

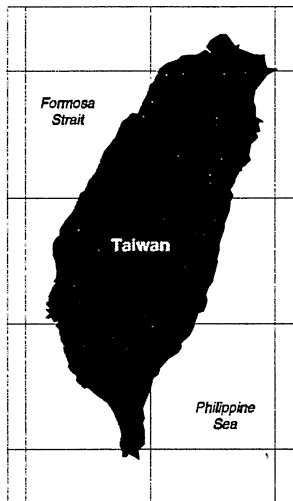
NETWORKS

NEWS ABOUT NETWORK SYSTEMS, ITS PEOPLE, CUSTOMERS AND COMPETITORS

NS Announces

Lucent Launches Taiwan's First Nationwide GSM 1800 Wireless Network

Lucent Technologies announced the deployment of the initial phase of Taiwan's first national Global System for Mobile Communications (GSM) 1800 network, connecting networks for KG Telecom and Tuntex Telecom. KG Telecom and Tuntex Telecom have a roaming agreement that allows them to offer their subscribers seamless national wireless coverage using Lucent's handover infrastructure. Without this handover feature, subscribers would have to redial their calls once they moved



out of one operator's coverage area into the other's—even with the roaming agreement in place. This is the first time Lucent has provided a tailor-made solution for roaming services in Taiwan. Lucent has installed more than 350 base stations and four Mobile Switching Centers (MSC) under a \$140 million contract signed in April with KG Telecom and Tuntex Telecom. Lucent's customers for GSM networks include Pacific Link of Hong, Escotel of India, Celcom of Malaysia and T-Mobil of Germany.

NS Announces continued on page 3

Feature

Lucent Broadcast Celebrates Success Reorganization Questions Addressed

Growth and celebration were the themes of Tuesday's company-wide broadcast as thousands of employees around the world tuned in to celebrate Lucent's first birthday, and a year filled with excitement and achievement. Greeted by applause and standing ovations, Chairman Henry Schacht and Chief Executive Officer Rich McGinn offered heartfelt thanks to employees for their outstanding contributions to the business. "The record that you

have achieved is something that demonstrates what opportunity of a lifetime means," Schacht told employees.



The live broadcast, which originated from Murray Hill, N.J., included a two-way link to London, where 200 employees joined Ben Verwaayen, executive vice president and chief operating officer, to participate in the celebration.

McGinn recapped the year's highlights which included record earnings, the joint venture with Philips, acquisitions of

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Around NS

Network Systems Sales Conference Focuses on Growth

Carly Fiorina Talks to Group about Reorganization

It was an impressive sight: A huge ballroom filled with more than 3,000 people focused on learning about our fast-paced, complex industry. The sales

teams from Global Commercial Markets, Regional Holding Companies markets, GTE and Canada, AT&T, and the international re-

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Broadcast Celebrates Success

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Octel, Livingston and Agile, the introduction of Lucent's data networking strategy, and the announcement of the \$350 million expansion of Lucent's fiber operations worldwide. "What we've achieved in a few weeks and throughout 1997 demonstrates our commitment to make every move possible to strengthen Lucent for growth," said McGinn. "We are determined to make the set of moves to capitalize on the highest growth segment of our industry."

McGinn then outlined the new structure of Lucent; describing the new units as "hot little companies" created to address the fastest growing segments in the industry. As of Nov. 1, the new units within Lucent will include Microelectronics Group, Intellectual Property Division, Business Communications Systems, Data Networking Systems, Bell Labs, Global Service Provider Business, Wireless Networks Group, Switching and Access Systems Group, Optical Networking Group, Network Products Group, Communications Software Group and New Ventures.

"We now have a strategy that will take us to a new level of performance," said McGinn.

Creating a "Lucent GROWS" Environment

Along with the right strategies and the right structure, Lucent also needs the right operating style and spirit, McGinn said. "We have identified the kind of culture we'll need to execute our strategy effectively—and the behaviors that will mark us as a high-performance company." Those behaviors comprise Lucent GROWS, an effort designed to create an environment in which all employees can do their best, most creative work. Each

GROWS letter signifies a behavior: Global growth mindset; Results-focused; Obsessed with customers and about competitors; a Workplace that's open, supportive and diverse; and Speed.

In a ceremony recognizing employees who exemplify the Lucent GROWS behavior, Dan Stanzione, executive vice president and chief operating officer, and Verwaayen presented special plaques to six Lucent teams. Among the honorees was the Network System team that created the "Opportunity Room", a command center that uses Bell Labs data visualization to collect and track data on customers and competitors to help close sales quickly. (See the Feb.20, 1997 issue of NETWORK!)

Reorganization Means Growth

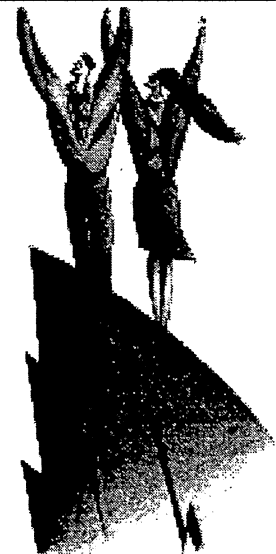
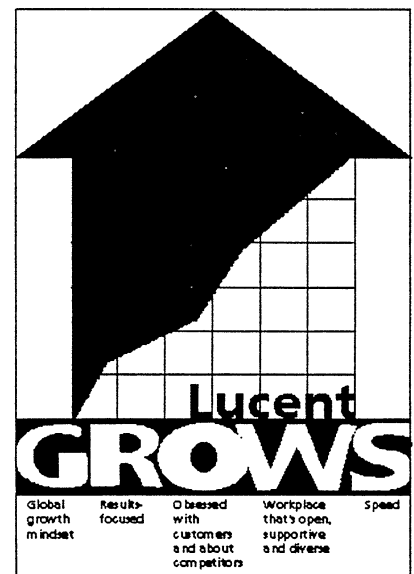
Understandably, reorganization was on the minds of many employees who posed questions during the question and answer session. Responding to one employee's question, McGinn emphasized that the reorganization was not about downsizing. "The whole emphasis is about how we grow this business. The more successful we are, the more opportunity we have to grow the business and provide upward job growth."

Stanzione responded to another employee who asked how the reorganization builds on Network Systems' record growth in revenue and earnings. "The reorganization will help get the responsiveness we need in the marketplace, while focusing on the global growth opportunities. It's going to focus the product groups, the ones that were introduced many months ago, while maintaining a unified inter-

face to our customers. It's up to us to make that interaction work internally. It will work very well in building on the things that have gone pretty well for Network Systems over the last couple of years and are going to go even greater for the service provider business as we go forward."

For videotape copies of the broadcast, call 908-949-3488; fax, 908-949-7879; or send e-mail to brbrown@lucent.com. You will need to provide shipping and billing information when ordering. □

—Ollie Hartsfield



Lucent Providing Core Telecommunications Network in Spain

Lucent's superior solutions, local resources and high investment in Spain were key factors in winning a \$45 million contract to provide the first phase of Retevision's new telecommunications network. A recently privatized company, Retevision is Spain's second telecommunications services provider. Lucent will supply, install and maintain Retevision's intelligent network, which will be based on Lucent's 5ESS®-2000 digital switching system. With Lucent's intelligent network system, network operators are able to make their network programmable, allowing them to bring new services to the market quickly and efficiently.



SYSTIMAX® GigaSPEED™ Solution Wins Major Industry Award

Lucent Technologies' SYSTIMAX GigaSPEED Solution has been awarded the Data Communications "Best of Show Winner in the Category of Best LAN Product" at the Interop '97 show in Paris, France. The award was judged on a number of merits, including business benefit, product improvement and overall advancement of the state of networking. The SYSTIMAX GigaSPEED Solution was launched in September and has

been called the most significant development in copper cabling since the introduction of the Category 5 cabling standard. Gigabit technologies are increasing in today's workplace and it is imperative that the cable infrastructure can support them.



Lucent Establishing Bell Labs Presence in Japan to Develop Next-Generation Wireless Systems

Lucent Technologies will be working closely with customers such as NTTDoCoMo to create a prototype wideband CDMA (W-CDMA) system for third-generation wireless communications systems at NTT DoCoMo's Yokosuka Research Park in Yokosuka, Japan. The facility recently opened as a global center for research and development of advanced information and communications technology, conducting research and development for core next generation digital mobile communications systems and services.

Lucent's presence in Japan complements its ongoing research and development activities already under way at the Product Realization Center (PRC) in Mt. Olive, New Jersey. Lucent's PRC

focuses on the design, development and manufacturing of CDMA minicells for the global market. Lucent is one of the first companies chosen by NTT DoCoMo to work with it to develop third-generation systems, which are high-speed, multimedia wireless communications systems.



Lucent Awarded Wireless Contract in Costa Rica

Lucent is becoming one of the leading wireless equipment providers in Costa Rica. Lucent was



awarded an \$18 million contract for the expansion of the existing Time Division Multiple Access (TDMA) wireless network for the Costa

Rican national telephone company, Instituto Costarricense de Electricidad (ICE), nearly doubling ICE's existing service.

Lucent will be installing the second phase of the existing TDMA network, which was originally awarded to Lucent in a \$30 million contract last year. Lucent's wireless networks group offers all the major air interface technologies—TDMA, CDMA, GSM, and AMPS. □

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gions gathered in Orlando, Fla., last week for the first integrated, cross-product and skills training event. The event's theme was "Changing Perspectives: Focus on Growth"—capturing the importance of speed, customer service and flawless execution in our highly competitive environment. Gerry Butters called the week an opportunity to marshal the right tools and right perspective for Lucent to lead in this new market space.

In the general session to kickoff the six-day event, Network Systems executives Nina Aversano, Angie McGuire and Jay Carter took part in a panel discussion to talk about what is needed from the sales team to ensure continued growth. The message: Teams need to know Lucent's offerings, but even more so they need to know their customers. Butters asked the audience to think about how well they really know customers, including such details as their income state-

ments, their business plans, and challenges. The goal for sales teams is to improve that knowledge, he said, so Lucent is constantly offering our customers better solutions.

Lucent's CEO Rich McGinn took the stage, concluding the opening session with his congratulations for an outstanding 1997 fiscal year and sharing his feelings about continual learning and its importance for a successful 1998.

For the rest of the week the sales teams filled their days with training that included more than 200 classes providing overviews of market initiatives and strategies and "drill downs" into specific product applications. On Thursday morning the news broke that Lucent was reorganizing into 11 business units. Thursday evening, a special meeting was called and the teams met their new leader, Carly Fiorina, group president of the new Global Service Provider Business. The new

unit will include marketing and sales, service and support and program management for the network operators and service providers around the world.

Fiorina emphasized that Lucent's reorganization "is not about breaking up Network Systems."

"This is about a transformation in our business, about being faster to market," she said. "It is about being disciplined, about focusing on our greatest opportunities for growth and on our value of obsession with the customer. The customer is at the center of everything. We must understand what is keeping our customers awake at night."

When the conference ended a few days later, the sales teams left Orlando energized and ready to answer the question, "Why buy Lucent?" □

—Elizabeth Gill

NS in the News

Lucent Names Two Chief Operating Officers

Lucent Technologies did the unusual, picking not one, but two chief operating officers. Only one other Fortune 100 company, Corning, Inc., has a similar set up, the company said. The two chief operating officers are Dan Stanzione, a 25-year Bell Labs veteran, and Ben Verwaayen, who joined Lucent in December after 10 years as president of the Dutch phone company. Starting Nov. 1, Stanzione and Verwaayen will jointly manage the 11 new business groups the company announced. The move from three business groups to 11 is not surprising, said Nikos Theodosopoulos, director of equity trading and sales at UBS Securi-

ties. The company is doing what's expected and what seems logical, he said. The new business groups are created around market and customer segments.

Notable among the groups are a wireless networks group, a global service provider business and a data networking systems group.

"For most employees, daily business will go on as usual," [Lucent spokesperson Bill Price] said of restructuring. (*Knight-Ridder/Tribune Business News, October 24*)



Lucent Signs Agreement with GDC

General DataComm Inc. (GDC) signed a multi-year agreement, worth up to \$90 million, with Lucent Technologies to provide APEX ATM edge switches. In a press release Tuesday, General DataComm said its relationship with Lucent which began in September 1995, integrates the its APEX family of ATM systems with Lucent's GlobeView-2000 Broadband System to serve customers. General DataComm provides solutions for telecommunications and enterprise networks. (*Dow Jones News, October 28*) □

Industry Briefing

About Our Competition...

Ericsson

Ericsson Wins Telenor GSM Expansion Order—Swedish telecoms group Ericsson said it had won a GSM expansion order with Telenor Mobil AS. The order is worth about 220 million crowns for the first three years, Ericsson said in a statement. Telenor Mobil AS, the largest network operator in Norway, is one of Ericsson's pilot customers for dual-band GSM 900/1800 networks. (*Reuters, October 29*)

About Our Customer...

US West

U S West Splits in Two—U S West Inc. confirmed it will split into two public companies, a telecommunications provider and a cable television distributor, sometime after mid-1998. In a press release Monday, the company cited what it termed "competitive opportunities", namely recent developments in technology, markets and regulation as the reason for the split. Confirming a story in *The Wall Street Journal*, U S West said its chairman and chief executive, Richard McCormick, will become non-executive chairman of the telecommunications company, to be called U.S. West Inc. Solomon Trujillo, currently president and chief executive of U S West Communications Group Inc. (USW), will be chief executive of the new U S West. Heading the cable television company, to be called MediaOne Group Inc., will be Charles M. Lillis, currently president and chief executive of U S West MediaGroup (UMG). (*Dow Jones, October 27*)

British Telecom

BT to Run Two Pilot Trunk Network Links—British Telecom is to run two pilot trunk network links using 16 channel dense wavelength division multiplexing (D-WDM) systems—moving the company a step closer to a high capacity, all optical transport bearer network for

the UK. The two links—between Belfast and Carlisle, and Newcastle and Edinburgh—will be able to move network traffic at up to 40 Gbit/s, 16 times faster than available on existing long distance optical fibre systems. The D-WDM technology will enable BT to develop its optical network to cope with increasing bandwidth demands as well as further improving efficiency and resilience. The technology will be installed on both direct and back-up routes between the locations, working with Ericsson as the key supplier for the Newcastle-Edinburgh route, and Lucent Technologies for Belfast-Carlisle. (*European Broadband Networking News, October 26*)

BellSouth

BellSouth to Buy RAM Broadcasting—BellSouth Corporation announced it has signed a definitive agreement to obtain control of RAM Mobile Data USA by buying its partner in the business, RAM Broadcasting Corporation. As part of the agreement which is subject to regulatory approval, BellSouth will also acquire 100 percent ownership of RAM Mobile Data Limited, the leading United Kingdom-based wireless data operation. As part of the RAM restructuring, BellSouth will significantly increase its direct ownership interest in RAM Mobile Data USA and gain 100 percent operational control. RAM Mobile Data USA provides the most advanced digital two-way wireless data communications service in the industry covering 93 percent of the urban business population in the U.S. The service is based on Ericsson Mobitex® technology, the de facto international standard deployed in 19 countries. (*PRNewswire, Octobrt 24*)

Ameritech

Ameritech to Buy 34 Percent of Danish Telecom Operator—Ameritech has agreed to invest \$3.2 billion in Tele Danmark, Denmark's telecommunications company, for a 34 percent stake. Through a two-step

transaction, Ameritech eventually will acquire more than 40 percent of Tele Danmark stock and will nominate six of the 12 Tele Danmark directors. The transaction will make Ameritech the largest U.S. investor in telecommunications in Europe. (*Associated Press, October 27*)

About the Industry...

Samsung Joins Wideband Group—Korean giant Samsung is to join Lucent Technologies, Motorola, Nortel and QUALCOMM in an effort to accelerate the development of specifications for next generation broadband wireless communication systems. Samsung is already a major designer and supplier of CDMA products, and alongside Siemens is a backer of InterDigital, a US start-up working on B-CDMA (Broadband CDMA) technology. The five companies are to jointly develop specifications for Wideband cdmaOne which is intended to provide a global next generation standard for wireless communications. (*European Broadband Networking News, October 26*)

Consortium Led by Sweden Telia Bids for Israel GSM Contract—Swedish state-owned telecommunications operator Telia AB said it holds 30 percent in a consortium that has bid to become the first GSM operator in Israel. Telia is represented in the consortium by its partly owned subsidiary TeliaOverseas AB. The other members in the consortium are U.S. telecom operator AT&T with 10%, Israel-based private investment company Arison with 22.25%, Israeli operator Eurocom with 22.25% and Hapoalim Investment, another Israeli investment company with a 15.5% stake. If the group wins the contract it will offer GSM cellular services, which will give the Israelis access to the latest developments in wireless communications technology, the consortium said. Telia currently operates wireless services in 10 countries outside Sweden. (*AP-Dow Jones, October 29*)

Continued on next page

Industry Briefing

Continued from previous page

S. Korea Opens Telecom Market to EU—South Korea and the European Union (EU) signed an agreement that would open up the country's protected market for telecommunications equipment to European suppliers. European Commission Vice President Leon Brittan and South Korean Communications Minister Kang Bong-gyun signed the pact, giving the EU access to the country's growing telecommunications market. (*Reuters, October 29*) □

Executive Changes

Former Alcatel Executive to Head Lucent France CBU

Michel H. Rouilleault has accepted the position of Customer Team Head-France, and will lead the Lucent EMEA France Customer Business Unit, effective Nov. 1, 1997.

Michel, who was most recently the deputy managing director-Telecommunications Division of Compagnie des Signaux, brings eleven years' experience with Alcatel, and five years' experience with France Telecom. At Alcatel, Michel was most recently vice president of the Private Mobile Networks Division, with responsibility for creating and supporting the digital systems offer platform in Europe,

Confederacy of Independent States (CIS), Middle East and Asia.

Michel's new responsibilities will include all sales and marketing for the France team, with a strategic focus on the France Telecom global account. Michel will be supported by Eric van Amerongen, president and CEO of the EMEA Region, and will be located in Paris, France.

Marc Houery, "Directeur General Adjoint", who was the interim leader of the France Customer Team will assume the role of Conseiller du President. He will be supported by Eric van Amerongen. □

Media Reports on China President's Visit to Lucent

At Murray Hill, New Jersey, [China's President Jiang Zemin] visited [Lucent's Bell Labs in Murray Hill, N.J.] the site where the transistor was invented decades ago. Lucent Technologies China spokesman Kung Hing-tong said only 7.8 percent of China's 1.2 billion people have a telephone line. Henry Schacht, chairman of Lucent, told Jiang before a company tour: "We all know improved communication can go a long way toward improving the lives of people throughout the

world. We have a great admiration for the Chinese people, for the movement you are leading to realize the enormous economic potential of your country." Jiang also visited the Silicon Fabrication Research Laboratory, a state-of-the-art clean room where researchers develop new semiconductor devices and processes for manufacturing next-generation silicon chips. He donned the requisite white suit, with booties, gloves and hood as researchers showed him the facility. Before he left, Jiang

wrote in calligraphy on a large tablet: "To launch a new sphere for cooperation in high technology," which he then signed and dated. Lucent has six regional offices, six joint ventures and two wholly owned companies in China. (*REUTERS, October 31, 1997*)

Lucent is...interested in marketing its cables, switching systems and the hardware of telephone systems to China, analysts said. (*AP-NY, October 31, 1997*) □

Letters to the editor



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. See our contact information at right.

NETWORK!

October 31, 1997 Vol. 6 / Issue 46

NETWORK! is published every Thursday, or more frequently in the event of breaking news. It can be accessed on the Web at <http://infoview.lucent.com/pubs/network>. You also can receive an e-mail, fax, or Unison printer subscription through the Library Network at 908-582-4840 (option 2); the URL <http://infoview.lucent.com/pubs/network>; or by sending an e-mail request to alert@library.mt.lucent.com. Include your name, social security or badge number, and e-mail address, fax number or printer name.

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