

NETWORK!

FOR PEOPLE IN THE NETWORK SYSTEMS BUSINESS OF LUCENT TECHNOLOGIES

Take the Lucent Technologies Challenge!

Win a Lucent T-shirt

If you've been reading *NETWORK!* carefully, and if Lady Luck happens to smile your way, you could add a brand new all-cotton T-shirt to your Lucent Technologies wardrobe.

Here's how: take this month's quiz, and learn more about the business. Then send in your submission, with all the correct answers of course, and you'll be entered into a drawing. Answers to the quiz can be found in the last four issues of *NETWORK!* (including this one). Good luck!

1. Who is the new Global System for Mobile Communications (GSM) Product Realization vice president?

2. Name the new network software for building and delivering highly interactive network-based applications over any communications network.

3. What is the Cheetah Program?

4. Name the new sales incentive program led by NS Global Marketing Vice President Angie McGuire.

5. What's the rate of growth for international markets?

Continued on page 4

Costa Rica goes cellular

A new 5ESS®-2000 switch and 23 AUTOPLEX® System 1000 Series II base stations from Network Systems will bring wireless services to 18,000 new cellular subscribers in Costa Rica.

Improved service

The system was inaugurated on May 7, with a cellular call placed from Washington, D.C., to San Pedro, Costa Rica. The contract, awarded to Lucent Technologies of Costa Rica, is valued at U.S. \$30 million.

With the new system, Costa Rica's PTT (Costa Rican Institute of Electricity, or ICE) now has capacity for 33,000 cellular subscribers. By the end of May, that number will increase to 48,000. The new system will improve the quality of service, especially in rural areas.

Members of the Lucent Central America Sales Support Team that closed the deal include Steve Gosnell, Carlos Linares, Gibert Camacho Mora, Giovanni Murillo, David Reiersen, and Fernando Vega. □

A summary of Q&A from last week's quarterly broadcast

Last week's Network Systems all-employee quarterly broadcast, transmitted live from Hilversum, The Netherlands, included a question and answer segment with NS President Dan Stanzione and members of the NS Operations Council. Here is a summary of some responses:

Q. I heard that Lucent might change its fiscal year from Dec. 31 to Sept. 30. When will a final decision be reached?

A. The fiscal year end is being reviewed, and a lot of consideration is being given to changing the closing date. However, any new policy must be cleared by the Lucent board and the AT&T board. As soon as a decision is made, it will be communicated to everyone.

Q. Information Systems have historically been a major problem for Network Systems. How is the Cheetah Program going to change that?

A. There are three basic keys to doing better than we have in the past in that area. One is to buy software packages from outside of Lucent, where those software packages have proven themselves in other businesses. The second is to keep the modifications to the legacy systems simple and to build on fixed and firm requirements. And the third is to introduce good project-management discipline. These three basic strategies are the keys to better execution. Brij Khandelwal, Network Systems' chief information officer, and his team are working closely with the project leaders of the other core projects in the Cheetah Program to improve performance in this critical area.

Q. How do we try to balance our time division multiple access (TDMA) and GSM investments with our significant code division

Continued on next page

Nuremberg prepares for the future

Lucent Technologies announced on May 7 a restructuring program to prepare its Network Systems activities in Nuremberg, Germany, for the future. The program is necessary to integrate the Nuremberg-based businesses into Lucent's worldwide organization, as well as to modernize the company's operations. The plan's biggest impact will fall on the Philips Kommunikations Industrie's (PKI) public telecommunications equipment business acquired on Feb. 7.

Measures include greater focus on core activities, and substantial investment in modernization, tools, and training. The plan will result in a workforce reduction of about 20 percent and an investment program of approximately DM 50 million (U.S. \$38 million). Of the current 2,100 jobs in Nuremberg, 420 will be eliminated this year.

Single product portfolio

The restructuring means a stronger focus of resources on core competencies in wireless and wired transmission systems, such as Global Systems for Mobile Communications (GSM) and Synchronous Digital Hierarchy (SDH). Both activities will be fully integrated with the Lucent

product programs, leading to a single product portfolio for national and international markets.

At the same time, parts of the product lines in the Nuremberg company will be phased out. The Nuremberg development center will become an integral part of Bell Labs, and a new production center will replace the existing factory.

"As a leader in the world market, we will deliver end-to-end solutions to our customers", explains Detlef Linssen, chairman of Lucent Technologies Network Systems Division in Nuremberg. "PKI will play a key role in the long-term strategy of Lucent Technologies. We will be the marketing center for complete solutions using the full range of Lucent's products for our customers in Germany, and at the same time, an international competence center for leading-edge SDH and GSM products within Lucent Technologies."

Any GSM-related restructuring questions should be directed to Vilma Stoss on +49 911 526 6211, vstoss@attmail.com; SDH-related questions should be directed to Nicolaas Rauwenhoff on +49 911 526 6390; nicolaas.rauwenhoff@pki-nbg.philips.nl. □

A summary of Q&A from last week's broadcast Continued from previous page

multiple access (CDMA) investments and make them all successful?

A. We plan to be number one in all of those technologies -- TDMA, CDMA, and GSM. Right now we are behind in the GSM market, but with the acquisition of PKI and the heavy investment in switching, we are ready to take on the competition. We're using all of our investments to take on the marketplace in GSM, TDMA, and CDMA. We know we have a tremendous hill to climb, and we are ready to do it.

Q. What is our strategy for the Internet?

A. The Internet is driving the fundamental network growth in the United States and around the world. From a strategic technology perspective, data networking and communications software are the two areas that I think merit the most attention. Our recent Inferno™ announcement is just the beginning -- just one of several announcements we expect to make regarding the Internet. Stay tuned.

Q. We've read that the new AT&T will eliminate the Technical Pay Plan (TPP) and move everyone on to a Management Pay Plan (MPP). What are Lucent's plans?

A. Since we are a brand new company, we're looking at our compensation systems across Lucent. We're going to be making some dramatic changes to the way we compensate people. We are re-evaluating all methods of compensation, and that includes TPP,

MPP, and stock. You'll be seeing some new things in the months to come.

Q. Are we keeping pace with the trends in growth as compared with our competitors?

A. The most significant area for growth is in the wireless industry. Our wireless business is growing well. We are not only keeping pace, but also gaining share. We are doing well and keeping up in applications software, the second most rapidly growing segment of the business. The same goes for basic infrastructure.

The area that I think across Lucent we're most concerned about is data networking. Our competitors have good positions there, and we're concerned that we're not as focused in that area compared to some of them. We have teams in place working on our plan and approach.

So, we have some areas that need attention, and we're working on those, but in terms of overall growth, we're doing well.

In closing, Stanzone said, "There is simply not a more exciting industry to be in than the one we're in. We're fortunate to be blessed with the vast resources we have -- technology resources, financial resources, and most important our people. It's a very exciting time ahead for all of us." □

5ESS switch makes Japan's wireless system work

We make the things that make communications work. And that's certainly true in Japan now that the Personal Handyphone System (PHS), based on the 5ESS® switch platform, was delivered to Chubu Telecommunication Company (CTC) in Nagoya, Japan, recently. By the time CTC introduced the PHS service, more than 23,000 people had signed up.

PHS is the next generation of wireless technology selected by Japan for its Personal Communications Services (PCS) system. PHS offers an alternative to wire-line and cellular communications by combining mobility with sound quality that's almost as clear as wire-line connections.

The technology is targeted for areas such as large Asian cities, where congestion and slow mobility are a way of life.

"Given Japan's profile as a busy urban area where users predominantly are walking, biking, or are in congested traffic areas, Japan is poised to reap the most reward from the advantages PHS offers," says Bruno Barkauskas, technical manager for International

Advanced Services. "More than 100 engineers and managers from the global 5ESS switching team partnered with Hitachi to make this solution a reality."

A technology Japan loves

Due to its low power usage, and its use of an inexpensive cell site, the PHS system is less costly compared to traditional cellular high-mobility systems. Low power usage also has another advantage: it allows the use of compact, powerful phones weighing as little as 3.3 ounces with a battery life of up to 400 hours standby time.

As you might imagine, PHS technology has really taken off in Japan, logging in more than one million subscribers since the technology was first introduced in August 1995. As a result, the Japan Ministry of Posts and Telecommunications is taking PHS on the road and making a pitch to export the standard and technology. So far, Australia and Thailand, in addition to a number of Pacific Rim countries, such as Hong Kong and Indonesia, have accepted the PHS standard. □

Interesting stuff

Cosentino wins 1995 Eta Kappa Nu Recognition Award

Phyllis Cosentino, director, Wireless Applications Engineering, was the winner of Eta Kappa Nu Association's Recognition of Outstanding Electrical Engineer Award program. Cosentino was cited "by virtue of her outstanding technical and leadership contributions to the field of wireless communication systems and her dedication to community and professional activities."

She was honored at the association's 60th Annual Awards Banquet in Princeton, N.J., on April 22, 1996.

Cosentino joined Bell Labs in 1986 and has made exceptional contributions in the areas of network performance, undersea light-wave systems, and network wireless systems. She also has served as an officer of the Chicago Chapter of the IEEE Communications Society for the last three years. □

FYI

Employee Resource Group conferences scheduled

While Lucent Technologies and AT&T undergo tremendous organizational change, one thing that will continue is support of the national professional development conferences sponsored by the Employee Resource Groups. A commitment to diversity and development of associates is a significant business priority. The following are the remaining conference dates scheduled for 1996 and contact numbers for more information:

- Alliance of Black Telecommunications Employees, Inc. (Alliance) in Dallas, Aug. 8 to 11. **Contact:** C.J. Fowler 213-881-6080
- Asian/Pacific American Association of AT&T (4A) in San Francisco, Aug. 14 to 16. **Contact:** Conference Hotline 415-442-3748
- Individuals with Disabilities Enabling Advocacy (IDEAL) in Lisle, Ill., Sept. 19 to 21. **Contact:** Joe Wood 770-750-7870
- Hispanic Association of AT&T (HISPA) in Omaha, Neb., Oct. 3 to 6. **Contact:** Doreen Rivera 602-649-6831

Note: LEAGUE held its annual conference May 1 to 4 in Chicago. LEAGUE may be reached at 500-346-LEAG, or via the Telecommunications Device for the Deaf (TDD) at 800-855-2880.

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Letters to the editor

The right way

The article in the May 2 issue of **NETWORK!** about Whole Order Delivery begs the question. How many years and for what reasons have we not been shipping our switches in one piece? It seems to be the logical thing to do and would seem intuitive that it should have always been that way. I guess we should be proud that our high-level, highly paid executives have finally decided to do it the right way.

John Broughton, Naperville, Ill.

Editor: Previously, Network Systems' strategy included product shipment through materials distribution centers. This system served us well in the past when we had longer cycle times. Now, with shorter cycle times, we have to have new ways for distributing our products.

Distribution expense is a major cost of any company and changing a distribution system requires careful study. With the roll-out of the Cheetah program, we're now able to take advantage of a new strategy, Whole Order Delivery, and meet our customers' needs in new and better ways.

NETWORK! will publish signed letters as space permits -- reserving the right to edit for clarity. Please include your name, work location, and a contact number where we can reach you. Opinions expressed in the Letters section do not necessarily reflect the views of Network Systems management.

Challenge

Continued from page 1

For fastest delivery, fax your completed quiz to 201-606-3309, or e-mail it to attmail!CUNNING-HAML. To allow for time differences among NS locations, we will randomly pick 10 winners from all correct entries we receive by Tuesday, May 21.

Don't forget to include your name, address, room number, and phone number so **NETWORK!** can notify you if you win. □

Industry watch

Ericsson A.B. said its profits rose 28 percent in the first quarter on higher demand for its mobile telephone products. Ericsson's sales were up 14 percent.

(The New York Times, May 9, 1996)

Cisco Systems Inc., which focused attention on the hot growth among computer networking companies by recently agreeing to buy a modest-sized company for \$4 billion, reported that net income soared 84 percent in the fiscal third quarter as revenue jumped 93 percent.

It said net income in the quarter ended April 28 was up from the year-earlier \$125 million, as corporate customers and users of the Internet continued their explosive buying of networking equipment.

(The Wall Street Journal, May 10, 1996)

Technology investors are used to turbulence: shares of high-technology companies often bounce around But telecommunications investors generally expect a smoother ride.

That made all the more startling last week's free fall in the share price of Nokia Oy, a Finnish company that is one of the world's largest makers of cellular telephones.

... the company posted a steep and unexpected drop in its first-

quarter earnings. The next day, Nokia's overseas investors forced its American depository receipts down \$1.375, to \$35.75, in brisk New York trading.

Nokia has been caught in a cycle of inflated hopes and exaggerated disappointments. Despite its troubles, which range from inventory foul-ups to a sluggish American market, several analysts who follow the company called its stock still worth buying.

(The New York Times, May 13, 1996)

Alcatel's sales fell 4.7 percent in the first quarter, but there was a big rise in orders. The decline was due to a fall in exports to China and weaker business in fixed networks in France. The rise in orders came from transmission, access mobile telephone infrastructure, and space communications operations.

(Financial Times, May 13, 1996)

Nextel Communications Inc.'s first-quarter loss more than doubled, partly reflecting higher expenses, as the Rutherford, N.J., company pursues its plan to build a nationwide wireless network. The net loss was \$118.7 million, equivalent to 56 cents a share, compared with a loss of \$53.2 million, or 50 cents a share, a year earlier.

(The Wall Street Journal, May 15, 1996)

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