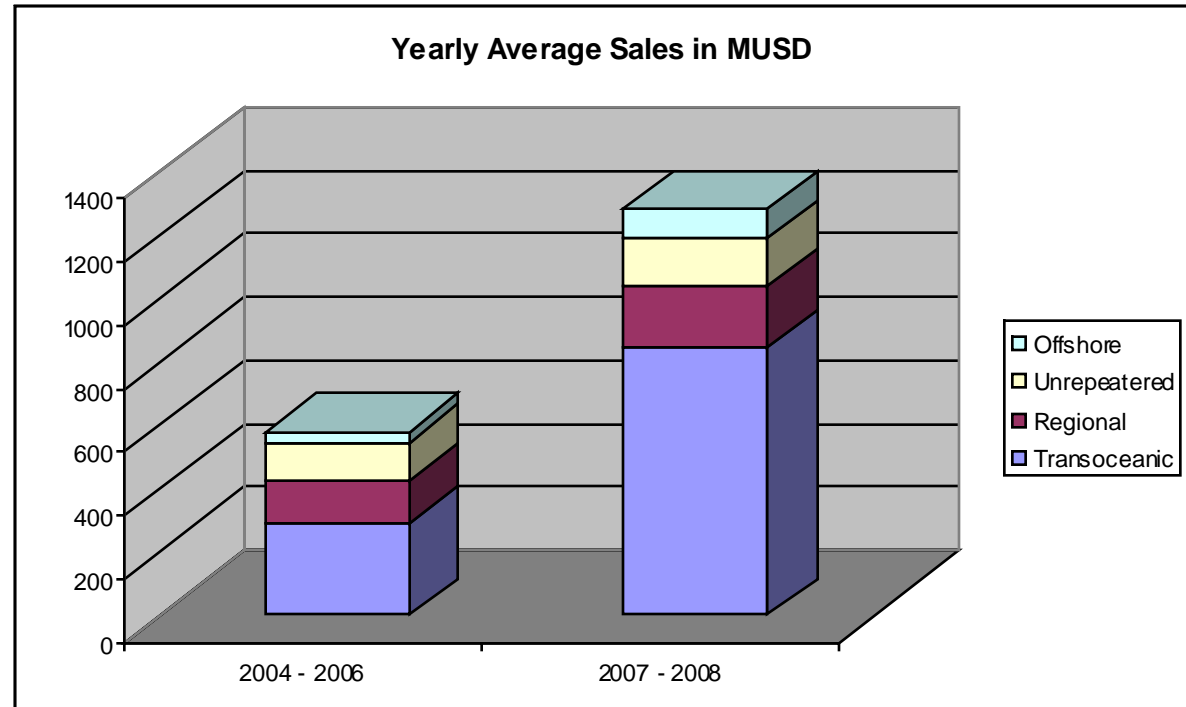


### 2007-2008 split forecast



## Market Outlook - II

### Sales split per segment



### Analysis

- UR market will remain like is, Regional market expected to about double
- Offshore market maturing, about doubling
- Transoceanic market booming, times two or three

Market shift to big pipe core business

Will drain supplier capacity

## Market Environment

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Tentative 1.5-2 B US \$ yearly market over next 2-3 years

- Difficult situation to accommodate each customer's needs
- Bottlenecks: Manufacturing and Installation

### Manufacturing and Installation capacities

- Cable manufacture 55.000 - 75.000 km per year capacity
- Vessel 50.000 - 60.000 km per year capacity

### Supply industry approach

- No investment in new factories

### Raises questions

- Will customers criteria change ?
- Rationale for each market segment

## Transoceanic solution - I

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### Customers

- Consortia of incumbents, Large private companies, Full turn key approach

### Criteria comparison

- Lead time

More important for private companies, targeting key routes and time to market

Less important for consortia, longer planning phases

- Technology

Consortia Keener on final capacity and upgradability

Private Route diversity puts less emphasis on capacity

Not expected to be a differentiator, 10 Gb/s fully mature

- CAPEX

Still number 1 or 2 criterion for both

## Transoceanic solution -II

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### Private companies criteria

- May decide on lead time first

### Consortia criteria

- Likely to select on CAPEX first

### Deployment facts and constraints

- Supply industry will concentrate on large transoceanic solutions
- Major routes will only see limited number of solutions
- Might dictate final customer's choice



## Regional solution

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### Customers

- Single Telecom, Remote from traditional routes, Full turn key approach

### Criteria

- Limited Capacity, Low CAPEX
- High Reliability, Long Term Support, Wide Services Array
- Lead time not crucial, Technical even less

### Deployment constraints

- Supply industry capacity planning driven by Transoceanic
- Slots available in supply chain
- Improved planning through better support of customer business case

## Unrepeated solution

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### Customers

- Single Telecom or Mobile Operators, Full turn key approach

### Criteria

- Cost, Reach, 6-9 month lead time

### Deployment constraints

- Same as regional
- Improved planning through better support of customer business case

### Unbundling initiatives

- Separate Dry, Cable, M Ops procurement; Consulting; E-Auction
- Will it yield good results ? Reliability, Margin, Life Time

## Offshore solution

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### Oil and Gas

- Upstream sector call for real time communication and power solution
- Driven by reliability

### Cabled Sea Floor Observatories

- Real time permanent observation
- Driven by budget

### Technology

- Spin off proven telecommunication technology to offshore needs
- Powering aspects are challenging

### Plan and Build Phase

- Much longer than telecommunication

## Conclusion

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2007-2009 is a strong growth period

- Stressing supply industry capability

Transoceanic needs will drive the supply industry

- Time to market

Regional needs still driven by cost reduction

- Increased planning needs

Offshore solutions very important market

- Easier planning



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