

IT'S LIKE SEX : IT IS ALWAYS (S)EXCITING

While companies, which specialise in the provision of telecommunications services and its related businesses, and while multi-billion-dollar conglomerates, with large exposures in the telecommunications field, either as investors or principals, continue to put on a brave face when talking, directly or indirectly, to shareholders, the facts seem to indicate that it will be between one year and 2 years, at the very earliest, before there is any appreciable turnabout in this industry.

As any student and professor of economics will prognosticate, supply and demand factors determine price in the marketplaces of the free world.

At this time, there is a terrible oversupply in respect of the telecommunications industry and, as such, until this supply-demand situation is resolved, the potential for growth in telecommunications is limited – if at all.

During the first half of 2001, telecommunications companies, the world over, have been facing intense and immense troubles.

There would appear to be 2 independent and unrelated factors, which could turn the tide, substantially, in this important industry: The adoption of higher bandwidth applications; and, a broad economic recovery, globally.

The large overcapacity in long-distance networks is impacting, directly, on pricing and, at the same time, diminishing revenues of network carriers.

The tremendous downward pressure on revenues of telecommunication manufacturing companies, such as Nortel Networks Incorporated of Canada, to mention just one of the worst examples, is the direct result of past over-investment/over-payment in companies which, the 1999/2000 over-generalisation of Mr John Roth, Chief Executive Officer, Nortel Networks, went, appeared to present synergistic potentialities for the Offeror company.

Nortel Networks, in June, wrote off \$US14 billion, being a diminution in the value of these 1999 and 2000 investments in various companies, which cost Nortel Networks in excess of \$US34 billion.

The indiscriminate use of free-flowing funds caused people, such a Mr Roth, to be cavalier in the use of the public funds under his control.

Today, Nortel Networks has to go, cap in hand, in order to try to raise \$US1.50 billion in a bond issue in order to replenish its depleted cash reserves.

In the past, Nortel Networks had to beat prospective investors away with cricket bats and hockey sticks, so willing they were to lend money to this giant (formerly, at least).

It was only a few years ago that industry leaders were stating that demand for bandwidth would continue to grow, exponentially, thus justifying the expenditure of tens of billions of US dollars on infrastructure, that infrastructure said to be needed in order to support the new generation of mobile telephones, bluetooth technology ... [CLICK TO ORDER FULL ARTICLE](#)

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