Pipeline

Knowledge Is Power

The Major Event for Competitive Service Providers – COMPTEL Plus

by Barbara Lancaster and Wedge Greene

The COMPTEL team put together an excellent conference. The Gaylord Texan hotel and conference center was a great choice: minutes away from the DFW airport and a world away from ordinary sterile concrete boxy conference centers. From the very well attended 007-themed opening night cocktail reception through to the wrap up, the show was well organized, sessions started and ended on time, and with very few exceptions, all of the speakers turned up as promised. The presentations were well thought through, on the topic described in the show brochure, and the panels were lively and informative.

Not only that, but reading the name tags showed that overwhelmingly attendees were from Service Providers…! Wow – a vendor's dream conference: Qwest, AT&T Wholesale, Global Crossing, TelePacific, XO, Mcleod, DeltaComm, NTI, NTT America, 360 Networks, three sixty communications, and more.

What could be the catch? Each was there more in their capacity as a vendor rather than a buyer. This gathering is all about service providers selling to service providers. The exhibition floor also had dozens of hardware and software vendors. The vendors we spoke with indicated that they had hoped for more visitors to their stands, but nevertheless, each came away with a few solid prospects, and each found it a great venue to connect with their current customer base, too.

The show was a good opportunity to find out what kind of business issues, challenges, and opportunities are keeping COMPTEL members awake at night. Would it be Next Generation Networks and the new services they could enable? Would it be how to dramatically slash the Integration Tax? Perhaps it would be about streamlining the process of buying and selling the bandwidth that enables each of them to expand their geographical footprints?

Each of these themes was touched on, and many of the vendors on the show floor had potential solutions to discuss, but the big topic was how to compete in an era of regulatory uncertainty. There was a strong, unified voice of dissatisfaction with FCC and its perceived agenda to undermine the Telecom Act of 1996. Dissatisfaction is an understatement - there was downright anger. One executive even wished for the "good-old days when MCI led the fight for alternative carriers." [This nostalgia for MCI in the *hero company role model* felt rather like stepping through the Looking Glass into Wonderland. Of course he was pining for the trail blazing MCI, before its

fall from grace after the merger and assimilation into WorldCom.]

The dissatisfaction was focused on two specific trends: worry and anger over the lack of guaranteed access to next generation fiber/IP networks, and hostility toward the current legal decisions on Forbearance – which have the potential to erode the competitive gains the CLECs have struggled to achieve in the last 2 decades. From the CLEC perspective, Forbearance foreshadows the elimination of competition in American communications markets.

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As most of you know, the "bigs" (as newly hired lobbyist Eddie Fritts likes to call them) have a few trump cards in hand right now. The COMPTEL members are working hard to establish their own voice more clearly with the FCC and with Congress, with a coherent program endorsed by the CEO Forum and the membership at large.

Here's a quick summary of the Regulatory issues raised at the show:

1. Unbundled Network Elements: The FCC has apparently agreed with the LECs that Unbundled Network Elements are not part of a truly competitive infrastructure. In addition to agreeing that LEC fiber-based networks need not be opened up to mandatory access by competitors, the FCC's recent handling of several Forbearance petitions (requests to waive the Section 251 and 271 unbundling requirements) are causing grave concerns amongst the COMPTEL members.

2. Forbearance itself: The LECs are moving this ball ahead on several fronts. By targeting specific network element types and specific Wire Centers, the LECs have won decisions that support their assertion that Cable Companies have made sufficient gains in subscribers to local access services to demonstrate that competitors no longer need the protection envisioned by Sections 251 and 271.

3. Displacement of copper with fiber in the access networks: New copper pair bonding approaches are making it possible to deliver 40 mgs over existing copper, with 100 mgs on the horizon. This technology coupled with fairly-priced access to the copper network is fundamental to the COMPTEL membership's ability to compete. Yet, COMPTEL members have no

guarantees that the copper network will remain in place. The copper networks can be disconnected by the LECs with virtually no regulatory review, whenever and wherever they choose to replace the copper access network with a fiber-based access technology.

Given these threats to their commercial viability, it is not surprising that COMPTEL and its membership are rallying to:

1. Point out to the FCC and to Congress how dismally behind the rest of the world the US telecommunications infrastructure really is.

    • Countries like Estonia have a far greater percentage of population penetration of broadband than does the U.S., let alone countries we are used to hearing about, like Korea and Japan. Very high levels of deployment in those countries has enabled successful commercial use of applications like remote Education and Health Care that are possible only with high speed networks available virtually everywhere.

    • Drawing the link between the rules imposed by the Regulators in those countries to those in place in the U.S.: competitive access to fiber-based networks has not caused the collapse of the incumbents as has been the threat here. Rather the opposite is argued: the incumbents and the competitors are each benefiting, as are their customers, and the economic development of their countries.

    • Working with the LECs to find a viable way forward. Hank Hultquist of AT&T participated on a panel examining Interconnect issues, commenting that "Simple interconnection policies will need to be the way forward with fully converged networks." Remi Communications' Dave Mulfara agreed that he was looking to the FCC for regulations that "ensured people play fair." Lots of ground yet to be covered before any kind of agreement is reached, but with frequent and open communications like this, supported by informed regulation, we may get to a logical place.

2. Ask the FCC and their Congress members to establish rules of oversight regarding the displacement of copper access networks. In addition to an essential enabler for COMPTEL members survival, there are several factors to be considered with regard to the public good as well that are being overlooked (for example, that the copper network is fully powered, while the fiber network is not, leaving consumers with critical need to consider emergency power requirements.)

3. Ask the FCC to stop undermining the Telecom Act and establish an expert dispute resolution process that would be the front end to rapidly assess and resolve disputes and ensure accurate enforcement of the rules.

4. Present a comprehensive set of facts regarding the impacts and opportunities a strong competitive telecommunications infrastructure offers to the U.S. and how relevant COMPTEL and its members are to that vision of a competitive and capable infrastructure.

Beyond Regulation: Service Delivery

The second theme was a sharp dichotomy in the view of the market by the vendors. Traditionalists continue to capitalize on the overwhelming demand for "Basic T-1 replacement with access lines carrying both IP data & voice" that is the bread and butter of the CLECs revenues. The futurists argued optimistically that CLECs were "finally recognizing that you need to sell advanced services to survive in this competitive environment."

On the traditional side was Martin Taylor of MetaSwitch: "Every time we get 'visionary' with voice, our customers drag us back down to earth…" He said "T-1 replacement service" still involves swapping the existing legacy voice switches with newer class 4/5 VoIP switches and IP IAD's – as long as they provide complete parity with existing TDM voice. In effect, this is a modern SIP service replacement for providing traditional services at lower cost. Taylor admits that this is what the end clients want; most of the SMB market finds it "too complicated to learn a new system," and it certainly isn't a core competency that they should have to acquire.

Nevertheless, the vendors offering advanced or enhanced services were seeing some strong, new interest in their products.

> "After a few years of endeavoring to introduce the Homisco Hosted Solutions and Disaster Recovery Solutions to the marketplace, it was most exhilarating to observe a notable change at this year's COMPTEL Dallas show. Companies are now understanding that the ubiquity of IP, the "cloud," means that services can be virtually anywhere; so at this year's COMPTEL show, we saw much more interest in hosting services and particularly our hosted disaster recovery systems." David Mackereth of Homisco, Inc.

Both viewpoints were emphatic. Too bad there was no venue that allowed them to debate this in public – but we expect both camps are correct. Successful CLECs are successful because they offer those bread and butter services at competitive prices. But that telecom market is under severe pressure and the CLEC community will need to adapt to thrive in this changing market. Ron Beaumont, who led MFS, UUnet, and MCI Worldcom (after Bernie's fall), was one of the trio speaking in the

CEO forum. He noted that the principal management focus for COMPTEL companies today should be "flexibility". He believes the most strategic response to Forbearance is "gaming the process" with development of alternative new services by the CLEC ecosystem.

There were some few voices espousing WiMAX as the alternative future in a panel which, tellingly, had no WIMAX providers present. (The Sprint representative was scheduled to provide some insights into the viability of this technology but was unfortunately one of the few committed speakers who at the last minute had to cancel.)

A Look at the Sessions

The sessions were lightly attended for the most part, and featured some very good presenters and lots of open communication. Some highlights:

The Buyers' Panel: Representatives from Level (3); CityNet; Mcleod and DeltaCom outlined what they are looking for from their partners – current and future. These companies are keenly interested in working with partners who can bond with them electronically, are staffed with people who can efficiently and pro-actively handle delivery problems, and get the bills in quickly and accurately. While each indicated an interest in doing more business with the COMPTEL membership, they admitted that when it comes down to ordering essential capacity, they will often turn to the LEC because as the Level (3) rep noted, they are prepared to "pay a little more for certainty" and "you know what you get there."

Another important requirement was that vendors come in having done their homework. What services are offered? How are they packaged and priced? Will it be easy to configure your product offerings to my service definitions or will it cause huge effort in our IT, Marketing, and Billing groups? Clearly, vendors who came in prepared to align their product with the existing services as defined would have the inside track to new business.

View from the Top: Jerry James, the CEO of the COMPTEL organization led a question and answer session with Ron Beaumont of HyperCube, Royce Holland of McLeod, and Carl Grivner of XO in a traditional "fireside chat." These are accomplished professionals, perfectly at ease with the venue and very personable – if not completely frank. They wooed the audience with war stories illustrating management styles and knotty problems. Much of this was management mainstays like good attitude, setting goals, and increasing communications, "the perfect is the enemy of the good" – it was clear that these leaders were quite genuine and thoroughly enjoyed their jobs. From laid-back Texas style "when you find a rattlesnake - kill it," to the by-the-book ex-marine's call to "make the FCC open and fair," and the call to "Never give in," this panel entertained and informed.

Next Generation Networks

Cisco lead a marathon NGN run of three back to back sessions, and while there was the inevitable Cisco promotion: "any content, anywhere, anytime," they did marshal an impressive lineup of speakers from including customer and vendor partner representatives. The sessions were efficiently run and a delight to attend.

Paul Coggin of Dynetics gave one of the broadest presentations on applying security policy that Wedge has seen. Of relevance to our community, he said that element management and network management applications were the biggest holes in security today and his first choice of attack when testing a network's ability to be penetrated (quaintly called "capturing the flag"). Often the default passwords and application designer's back doors are left wide open – and a successful penetration can go unnoticed by the provider, even as the network is taken over. He also warned of Oracle databases - as deployed, not as designed - being inadequately protected by current security practices. We should take this as a strong call to action and a good reason to wake up some operations engineers in the middle of the night!

Cisco also facilitated a strong panel of hosting service providers. Paetec, Global Metroplex, GNI, and Terremark explained the future market of online gaming and advanced service-hosting data centers. The increasing importance of this market can be seen by the shift in the impact of the data centers themselves. In the past, data centers were always located near major internet peering points and pops. Now, these data centers consume so much access bandwidth that the peering points are moving to be closer to them. This world of net-neutral, service brokering, on-net services, and their vast, modern data-megaplexes, hosting customers such as Facebook, Google, Yahoo, YouTube and Akami would have seemed a little out place at COMPTEL and indeed these fellows did not show up. Their presence could certainly be felt…!

On the international side, Luis Fiallo, of China Telecom USA, placed the changing world telecommunications ecosystem into stark perspective with a talk on the "Borderless Ecosystem." China's networks are already surpassing the USA in numbers of data and voice connections. But their pool of customers and future business is only lightly penetrated. Their future NGN-IP network "CN2" is in development with 200 domestic NGN nodes and 20 International NGN nodes. With state mandated coverage everywhere for mobile communications, cellular service availability in China exceeds the USA.

As highlighted in many of the Regulatory panels, it is ironic, or perhaps simply very frustrating, to note that the countries where the government demands that new services be delivered, all geographies covered, and all access to be shared have raced ahead of the USA. China Telecom USA's presence in the US market was itself a statement of the evolving CLEC market.

The Futurists

Gary Kim of Dagda Nor Media, Inc. was the most forward looking of the NGN presenters. He noted that "All the future innovation is coming from outside the enterprise" which can be specifically read as outside of traditional telecom companies. He also noted that we are entering the era of person-centered communication where most content in the future will be user-generated. Mr. Kim said that the risk avoidance culture of our telecom companies is the ceding the future to non-traditional competitors. Another sobering thought: these non-traditional companies are less competent (at least for now), but are driving ahead on their vision and energy.

Bill Coyne of TerreStar intends to take this ground by re-inventing satellite-based

direct-to-consumer services. TerreStar launches, literally, this fall with a next-generation satellite that will provide SIP IP voice and data.

But for our money, the wildest session was the one on "Voice Mashups." This session covered the new way voice is expected to be treated by the youthful consumer. It called for a commitment to inventing ever new mixtures of voice, data, and media. Facebook was given as the example of where of our market is headed. They pointed to the growth of Facebook as a business networking tool because of the growing number of free third party applications, including an innovative conferencing application. The social networking community will likely lead the charge that will kill any attempt to use IMS as a walled garden, by sheer proliferation of user invented, user-relevant services. Here again was the argument that services are migrating to the edge and that "IMS has virtually nothing to do with services" and everything to do with keeping control and money in the hands of big telecom.

Trevor Backa of Jaduka summed it up: " a [Jaxter] software guy today worries about the interface, not the network… he does the [voice] telecom part just like he does the web application parts." Their message was simple and compelling: Facebook shows "you do not need IMS to get these services."   But behind this optimism was the worry that those who controlled the pipe could control the QoS such that these innovative services could be made… or broken. Charles Studt of IntelePeer held out an olive branch to the incumbents: "If you control the pipe this [QoS] is a service you can competitively offer."

The most impressive "dog and pony show" must go to Cisco and its Telepresence video conferencing service. Two rooms organized as ½ a conference table faced each other through three high-def video monitors, creating a live-size panorama of the opposite side of the table. Very similar to an earlier attempt by Teleportec, Cisco seems to have found a commercially viable solution that really does rival being there – airlines watch out! It still has some room for technical advances in the audio component, but the video was spectacular.

New Lives for Phone Numbers!

Wedge and I were delighted to discover two companies dedicated to helping customers make the best possible use out of their favorite phone numbers. RNK made note of the fact that customers are keenly interested in keeping their phone numbers – wherever they go and with their "putting the customer first" philosophy have built a business around letting customers do just that. Building on the extreme number portability pioneered by Vonage, RNK allows customers to permanently "bank" their number and will transfer all calls to your "banked" number, from any service, anywhere in the world. So far the service is only available for numbers in the area codes served by RNK (mostly in the US North East), and is rather pricey. They are however working on solving both of these problems, so stay tuned.

Another phone number innovator is DIDX. CEO Suzanne Brown explains that DIDX brokers phone numbers from around the world, buying up 'spare' numbers from one carrier and making them available to another carrier anywhere around the world. Now you too can have that Monte Carlo business number on your card….!

Other Firms of Note

While at COMPTEL, Pipeline sought out OSS vendors on the exhibit floor with the intention of checking in with them on what's new and getting a feel for the companies. Our first bit of serendipity? That these were experienced companies who dared to have very experienced people on the stand at all times. This is a refreshing change when the norm is increasingly to hire models and marketing companies, rather than subject matter experts. Maybe one of the reasons that they each enjoy long standing loyalty from their clients? Here are our takes on some of the firms at COMPTEL:

- **Intec:** This OSS/BSS firm is experiencing trong service provider interest in their Wireless Service Provider solution improvements. Their IMS-enabled modules are also driving increased interest. Most of the demand for new features is coming from North American vendors, rather than any requests for modifications for Europe or the Middle East. Paetec is currently their largest and most active client.

- **Martin Group:** Their Service Provider Engineering business is once again growing steadily. Many smaller providers cannot afford a comprehensive Engineering group and Martin Group ably fills the bill. From concept through vendor selection to project implementation control, service providers are increasingly relying on Martin Group for this function. On the OSS side, they are experiencing strong international demand, especially with Tier 2 suppliers, a new market for Martin Group.

- **Rodopi:** This billing and provisioning firm is also experiencing strong demand for its wireless features. V7.0 is due out Q1 2008 and will add on-line payment and payment management features as well as overall streamlining of the user experience. Rodopi is experiencing strong demand in Europe and the Middle East, especially with their standardized CORBA-based APIs.

- **BSG Clearing Solutions**: BSG is one of the few left standing in the clearing space and the company is benefiting from its track record of results and very loyal customer base. Their acquisition of TPV (Third Party Verification) has consolidated their position as the Service Bureau of choice for many Tier 3 and Tier 2 service providers.

- **Vanco Net Direct** was pleased with the interest in their "brokered" access service. Describing themselves as an "Expedia for telecom circuits", they offer a web site where and enterprise customer or a CLEC seeking expanded service footprints can enter the source and destinations and the kind a services desired and get a listing by price showing the circuit and hops by provider type.

In Summary

Everyone we spoke to was eagerly awaiting the next COMPTEL Plus show, at another Gaylord venue, this time: Nashville. So are we!

In closing, we'll quote Roger Staubach, the legendary Dallas Cowboys' quarterback, and Key Note Speaker who in talking about hard work, trust, and honor, said "There

are no traffic jams in the Extra Mile." Something for each of us to think about, and perhaps a very appropriate Call to Arms for the COMPTEL membership.

If you have news you'd like to share with Pipeline, contact us at editor@pipelinepub.com.