

## AAPT: a successful outsourcing partnership

“AAPT concentrates on what it is good at, which is providing excellent customer service..., and Alcatel concentrates on what it excels at globally which is looking after engineering, design, maintenance and now the services that they are providing for us over our network.”

Rhoda Holmes, General Manager, Customer and Network Services, AAPT, Australia

### Introduction

In June 2002, AAPT, the Australian subsidiary of Telecom New Zealand, signed a contract to outsource its engineering and asset management activities to Alcatel. In June 2003, as part of a larger contract with the Telecom New Zealand Group, AAPT outsourced its remaining engineering functions, network operation and maintenance functions to Alcatel. Here's the background to AAPT and Telecom New Zealand's decision to outsource to Alcatel and the benefits that Alcatel is delivering.

### Outsourcing to achieve vital business objectives

With the take up of converged IT&T services increasing, AAPT, like Telecom, needed to have a solid plan for future proofing its network capabilities to keep it at the forefront of delivering innovative services to its customers.

It was clear that this would require a significant investment in network technology, resources and staff training. Yet at a time when AAPT was aggressively repositioning itself in the market with new sales and marketing initiatives, it had little time or resource to manage the transformation alone.

Rhoda Holmes, General Manager — Customer and Network Services, AAPT said, “Every telco faces the need to transform the skills of all its network engineers from a switched-based environment to an IP-based environment. That's a colossal skills change. You have the choice of trying to manage all the cost, technology choices and staff training internally or coming up with a different model.”

## AAPT: a successful outsourcing partnership

The decision by Telecom New Zealand to seek an outsourcing partner was welcomed by AAPT as it enabled it to:

- > Shift to a more customer-centric focus,
- > Maintain an evolutionary strategy for its products and the support network, without having to incur the fixed costs associated with these competencies, and
- > Put the assurance of its network performance on a commercial footing through use of penalties and rewards related to the partner's performance.

And by finding one partner able to build synergies, AAPT could reduce their ongoing operational costs.

Mrs Holmes said, "Some in the industry thought this could be a risky move — placing all your network development in the hands of one partner. We thought the opposite. With one partner who truly understood our needs, we could grow together, save on costs and speed services out to market. In sharing the risk, we share the reward."

### Choosing Alcatel

In seeking a suitable partner, the Telecom New Zealand Group searched extensively for a provider that would see this as more than just an outsourcing contract. They were looking for a company that could contribute ideas and become part of the team in Australia and New Zealand.

According to Mrs Holmes Alcatel was selected "because they were the most consistent in their approach and their values to those that we want to have as a company. So they really did see this as a partnership and not a straight outsourcing and that was very, very important to us."

### What Alcatel is doing for AAPT

AAPT chose to outsource their network operations, design, maintenance and installation to Alcatel. This means Alcatel is performing all the technical and operational functions for AAPT, including:

- > Examining AAPT's market requirements and creating the technology and network strategy
- > Managing the network and its assets to achieve optimal cost efficiency consistent with network capacity requirements and quality
- > Managing operation and maintenance of the network on a day-to-day basis
- > Managing the third party contracts involved in this kind of network, considering that it consists of Alcatel, Cisco, Ericsson, Juniper and Siemens equipment.



## And the benefits AAPT is receiving

Through synergies with its other local and regional businesses, Alcatel has been able to deliver ongoing operational cost savings of around 15% a year to AAPT.

But the real advantage to AAPT has come in addition to the contracted savings. Mrs Holmes said, “The first is that Alcatel is a huge global company ... so one of the big opportunities is being able to tap into the knowledge of tens of thousands of people worldwide so that we can really raise the bar of excellence in what we do. The second is that when you put people in a different work model they look at your business differently. So people who once worked for AAPT, and now part of the Alcatel family, are looking at some of our opportunities in AAPT in a new way and are giving us some great new ideas about how we tackle things.”

In the first year this delivered substantial savings to AAPT over and above the operational cost savings already built into the contract. Two examples among many: by re-engineering delivery of one customer's contract, AAPT was able to make a one-off saving of greater value than the Alcatel contract. And a review of the asset portfolio, which through rationalization of the network and optimization of the equipment and software used, yielded a large annual cost saving to AAPT.

And there is more. Mrs Holmes said, “Alcatel and AAPT are working on a number of joint bids for customers right across our market segments. And working with the customers we're coming up with new and innovative ideas to respond to their requirements that as single entities we would never have done. So we're really pleased with how this bit is bringing new value to our customers.”

Finally, by divesting itself of its engineering, operations and maintenance activities, AAPT management is free to focus their attention on the market and its requirements.

This is important to them since they firmly believe that AAPT's competitive edge will be in its service and market facing capability.

## And the future

As Mrs Holmes puts it: “I think the most exciting bit is what we weren't expecting to happen, the ideas that people come up with that just weren't there before, the ways of doing things that we've just never considered, the thinking outside the box: it's all of these elements that make it a partnership and not just an outsource that are really exciting for us. We don't know all the possibilities of this relationship yet.

“But we believe that as our partnership grows and deepens, there will be other functions that we think should be part of the Alcatel family as opposed to staying internally with us.”



