

11/02/1998

Alcatel makes its presence felt

NEW chairman and CEO of Alcatel Alsthom, Serge Tchruk, is down to Kuala Lumpur to preside over Alcatel's management convention for Asia Pacific which will be held today. As a member of the Multimedia Super Corridor International Advisory Panel, he will also be attending a meeting of the IAP with Datuk Seri Dr Mahathir Mohamad tomorrow. Tchruk was named chairman on May 31 1995 to replace Mr Pierre Suard. He speaks to WENDY LIM on his plans for Alcatel worldwide and for the region, particularly so for Malaysia.

Q: Since you took over the helm of Alcatel Alsthom, you have brought about significant changes to the group? What are these changes?

A: When I joined Alcatel Alsthom in June 1995, I found a group with very high level technologies and dedicated teams, but which had not succeeded in catching up with the dramatic changes of its markets and environment, like liberalisation and globalisation.

Since then, Alcatel Alsthom had gone through an in-depth restructuring and re-engineering programme, refocusing on its core business - telecommunications.

We gave it a world-wide organisation by product-lines, and in parallel an energetic marketing effort was made in order to regain profitability and leading positions in all sectors of activity.

Q: From your 1997 estimated financial results we see that you have recorded 185.9 billion francs in net sales. This is a marked increase over the previous year's results. How was this brought about?

A: The estimated earnings for 1997 released last month confirmed the continuing recovery of Alcatel Alsthom, reflecting the actions undertaken since 1995, in particular the growth strategy implemented for the buoyant telecommunications market, coupled with the reduction in operating costs.

Looking at 1997, all business sectors showed an improvement, but I would like to underline that telecommunications played a major role in this increase in terms of sales and also, which is not the least, in terms of profitability.

We experienced significant successes in key sectors for setting tomorrow's networks for voice data or multimedia services or for the Internet such as access, transmission or mobile communications.

Q: From your 1997 estimated results statement, the deteriorating crisis in South-East Asia represented less than 5 per cent of net sales for last year. What projections do you have this year for the region?

A: Alcatel takes a close look at what is currently going on in Asia, but does not wish to commit on forecasts. Indeed, Asia offers a very contrasting picture, depending on the countries, and also different reactions towards the crisis.

Some countries like India or China, where Alcatel entertains a significant industrial and commercial presence, are not affected by the recent turmoil.

Looking forward, although it seems that it may take some time before the situation settles down, we believe that the long term perspectives for investments in telecom, power and transportation infrastructure remain unchanged, as they support economic growth.

Q: How significant is the Asia Pacific region, especially Malaysia to your group?

A: A group such as Alcatel Alsthom has to be present in all the main

regions of the world, and obviously in Asia Pacific which has shown such dynamism over the last decades and where reside more than half of the world's population.

Even though the region will go through some necessary transition and adaptation - which is expected in any kind of development - we remain very confident in its future and prospects.

Malaysia, although not as populated as China or India, has shown some incredible growth and has established itself as a leader in advanced telecoms systems and services, both at home and abroad. It is also a market where we have established a solid as well as balanced presence.

Our Penang joint-venture manufactures the Alcatel 1000 switching system while we also supply mobile networks, high-speed transmission backbones, submarine networks, microwave systems, private branch exchanges and handsets. On the whole, we expect these businesses to grow over the next few years.

Q: Has the currency turmoil in Asia affected your group business and your investments in the MSC?

A: At this stage, although Alcatel Alsthom has not experienced any major problem due to the South-East Asian crisis, we have adopted a cautious approach by setting provisions for risks for 500 million francs (100 francs = RM69.90).

Business and investment may temporarily slow down, but not to the extent that Alcatel Alsthom would reconsider its long term strategy in Asia.

Q: What are your plans for the Asia Pacific region in the telecommunications sector? How much of this is for the Malaysian market?

A: Asia Pacific presents many different levels of development as far as telecoms are concerned.

A country like India still has a quite low teledensity while Japan or Taiwan enjoy very high levels of equipment. Obviously, their respective requirements will differ. In any case, we believe we have the solutions and the teams to maintain and develop our presence across Asia and to respond to the various market opportunities.

We have extensive local experience and presence in every country of the region. We have forged strong local partnerships. We intend to capitalise on such assets.

In the case of Malaysia, which has targeted a 45 per cent teledensity in the year 2005, it is interesting to see that it is investing in the most advanced technologies.

And that is related, of course, with its Multimedia Super Corridor initiative. For us, this represents very interesting challenges.

Q: The corporate tag line of your company emphasises "high speed". Could you elaborate on this?

A: Alcatel Alsthom is a French group with a worldwide presence, which can take the advantage of its local identity everywhere, like holding our convention for Asia Pacific in Kuala Lumpur. Despite this global presence, I think the group needs to be more known and recognised by a bigger number of new-comers in our business.

In addition, with the nature of its markets, changing dramatically and the challenges of its competition, Alcatel Alsthom needs to act rapidly.

Thus I have decided to give a new impulse to our group and its image, both internally and externally, and suggested the "Hi-Speed Company" concept which symbolises both our technology and the mind-set needed in the competition today.

Q: Since Alcatel's thrust into the Malaysian market for telecommunications digital lines, a few years ago, you have moved into other sophisticated areas of the market in this country. What are these projects?

A: Our presence has evolved quite dramatically. We entered the switching market only five years ago for an 800,000 lines contract for Telekom Malaysia.

Since then, we have supplied transmission backbone infrastructures for Time Telecom and more recently undersea networks running at 10 or 40 gigabits per second like the Asia Pacific Cable Network or the SEA-ME-WE 3.

We have penetrated the mobile infrastructure market with Telekom Cellular. And our last projects have benefited from the MSC initiative. In line with that remarkable ambition, we are presently delivering to Telekom Malaysia what is going to be the largest broadband infrastructure in the world with nodes operating at speeds among the highest anywhere.

For the Petronas Towers, now the tallest office complex in the world, we have supplied a cable network infrastructure capable of handling 21st century data requirements.

Together with Sapura, Alcatel has been awarded a data cable network for the Kuala Lumpur International Airport in Sepang which we will supply more than 400km of fibre optic cable both indoor and outdoor. The cabling infrastructure will support the airport's ATM network.

Q: Your group believes in being a good corporate member of the community and you have undertaken a Memorandum of Understanding with Universiti Telekom Malaysia to help it in research and setting up a chair among other things. Do you foresee your group extending a hand in other areas as well?

A: We do not want to consider ourselves solely as a supplier of networks. Our ambition is also to participate in the long term development of telecoms in Malaysia and notably in the training of highly-skilled engineers.

This is why we have decided to sponsor Universiti Telekom for which we will supply an ATM broadband switch, back the Multimedia chair, help train graduate students and offer Malaysians access to some of Europe's most advanced research and training centres.

High-level education is one field in which Alcatel now is committing actively. We also see possible local synergies with Thomson.

In Malaysia, Thomson has created a centre for advanced software engineering which has proven very successful. In order to increase our scope and added value in that field, we will consolidate and harmonise our efforts.

Q: How do you see the group moving in the future for Malaysia?

A: Our presence in Malaysia dates back to a few decades and, as I mentioned earlier, has rapidly developed in the last five or six years. Now, we are in fact repositioning and enlarging our activities in Malaysia, as well as developing its regional importance.

First, we want to take advantage of the opportunities offered by the MSC and to that effect, we will create a regional competence and support centre for all multimedia networks that are or will be installed in the region.

The new centre will be located in the Corridor and will be staffed with highly skilled engineers in multimedia and broadband.

Malaysia's strategic importance for Alcatel is further enhanced by the very recent decision to use Kuala Lumpur as our new regional centre for mobile communications. Alcatel business systems' activities have already set their regional base in Kuala Lumpur.

Another aspect of our partnership is linked with the international strategy of Telekom Malaysia Bhd. We have been supporting their dynamic involvement in Asia and Africa where they have become operators in countries such as Sri Lanka, Bangladesh, Guinea and Malawi.

In these markets, thanks to our cooperation with Telekom, we have been

able to supply mobile and fixed networks. And with their help, we hope to see further successes in other countries.

As you see, Malaysia is not just Malaysia, and its strategic importance is effectively gaining ground for the group.

Q: Apart from your being on the IAP, what kind of role is your group playing in the MSC and what are your plans for the future?

A: I first would like to say that being invited to this International Advisory Panel (IAP) meeting is a great honour for me. I look forward to meeting Dr Mahathir on that occasion as well as working and exchanging views with my colleagues in the telecoms industry. As regards to our role in the MSC, I mentioned earlier that we are supplying a nationwide broadband backbone infrastructure which will support the most advanced interactive applications in multimedia. This is the largest network of that type in the world. We really are building tomorrow's high-speed telecoms today.

As for our plans in the future, we hold a leading position in the field of broadband access with our ADSL technology. It has already been selected by major customers worldwide and we hope for interesting opportunities in that respect in Malaysia. Finally, Malaysia could possibly become a partner in the SkyBridge project, an initiative from Alcatel to provide satellite-based multimedia services.

Q: You spend some US\$5 billion on research a year. What percentage is this on innovation for the world wide web?

A: It is true that Alcatel is a company which invests a lot in R and D because it is necessary to anticipate the evolution and stay at the forefront of technology. Concerning telecommunications, I would almost dare to say that 100 per cent of research is devoted to the World Wide Web! Internet will connect some 250 million users in 2000. It has a 60 per cent annual growth and tomorrow, there will be more new people connecting to Internet than new subscribers to the fixed telephone network. I consider that Internet is a major direction of our strategy: it involves all our telecommunication and cable activities - transmission, land and submarine, access, with ADSL, radio or satellite, switching with broadband and ATM, on the infrastructure side. For terminals I can cite GSM handsets and the Internet Screen Phone, an Internet telephone which will be launched this year.

I can tell you, and maybe you will be surprised, that the area in which we benefited more from the Internet development in 1997 has been submarine systems with transatlantic and Transpacific links ordered to allow the exploding demand of capacity for Internet traffic! telecommunication sector, which contributes the most earnings to the group, on the Internet?

A: Telecommunications is without any doubt the core business of the group. In 1997, it contributed more than 80 per cent to the improvement of income from operation. Telecommunications sales increased by 17 per cent in 1997, and our objective, is to be able to pass the market growth in all our fields of activities. Concerning Internet specifically, as I mentioned earlier, you may consider that all our effort is dedicated to it in a way or another, and that we want to become one of the world leaders of Internet in the telecommunications networks.

A: As I said, we have established a close and strong partnership with Malaysia, and we are looking to the future. Holding our management convention for Asia Pacific in Kuala Lumpur is a sign of the importance and the commitment that we have for this country. It furthermore reflects the confidence that we have in its ability to overcome its present issues.

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