

benchmark-it performance

This new 358 page report profiles and compares 25 key alternative providers of trans-border telecoms services, with a focus on Western Europe.

The report includes the following:

- Profiles of 25 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 25 service providers
- Independent market analysis and comparisons
- Gives customers time to concentrate on analysing implications and to formulate action plans

Updated since last report:

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

Key conclusions:

- Although parts of the telecoms market have been hit by the recession, the market for trans-border services has, to date, remained robust
- The growing connectedness of personal and professional lives, and the ability of telecoms services to improve productivity, exploit new markets and save on other costs is key to this continued growth in traffic
- On-going consolidation is on hold as players are in 'wait and see' mode

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Alternative Trans-Border Telecoms Service Providers In Western Europe

June 2009

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Executive Summary

The economic environment is at the forefront of the minds of most business people today and this holds true also for telecoms services providers. To date, although some individual sub-segments of the telecoms market have experienced a negative impact from the recession, there has been no significant downturn in the market for trans-border services for European corporates and MNCs – while traditional voice services have continued their structural decline, growth in data services have at least compensated for this.

To a large extent the robust nature of the communications market comes about because such services can enable productivity improvements and facilitate opportunities to partner, exploit new channels to market and respond more flexibly to customers’ evolving demands. Indeed, people are becoming ever more connected in both their personal and professional lives and this is driving traffic growth across the board – this is illustrated, for example, by the continued rise of social networking sites and by the steady growth over recent years of the portfolio of conferencing services including, most recently, of telepresence services.

As a result, the majority of service providers surveyed in this report have continued to invest in rolling out and upgrading their international networks, and in the range of products and services that run over them. In particular, recent months have seen an emphasis on Ethernet services, mobility capabilities, application acceleration/optimisation, and security and professional services – all of which underline the fact that corporate networks are the nervous systems of today’s businesses.

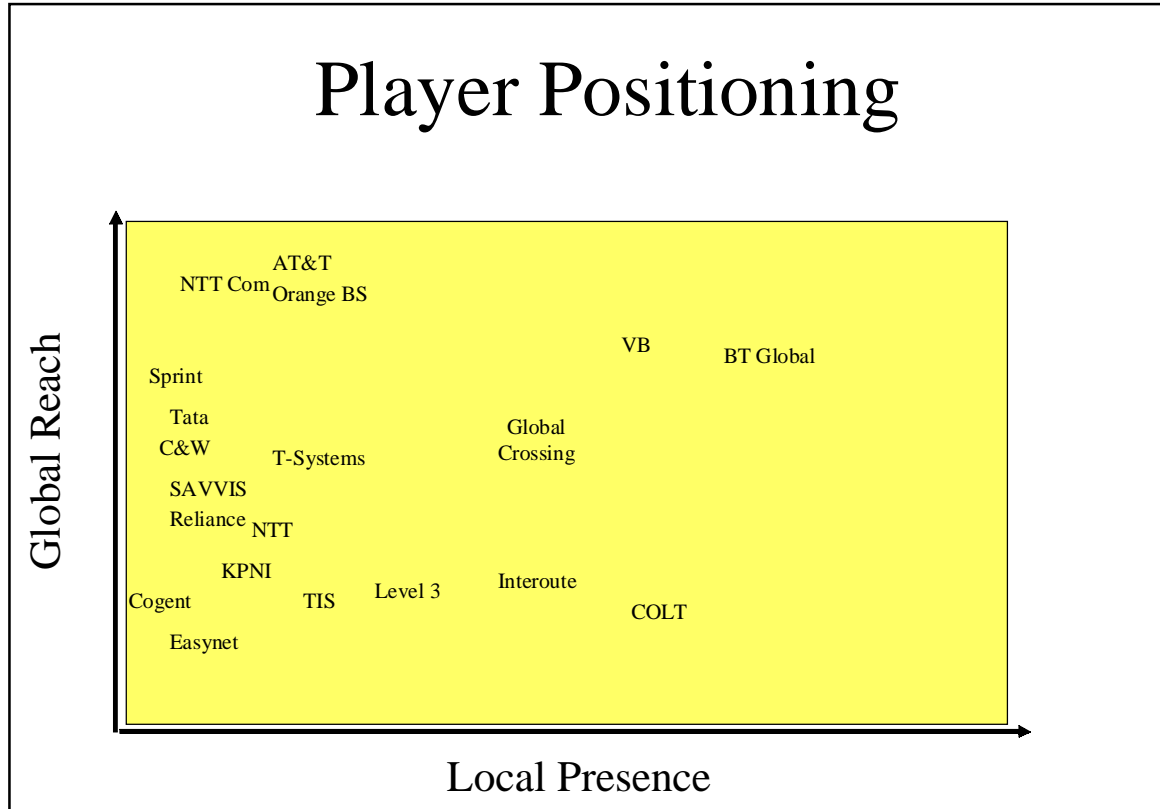
With networks playing such an important role in corporate life, it is essential that service providers can prove their ability consistently and reliably to deliver against customers’ stringent needs and, generally, they manage this successfully. Even recent problems at BT Global Services have been more of an internal governance issue than one that has yet to impact its customers – so the fears that arose when alternative service providers started failing during the dot.com bust have not yet been repeated during this downturn.

This does not mean, however, that telecoms players can be complacent. No-one can be quite sure how long or how deep this recession will be. This explains why an already crowded supply side has not undergone more consolidation, even at a time when new competitive pressures are coming from suppliers based in the Asia Pacific region that are looking to grow their presence in the European market. At the moment, everyone from suppliers to customers appears to be in ‘wait and see’ mode and moves tend to be tactical rather than strategic.

Consolidation will definitely take place in future, but only when the market either takes a clear turn for the worse or for the better – in the meantime we remain in limbo, but things are a lot rosier in the telecoms sector than in many others.

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The service providers covered in this report occupy the following positions in the market:



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Verizon Business

Verdict: Verizon Business continues to be among the leading global service providers and boasts a leading position in Europe, where it offers strength and depth across a key set of countries. The company has continued to develop the functionality of its portfolio, regularly adding to its growing suite of professional services and value-added propositions, such as application optimisation. At the same time it has continued to invest in network expansion around the world and to meet growing demand in its existing target countries.

Summary

Verizon Business is the product of a series of acquisitions by Verizon, a U.S. local and long-distance operator, including MCI, UUNet and Digex.

The company’s vision runs as follows: “To be the premier communications partner to enterprises worldwide.”

Its mission reads: “To deliver value through global capabilities, integrated service portfolios and employee commitment to a customer-first philosophy.”

“Verizon Business is a global leader in communications and IT solutions. We combine professional expertise with the world’s most connected IP network to deliver award-winning communications, IT, information security and network solutions. We securely connect today’s extended enterprises of widespread and mobile customers, partners, suppliers and employees – enabling them to increase productivity and efficiency and help preserve the environment. Many of the world’s largest business and governments – including 96% of the Fortune 1000 and thousands of government agencies and educational institutions – rely on our professional and managed services and network technologies to accelerate their business.”

Verizon Business lists the following as reasons why customers should consider it as their supplier:

- Local-to-Global Leadership – we operate one of the largest wholly-owned global IP networks in the world, connecting 150 countries on six continents;
- Simplifying Convergence – Verizon Business was the first to deploy MPLS globally and we continue to expand the depth and breadth of our products – so you can migrate to IP at your own pace;
- Vanguard Technology – Verizon business has a rich history of leadership in networking solutions and we continue to invest heavily in state-of-the-art enterprise technology:
 - Leading application awareness tools and voice assessments help effectively monitor and manage converged networks;
 - First to test 40Gbps transmission in the USA with plans to test 100Gbps in the future;

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Geographic Reach:

COLT has 34 city networks (30 of which are in black in the table below) across thirteen countries in Europe. According to COLT's latest annual report, its network also links a further 79 other cities (which are listed below in red). The company also has eighteen functioning hosting centres (in blue in the table below).

Western Europe:

Austria	Vienna, Graz, Innsbruck, Klagenfurt, Linz, Salzburg, St. Polten
Belgium	Antwerp, Brussels, Ghent, Liege, (Luxembourg), Brussels
Denmark	Copenhagen, Aarhus, Copenhagen
Finland	Helsinki
France	Lyon, Marseille, Paris, Bordeaux, Dijon, Grenoble, Lille, Montpellier, Nantes, Nice, Poitiers, Rennes, Rouen, Strasbourg, Toulouse, Tours, Paris (2),
Germany	Berlin, Cologne, Dusseldorf, Frankfurt, Hamburg, Hannover, Munich, Stuttgart, Boblingen, Bremen, Dortmund, Dresden, Erding, Essen, Esslingen, Karlsruhe, Leipzig, Mainz, Mannheim, Neuss, Nuremburg, Offenbach, Potsdam, Wiesbaden, Wuppertal., Berlin, Frankfurt, Hamburg
Ireland	Dublin
Italy	Milan, Rome, Turin, Bari, Bologna, Brescia, Cagliari, Catania, Florence, Genoa, Naples, Padua, Palermo, Rome, Venice, Milan, Turin
Netherlands	Amsterdam, Rotterdam, The Hague, Amsterdam (2), Almere, Breda, Den Bosch, Eindhoven, Hilversum, Utrecht
Norway	Oslo
Portugal	Lisbon, Porto, Lisbon
Spain	Barcelona, Madrid, Valencia, Barcelona, Madrid
Sweden	Stockholm, Gothenburg, Malmo
Switzerland	Basel, Geneva, Zurich, Bern, Biel, Chiasso, Lausanne, Lucerne, Lugano, Nyon, Pfaffikon, Schaffhausen, St. Gallen, Winthetur, Zug, Zurich
UK	Birmingham, London, Manchester, Bristol, Leeds, Reading, Slough, London (3)

Other Regions:

USA/Canada	Access through leased infrastructure. Metro Ethernet planned for nodes in Chicago, New York and Boston
Eastern Europe	PoP in Bratislava (Slovakia)
Middle East/Africa	No network
Asia Pacific	No network
Latin America	No network

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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 in Europe is arranged as follows:

Global Crossing IP Solutions:

- IP VPN:
 - Fully meshed MPLS-enabled network covers more than 690 cities in over 60 countries and has 800 PoPs;
 - Customers can choose Layer-2 VPN (point-to-point) technology for basic transport or Layer-3 (any-to-any) connectivity for intranets and extranets, or a hybrid of both;
 - Logical migration path from private line and frame relay/ATM networks;
 - Advanced SLA for latency, packet loss, jitter and availability, based on CoS and QoS;
 - Flexible pricing options:
 - Fixed rate billing – flat-rate billing ensures the availability of committed bandwidth capacity within the CoS;
 - Usage-based billing – no committed bandwidth costs;
 - 90/10 pricing eliminates charges for spikes in usage, with the top 10% being automatically discarded from each CoS;
 - Point-to-point or any-to-any connectivity;
 - Each site may participate in 3 VPNs, up to 510 sites;
 - Layer-2 IP VPN (L-2) expands options and can be integrated with Layer 3 IP VPN:
 - Virtual private lines – redundancy or replacement;
 - FR/ATM redundancy – no Private Virtual Circuits needed;
 - Flexible Virtual Circuit bandwidth with no special equipment needed;
 - Five encapsulation methods – Cisco HDLC, PPP, Frame Relay, ATM and Gigabit Ethernet VLAN;
 - Access options:
 - Direct leased line connection to provider edge router (PR), SDH/SONET, FR/ATM or NNI and Metro Network PoPs where available. Global Crossing Ethernet and business-class DSL access also available;
 - L3 routing protocol support for BGP, OSPF, RIP and static;

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Management

Revenue:

BT Global Services grew its revenues in the 2008/09 financial year (ended 31st March) by 12% year on year to £8,828 million (2007/08: £7,889 million), aided by foreign exchange movements and acquisitions. Excluding the impact of the latter, underlying revenues were £7,872 million (£7,889 million). Total BT revenues from Europe, the Middle East and Africa amounted to £3.247 billion in 2008/09 (2007/08: £2.510 billion).

BT Global Services has articulated its revenue breakdown as follows to reflect its new organisational structure that is currently being implemented:

- UK Domestic: about £2.5 billion in revenues with about 1,100 customers;
- MNC Business: about £3.5 billion in revenues with about 400 customers;
- Global Services Enterprises: about £2.8 billion in revenues.

The table below illustrates revenues and EBITDA at BT Global Services over recent years:

£m	2007	2008	2009
Revenue	7,312	7,889	8,828
Adjusted EBITDA	735	861	309

The table below illustrates the growing proportion of BT Global Services that are generated outside the UK:

	2007	2008	2009
Non-UK	36%	40%	47%
UK	64%	60%	53%

BT Global Services accounts for 41% of BT's total external revenues.

BT Global Services' customer base contains a significant number of customers in the UK and precise numbers for continental Europe are unavailable. It describes its core target market as "10,000 multi-site organisations including major companies with significant global requirements, together with large organisations in target local markets."

Management Team:

BT Global Services' CEO has been Hanif Lalani (formerly Group Finance Director), since October 2008, with the majority of the management team having been replaced. The unit employed 31,400 people globally at the end of 2009 (end 2008: 33,100), but this number is set to decrease by about 3,300 as the company as a whole strives to cut its headcount and cost base.