

Bharti Airtel to acquire Warid Telecom

Bharti Airtel has agreed to acquire a 70% stake in Warid Telecom from Dhahi Group, taking its overall investment in the company to about \$1 billion. The announcement, made in early January, comes not long after unsuccessful talks for a tie-up between Bharti and Africa's MTN.

A wholly-owned subsidiary of the Dhahi Group, Warid Telecom offers mobile services across all 64 districts of Bangladesh, and has a total customer base of more than 2.9 million. Under the terms of the announced agreement, Bharti's acquisition would be made partly by purchase of Dhahi Group's existing shares in Warid Telecom, and the issue of new shares at par. Dhahi Group would then continue as a strategic partner, retaining a 30% shareholding, plus representation on the board.

Funds from the purchase would be used to expand the coverage and capacity of Warid Telecom's network, and launch new products and services.

"This landmark deal underlines our intent to further expand our operations to international markets where we can implant our unique business model and offer quality and affordable telecoms services," said Sunil Bharti Mittal, chairman and managing director at Bharti Airtel.

HH Nahayan Mabarak Al Nahayan, chairman at Dhahi Group added:

"We are pleased to partner with Bharti Airtel and believe this partnership will bring benefits to all stakeholders, most importantly the customers of Warid Telecom. The telecoms market in Bangladesh has immense growth potential and Bharti Airtel's rich experience and product portfolio promises to redefine this market."

With the mobile market in India experiencing a period of hyper competition, international expansion has become a focus for Bharti, who this month announced a dedicated international business group responsible for expanding the company's operations beyond India and the south-Asia region.

According to Naveen Mishra, lead telecoms analyst at IDC India, there are almost 13 service providers per circle (a regulatory-defined coverage area) in India. "The Telecom Regulatory Authority of India is reportedly mulling relaxation of merger and acquisition guidelines for easing pressure on spectrum availability," said Mishra. "In the short term, the long delayed roll-out of 3G and broadband wireless access (BWA) spectrum would keep average revenue per user in India amongst the lowest in the world through most of 2010; this may further push India's mobile players to consider the M&A route." ■

Bell Labs launches Green Touch Initiative

A global "green" consortium is targeting a thousand-fold reduction in the energy used to power the world's communications networks. Organised by Bell Labs, the research arm of Alcatel-Lucent, and launched in London in January, the Green Touch Initiative brings together industry, academia and government labs, for delivery of new approaches to energy efficiency.

The initiative aims to create a reference architecture, specifications, and technology development roadmap of components central to realising a fundamental redesign of network technologies within five years. Carrier architecture elements that Green Touch expects to focus on include transport, circuit design, protocols and advanced coding. The thousand-fold efficiency target is based on analysis of the fundamental properties of networks and technologies – optical, wireless, electronics, processing, routing and architecture. Service providers involved in the initiative include AT&T, China Mobile, Portugal Telecom, Swisscom and Telefonica.

"The commercialisation of these technologies and solutions will not occur until some time after the reference architectures and development roadmap have been made available," said Gee Rittenhouse, head of research at Alcatel-Lucent Bell Labs. "However, given the incredible importance of this issue, and the magnitude of the impact, we would expect these innovations to appear relatively quickly."

Rittenhouse stressed that any technologies introduced to the market would be backwards compatible with current carrier networks, and provide more flexibility for optimising networks for performance and

energy. Rittenhouse also said that while the ICT industry is responsible for about 2% of global carbon emissions, this figure could well increase over the next 10 years as demand for ICT services and capabilities grows, in part because of the potential for ICT to enable other industries to reduce their carbon footprint.

A study by Frost & Sullivan concluded that ICT players are paying more attention to environmental initiatives to save costs and improve competitive differentiation, as well as enforce brand loyalty. Given tighter budgets and heightened stakeholder expectations, such initiatives must also demonstrate ROI. The report featured service providers including BT, France Telecom, and Telefonica, as well vendors such as Alcatel-Lucent, Ericsson and IBM, based on their "notable efforts" in the sustainability space. Some companies are said to be seeking accreditation from various industry bodies.

"IBM seems to be the most advanced in its measurements of environmental investments, while BT should finalise its ROI models for a range of solutions in the run up to the 2012 Olympics," commented Sharifah Amirah, principal analyst at Frost & Sullivan. "In the longer term, social and environmental investments will start to feature in a company's financial statements/audited reports, similar to the triple bottom line accounting approach."

Vodafone Qatar and Alcatel-Lucent deployed a green mobile base station in Qatar in January. Using solar and wind energy, the hybrid powered base station is designed to reduce both operating expenses and environmental impact, while allowing network expansion to areas not served by electrical grids. ■



Packetexchange buys Mzima

UK-based Packetexchange has acquired Mzima Networks in the US, and is merging the two companies' operations and customer bases to meet growing demand for Layer 2 Ethernet services and cloud connectivity. The combined entity will offer global, next-generation IP and WAN network and services, with more than 500 customers and points of presence in over 100 countries worldwide.

"Upon backbone integration, Packetexchange will be the first service provider to offer its customers the choice of two distinct transport technologies," said Rick Mace, CEO at Packetexchange. "The combination of network technologies is powerful and one that would represent a departure from the traditional transport offerings of competing networks."

Packetexchange operates a global network based on a 10Gb backbone and provides global Ethernet private line services, MPLS/VPLS networking and peering services. Mzima owns and manages a private, optical long-haul network serving as the foundation for an Ethernet-over-provider backbone bridge traffic engineering (PBB-TE) mesh architecture and an optical IP transit network.

"We can deliver the same high performance service to either our



Rick Mace, CEO, Packetexchange

PBB-TE or MPLS core network, and we will. It is just a matter of internal network efficiencies," said Mace. "Both offer the same high quality of service and increase our network performance. Notably, we will be one of the only network providers to have a clear insight into the strengths of both technologies."

PBB-TE is an IEEE-approved networking standard that adapts Ethernet technology to carrier-class transport networks. It is designed to operate more predictably than its PBB predecessors and can be more easily controlled, at the expense of requiring upfront connection configuration at each bridge along a forwarding path. However, Mace said that global Ethernet services are the primary driver in new opportunities.

The Mzima acquisition is the first part of a larger strategy that will see Packetexchange make a series of further strategic transactions. "We envision multiple transactions over the next 18 to 24 months to grow the network and customer base both organically by reinvesting our profit into the company, and inorganically (such as through additional acquisitions). Acquiring Mzima was the first step in this strategy, and was necessary to fill out the US domestic backbone," concluded Mace. ■

Ibasis and TI Sparkle move voice bilaterals to IP

Ibasis, a KPN company, and **TI Sparkle**, the international wholesale arm of the Telecom Italia Group, have successfully migrated their international voice bilaterals to IP. Completed in January, this is believed to be the first such migration that complies with guidelines developed by the i3 Forum, which promotes the transition of circuit-switched voice and related services to IP.

Previous to the migration, both companies validated the implementation of voice-based value-added services – including caller line identifier (CLI), international roaming, and ISDN data – over managed IP interconnects, in a series of trials designed to prove that the SIP-I protocol (one of a number of extensions to the SIP interworking protocol) could effectively guarantee advanced call features.

"It's difficult for any carrier to make money or keep their customers if calls are not being completed in a way that meets customer

expectations," said Paul Floyd, COO at Ibasis. "We have inquiries from many of our existing customers interested in exploring IP migration. We also have a large number of customers who are exchanging non-bilateral voice traffic using our premium voice service over IP interconnections."

Launched in mid 2009, the Ibasis premium voice service is delivered via a managed IP interconnection, and has witnessed strong demand. "Premium voice is particularly popular with mobile operators who require guaranteed features like CLI and roaming, as well as highly-reliable voice quality," added Floyd.

Meanwhile, Sparkle is pursuing migration to IP for most of its international voice bilaterals, in order to realise operational efficiency, enhance its service offering (currently limited to narrow-band voice), and exploit IP and end-to-end IPX capabilities. ■

IN BRIEF

■ **Vodafone** has agreed to acquire **Borusan Telekom**, an enterprise-focused provider of fixed voice and data services in Turkey. As at December 31 2008, Borusan Telekom had gross assets of \$18 million and for the year ended December 31 2008, net revenues of \$70 million.

■ **XO Communications** will collaborate with **Hibernia Atlantic** to offer high capacity circuits throughout the US and Europe. The collaboration will leverage the recent 1.6Tbps nationwide expansion of XO's ultra long-haul network to offer users high-capacity, high-speed connections to multiple cities throughout the US, as well as Hibernia's fast and secure transatlantic cable crossings to expand XO's IP network in Europe. ■



News & Views

Limelight links with Bharti Airtel

Limelight has partnered with Bharti Airtel to deliver CDN services in India and is expanding its value-added services portfolio with the acquisition of digital advertising provider Eyewonder.

The partnership will allow Bharti Airtel to offer Indian content producers solutions for the delivery of rich media and enterprise applications with access to Limelight Networks' proprietary technology and 25 networking hubs around the globe.

Rajan Swaroop, executive director enterprise services at Bharti Airtel, said: "We are delighted to be able to bring in Limelight Networks' globally acclaimed services for the Indian marketplace. The initiative is consistent with our strategy of furthering innovation through industry leading partnerships. All our investments in setting up an international network infrastructure and growing portfolio of services are designed to make Bharti Airtel the communication services partner of choice for global markets. The partnership will help expand our market coverage in the rapidly growing Indian CDN market that is expected to grow to \$100 million by 2014."

The Bharti Airtel CDN offers device detection, mobility and adaptive streaming technology, enabling customers to deliver content to end users regardless of the device they use.

George Fraser, vice president, EMEA and Asia at Limelight Networks, said: "This exclusive, strategic partnership brings together Airtel's market-leading IP network and deep relationships within the Indian marketplace with our proven content delivery technology and expertise. The Asian CDN market is growing at a rate of 32% year-on-year and this partnership will help Limelight Networks lead the growth in one of the fastest-growing emerging markets and partner world-class telcos in delivering best in class services."

Limelight's partnership with Bharti Airtel comes after a similar deal with Bell Canada in October 2009 and the acquisition of Eyewonder in December. Eyewonder provides monetisation solutions to help Forbes 2000 advertisers, interactive agencies and content publishers create, build, track and optimise rich media and interactive video advertising



Rajan Swaroop, executive director, enterprise services, Bharti Airtel

campaigns. The combined company will have relationships with over 2,500 online businesses, over 800 interactive agencies, 900 last-mile access networks and over 20 ecosystem partners.

"[This] announcement represents the next step in the growth and success of online advertising and in realising the vision Eyewonder was founded with 10 years ago. Limelight Networks and Eyewonder have worked together as partners for years, and have shared a passion for helping publishers of all types better monetise their content. By combining and integrating each company's distinctive areas of expertise, we will create unique and independent service offerings that will deliver exceptional value to our clients and partners," said John Vincent, founder and CEO at Eyewonder. ■

IN BRIEF

■ **Abovenet** has extended its low latency fibre-optic network in **Telehouse America's** New York facilities, providing inter-connectivity between its 25 Broadway and 7 Teleport data centres in Manhattan and Staten Island respectively. In addition to connectivity within Telehouse's New York City facilities, Abovenet's network provides low-latency connectivity solutions, critical for financial markets and media content delivery in major data centre and co-location facilities in the tri-state area. ■

Tata targets media customers

Tata Communications is strengthening its global media and entertainment portfolio with the acquisition of BT's Mosaic, a cloud-based digital media management platform, for \$0.8 million (£0.5 million).

Mosaic helps media customers improve content creation, management and multi-format delivery, using a service-oriented architecture to provide an on-demand digital media platform for management of content and workflow, from production to distribution. The service targets the entire spectrum of

media businesses, from production houses, emerging digital media publishers, content service providers, and TV channels.

"By integrating our global network infrastructure and managed services portfolio, with Mosaic's digital media management capabilities, we are now able to create a unique platform that can take care of content workflow from production to distribution across the world," said Vinod Kumar, president and COO at Tata Communications. ■



News & Views

Longphone partners with Gateway



Mike Van den Bergh, CEO, Gateway Carrier & Wholesale Services

VoIP carrier Longphone has teamed up with Gateway Communications for its call-termination service to Africa. The company is expanding its African rate offer with additional countries and operators across the continent in a bid to improve both connectivity and profitability. A small volume of retail traffic is already live on some routes, with many more to be added through March this year.

A licensed carrier in France, and established VoIP retail provider focussed on African destinations, Longphone's VoIP termination to the continent rose from 76 million minutes in 2008 to 100 million minutes in 2009, generating revenue of \$15.6 million. The company expects to exceed 200 million minutes and \$28.4 million in revenue during 2010.

"Our strategic approach aims for a significant improvement of route quality and a better range of rates," said Yoav Fischer, marketing director at Longphone. As a provider of call termination and white-labelled hosted services for fixed and mobile virtual network operators, quality of service is essential, and Fischer said that Longphone's customers were demanding better call quality, duration and stability across all African destinations.

"Longphone has over 120 buying interconnections, of which more than 50 are into Africa," said Fischer. "Since we focus only on premium connectivity, it is important for us to interconnect to aggregators such as Gateway, which for us is the biggest on the continent, in order to complete our offer. Gateway's affiliation to Vodacom is definitely helping our reassurance that we will have more white routes where both source and destination are legal termination to the continent."

Following the acquisition of Gateway by Vodacom in December 2008, the business is being split into two operating divisions – Vodacom Business Africa, and Gateway Carrier & Wholesale Services, with the changes set to become fully effective from April 2010. CEO Mike Van den Bergh, former COO at Gateway Communications, heads the carrier business. According to Van den Bergh, the restructuring has been necessary to maintain a degree of separation between the two operating units, given that the company serves mobile operators across Africa.

Van den Bergh said that although wholesale voice still accounts for 20% to 25% of Gateway's total traffic, the market is seeing a shift in demand for data and IP connectivity, plus delivery of inland capacity. "The mobile industry is still the primary driver of broadband for the foreseeable future," he said. "But we also see wireless playing a much stronger role in terms of access networks."

Gateway acquired a 10.5GHz spectrum licence for 10 states in Nigeria in December 2009, following the successful roll-out of its Airlink and Metrolink broadband wireless platforms in Lagos. These deliver customised connectivity solutions to medium-sized businesses. Port Harcourt and Abuja are scheduled to go live this month, with Gateway committed to roll out in a further 14 states in 2011. The company also secured three licences in Kenya, covering network facilities, applications and outsourcing. ■

IN BRIEF

■ **Tata Communications** has launched its IP exchange (IPX) solution, which will enable mobile service providers to route all communication traffic, including voice, IP and signalling solutions, via one IP pipe while supporting end-to-end QoS, security, multilateral connectivity, and cascading payments. With commoditisation of voice and messaging driving down ARPU, service providers are under increasing pressure to control costs. Moving to an IPX platform provides one IP gateway for many services and this helps mobile operators to protect their margins on roaming and international traffic termination.

■ **24/7 Fiber Network**, a transport and dark fibre provider in the Baltimore-Washington DC metro area, has expanded its footprint in Delmarva Peninsula, to include parts of Delaware, Maryland and Virginia, and into the metro Washington DC area. This area will be connected via 24/7's dark fibre network 100 miles into the region's business districts in Salisbury, MD and Wilmington, DE. The network will then continue into the Baltimore metro area connecting to 24/7's Baltimore City Central Business District network footprint. From there it will connect to 24/7's long-haul route directly into the Washington DC market. ■

Global Capacity to focus on information business

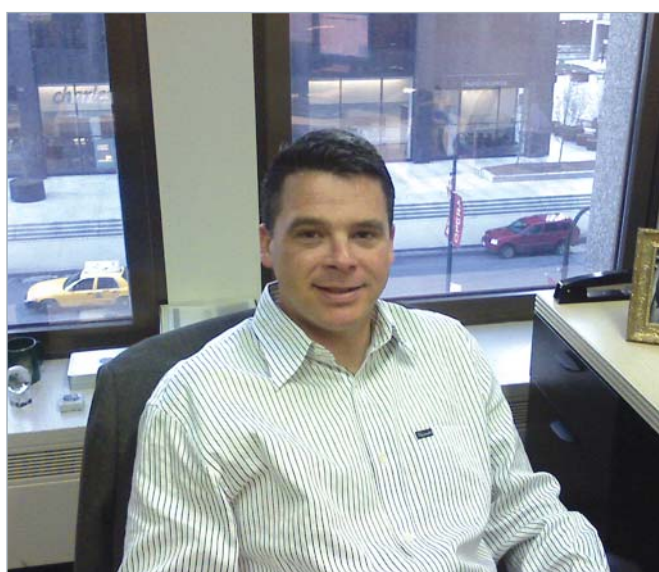
Global Telecom & Technology (GTT) is set to acquire customers and assets from telecoms information and logistics company **Global Capacity**, for up to \$8 million in cash. The deal is part of the US-based GTT's ongoing drive to scale rapidly, while Global Capacity is quitting the off-net extension business in order to focus on high-growth information and network solutions.

The transaction is expected to close in the first quarter of 2010, subject to customer and other supplier consents, as well as FCC approval.

Global Capacity is banking on its information base of telecoms location, supply, and pricing data, developed over the past 12 years and continuously expanded and refreshed, to deliver long-term value to its carrier customers. The company operates a proprietary information and automation tool across 195 countries and six continents, enabling network configurations that improve costs via circuit alteration and carrier selection. It has also developed tools to automate the access network supply chain from pricing and procurement, through provisioning, test and turn-up, to network management and customer care including billing.

"The global market for access networks, measured at over \$2 billion annually, is complex and fragmented, leaving customers to pay artificially inflated prices created by the margin stacking that occurs when multiple parties are placed between the end customer and the connectivity supplier," said Patrick Shutt, CEO at Global Capacity. "Further, the fact that so many different suppliers are involved in the delivery of a circuit creates inefficiencies in the provisioning and ongoing operation of the network."

According to Shutt, Global Capacity's network and outsourced solutions businesses grew by 160% and 48% respectively in 2009. Conversely, its off-net extension service – the reselling of circuits to carriers – was "flat to declining", compounded by a high rate of churn.



Patrick Shutt, CEO, Global Capacity

"Once installed and at term, the customer generally looks to move that circuit to a direct relationship with the supplier, cutting out Global Capacity, and creating the high churn rate," said Shutt.

As a result, the company took the strategic decision to sell the business, the proceeds of which will be used to write-down debt, improve the balance sheet, and invest in its core products for 2010.

The acquisition is GTT's second in less than 60 days. The company closed a deal for WBS Connect in December 2009 that more than doubled its list of active clients, and expanded its IP transit and Ethernet portfolio with a global network of routing assets, plus a high-capacity leased network connecting over 60 PoPs worldwide. ■

IN BRIEF

■ **BSO Network Solutions** is participating in a carrier Ethernet interconnect test and demonstration programme for service providers. The project is organised jointly by independent test lab European Advanced Networking Test Center (EANTC) and Ancotel, one of Europe's largest carrier interconnect companies.

■ Specialist interconnect billing solutions vendor **I-Conx Solutions** has successfully completed the on-site deployment of its interconnect billing solution to the Sudanese fixed-line operator **Canar Telecommunication Company**. Canar will use the I-Conx system to rate and bill its interconnect traffic for both domestic and international

scenarios. The operator selected I-Conx as part of a strategic review to replace its previous interconnect billing system.

■ **Cable & Wireless International (CWI)**, and its **MTI** subsidiary in Monaco have extended the contract to support Kosovo's **PTK** in the management of its mobile network for a further three years. MTI will also continue to carry all of PTK's international mobile traffic as well as provide use of Monaco's international dialling code, until the country is awarded its own. PTK launched Kosovo's first licensed mobile operator in 2000. Since this time MTI has supported PTK to become the market leading mobile operator in Kosovo. ■



America Movil moves to reverse into Telmex

America Movil's bid to acquire Mexico's fixed-line operator Telmex and regional fixed-line player Telmex Internacional, may have financial, rather than operational motives. In January America Movil said that it would launch an exchange offer to the shareholders of its holding company, Carso Global Telecom, of which Telmex, and Telmex Internacional, are subsidiaries.

There has been widespread speculation that billionaire Carlos Slim, who controls all three companies, aims to create a provider with fixed-line telephone, mobile and internet services, to better compete against growing rivals. These include Telecom Italia, Telefonica, and local players such as Oi in Brazil. Meanwhile, Telmex and Telmex Internacional face increasing competition from major media company Televisa, as well as smaller cablecos offering triple-play services.

The proposed acquisition, effectively a reverse takeover of Carso Global Telecom and its subsidiaries by America Movil, would be made via a share exchange, under which America Movil swaps 2.0474 shares of its stock, for each share of Carso Global Telecom. If the latter's shareholders agree to exchange all of their shares, America Movil would own 59.4% of the outstanding shares of Telmex, and 60.7% of

the outstanding shares of Telmex Internacional.

According to *Reuters*, Carso Global Telecom had 3.5 million shares in Q3 2009, valuing this part of the deal at \$18 billion. In addition, America Movil offered 0.373 of its shares for every share of Telmex Internacional outside Carso Global Telecom (which is currently listed publicly), valuing the shares at \$3.4 billion.

If the acquisition is successful America Movil said that it would delist Telmex and Telmex Internacional. It is also likely that Carso Global Telecom would be delisted. "There would be no reason to maintain the holding company on the stock exchange once America Movil owns it," said Wally Swain, SVP emerging markets at Yankee Group.

According to Swain, the acquisition would unlikely result in any major operational changes, given Carso Global Telecom's history of adherence to distinctly focussed business lines amongst its subsidiaries. Swain said: "There may be an opportunity for some consolidation, but only outside Mexico, where America Movil will need to guarantee the company will be kept separate functionally to meet regulatory and political requirements." ■

XO extends links to Latam

XO Communications has grown its network presence in southern Texas and added its fourth international gateway to Latin America.

The company has established a gateway on the US-Mexico border in McAllen, Texas, and built out 800 miles of fibre, providing greater long-haul routes to San Antonio and Houston through Laredo, McAllen, Harlingen, Corpus Christi and Victoria.

"With double-digit growth in mobile and broadband services in Mexico, the Texas-Mexico border is a natural point for XO's network expansion," said Don MacNeil, vice president of XO carrier services operations. "By expanding the reach of our nationwide network and establishing points of presence across southern Texas, XO will be able to offer carriers and their customers competitively priced, high-speed private line (DS3-10G wave), IP/MPLS transit, and wholesale voice termination services."

With a presence in the largest US-Mexico cross-



Don MacNeil, VP, XO Communications

border telecoms corridor, XO has the ability to provide direct network access to US and Mexican telecoms carriers through a carrier-neutral facility in McAllen. This international gateway in McAllen adds to existing presence in Miami, San Diego and Los Angeles.

Mexico is the third largest destination for telecoms traffic from the US, with the US-Mexico voice, private line, and

IP services market totalling nearly \$1 billion annually, according to the *FCC International Report, 2009*. In addition, the country's mobile subscriber base is growing at 10% annually and its broadband subscriber base is expanding 35% annually, according to Cofetel, Mexico's federal government telecoms regulator.

This network expansion comes after XO increased its connectivity throughout the Inland Empire region of southern California. These expansions support the company's strategy to broaden its service areas within existing XO markets and to expand into new markets. ■

IN BRIEF

■ **Global Marine Systems** has completed its Guyana cable landing, a milestone in the installation of the Suriname Guyana Submarine Cable System (SGSCS). The 1,127km system is expected to ultimately have the potential to increase telecoms bandwidth more than 3,000 times over what is currently available in these areas.

■ **Verizon Communications** is offering its certified carrier Ethernet services to its global wholesale customers via the GENX carrier Ethernet exchange in New York City. Using the exchange service provides global carriers expanded options to deliver Ethernet services in the city. Verizon's connection with GENX, a worldwide carrier exchange, enables new revenue opportunities for global wholesale carriers, offering them expanded options to support their customers. ■

MTS acquires to extend backbone

In a deal worth \$110 million, Mobile Telesystems (MTS) has acquired Eurotel, a transit operator in Russia. MTS is rolling out 3G and building its own backbone network in order to accommodate increasing demand for data and to realise savings by decreasing its reliance on line rental from other network providers.

In tandem with the Eurotel announcement, MTS said it had acquired, an 11.06% stake in Comstar-UTS, which supplies telecommunications solutions in Russia and the CIS. Indirectly, the acquisition provides MTS with an additional 14.2% stake in Moscow City Telephone Network (MGTS), the Moscow region's incumbent fixed-line operator.

MTS says it will spend \$200 million expanding its backbone network

to 70,000km over the next three years, as it seeks to reposition itself as an integrated services provider. "Many markets are seeing a tie up between mobile and fixed, with a number of fixed-line operators – namely incumbents – launching mobile services," said Joshua Tulgan, director of investor relations at MTS. "At the same time, we are deploying 3G. To take advantage of this, you need a fibre backbone, and to monetise these investments as much as possible."

Tulgan said that the acquisition of Eurotel, which has 20,000km of route fibre, making it one of the larger multiple-region backbone networks in Russia, would enable MTS to reduce its reliance on the two dominant long-distance players, Rostelecom and Company TTK. ■

WIRELESS THIS AND THAT

Judy Reed Smith looks at the rash of smartphones and other electronic toys and the impact they are having on wireless pricing in the US

Stateside



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In the US, you would have to be living in a cave to not know about the release of the Nexus One – the first Google Smartphone, also defined in advance of release as the "Superphone" and "iPhone Killer". Expectations were off the chart, but launch reviews were mixed. Sure, there were fans who gushed over it, but there were plenty of disappointed reviews, and the Nexus One has since been plagued with service issues and old-fashioned customer service problems. The high-end segment of new device adaptors requires attention.

As Google has flirted with the telecoms space, there has been speculation that an area requiring intensive service would expose it to challenges for which it is ill-equipped based on its historic business activities. The roll-out of the Nexus One, with accompanying service issues, is generating the company's first real exposure to customer service and the bad press and end-user criticism that follows. This move raises questions about the ability for this new-economy powerhouse to operate in an old-economy business where it has to deal with people, products and all the related service headaches.

Google has deep enough pockets to bankroll top-of-the-line customer service outsourcing. Did it fail to budget appropriately for an essentially new and relatively large expense? Did it fail in planning and projections? Did it fail in basic device engineering and testing? At this point, it's unclear which or how many of these are at play. One iffy launch does not a lemon make, but the experience has brought the high flyer down to earth. If Google wants old-world revenues, it has to trudge through the muck with the rest of industry.

One item struck me from the recent Consumer Electronics Show – e-readers. Well, not e-readers per se, but our industry's hidden technology behind them. A variety of e-readers were debuted at CES, including a flexible reader that looks and reacts somewhat like a piece of paper. The fact that these are rolling out in so many varieties demonstrates to me the likelihood of our migration from paper-based reading materials to all things "e". It is the connection that caught my attention. As these devices cross the chasm from early adopters to the mainstream, the user's knowledge of how content is distributed to their machines becomes lost. The bandwidth supplied to deliver that content have become for some like outlets in the wall. Users won't think about how the electricity gets there, they just expect it to be there when they need it. The bandwidth is simply assumed to be there with the purchase decision leaning towards device, content and price.

Finally, Stateside wireless pricing and the impact of aggressive price wars among providers is a lively target. It started in prepaid in 2009. As 2010 games unfold, this price war has spread to postpaid voice. There has been a wave of mass-marketing efforts around prepaid products, led by Sprint's Boost unit. We conclude that the net result of these efforts will be lower prices and driving mid-level wireless spenders towards either low-cost basic services or the premium, more stable data-oriented segment of customers.

On the postpaid side, Verizon, followed immediately by AT&T, lowered voice prices up to 30% on the high-end unlimited voice platform, with Verizon shifting data rates in patterns which push the middle higher to get data plans. We expect prices to continue to pop.

In conclusion, opportunity for more wholesale bandwidth sales, new handsets, applications and support services abound. Handset wars are destabilising traditional handset makers. Price wars for basic voice, along with VoIP as an application on data plans, will have a destabilising effect.

This competition increases pressure for restructuring/consolidation. As adoption rates mature, we see a disproportionate impact on prices in the prepaid space. The price battle adds enough pressure to prepaid margins to drive a shake-out, so keep your sensors ready. ■



Colt launches cloud portfolio

Every service provider with a hosting business in Europe will move to a cloud environment within the next two years, according to analyst firm Current Analysis. Following the launch of a cloud infrastructure service by Colt in January, the market watcher said that although cloud infrastructure and virtual storage presents a nascent opportunity, the software as a service (SaaS) delivery model for enterprise applications remains a significant challenge.

EUROPEAN SERVICE PROVIDER CLOUD COMPUTING ASSESSMENT

	Virtual server	Desktop cloud	Infrastructure as a server	SaaS strategy	Customer tools	Trend	
AT&T	😊	😞	😊	😊	😊	⬆️	Out performing
BT	😊	😊	😊	😊	😊	⬆️	
Colt	😊	😊	😊	😊	😊	⬆️	Status quo
DT	😊	😊	😊	😊	😊	⬆️	
KPN/Getronics	😊	😊	😊	😊	😊	⬆️	Under performing
Orange Business Services	😊	😊	😊	😊	😊	⬆️	
Telefonica	😊	😞	😊	😊	😊	⬆️	
Verizon Business	😊	😞	😊	😊	😊	⬆️	

Source: Current Analysis

services. “We address the customer’s concerns by leaning on our long managed services pedigree. By owning the network and ISO 27001 accredited data centres – 19 throughout Europe – we make services as secure as customer policy demands.”

Dustin Kehoe, principal analyst, business networks and IT services at Current Analysis, cites US provider AT&T as the current leader in cloud computing, having entered the market in

Colt’s cloud portfolio provides a combination of dedicated, virtual and shared infrastructure, as well as storage, with several classes available. The service aims to reduce the capital expenditure burdens of IT ownership, and mitigate risk, while improving cash flow.

Steve Hughes, CMS product manager at Colt, said that one customer looking to spend \$2.4 million on updating hardware, halved its costs by migrating to Colt’s private cloud implementation. Hughes also argued that such a transition gives customers the ability to access the right skill sets and technical expertise without having to rely on overstretched internal IT resources, although time and associated cost depends on scale. “It is not solely about the technology. A ballpark estimate would be eight to 12 weeks per project. Associated costs are the same as in any IT project: a combination of service costs, project costs, and professional services costs,” said Hughes.

As for security and service availability, as recently questioned following service outages at Gmail and Twitter, Hughes stressed that Colt’s focus is business-to-business cloud computing, not consumer

December 2007. “BT is very close,” he said, “and has more facilities, and also a strong provisioning platform enabling users to order services, and scale up and down, on the fly. The other leading player is Verizon Business.”

Kehoe sees the Colt announcement as a “pretty good offer” backed by a solid storage offering, and pointed to the company’s strong heritage in hosting, with data centres across its 30-country footprint, and 90 facilities in total. The launch follows that of Colt’s “Managed Workspace” virtual desktop environment last year.

“Colt’s strategy is very similar to that of every other carrier. They are all looking to offer enterprise applications and, although not specified yet, we expect Oracle and SAP to be introduced for CRM, enterprise resource planning and so on,” said Kehoe. “This is really the only way that carriers can stay competitive. However, the need to offer an ‘application store’ does present a challenge and, in my analysis, very few carriers have a strong SaaS offering for applications.” ■

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News & Views

Albania opens for internet transit

Wholesale carrier OTEGlobe has signed an internet transit agreement with Albania's incumbent, Albtelecom. The service will be routed via the newly-established terrestrial cross-border link between Greece and Albania, and then via OTEGlobe's geographically diverse IP/MPLS and DWDM backbone networks, towards the major European internet gateways of Frankfurt, London and Amsterdam.

OTEGlobe is the international wholesale arm of Greek incumbent OTE, and offers a portfolio of transport, voice, corporate and mobile services to international carriers like its parent OTE and Romtelecom, fixed and mobile operators including Albania's AMC, Armenia's Armentel, and Bulgaria's Globul.

In Albania, internet use has reached 20% according to *Internet World Stats*, but both broadband internet and fixed telephony penetration lags

that of neighbouring countries. According to Mustafa Resit Akdogan, CEO at Albtelecom, this is due to the lack of investment prior to privatisation of Albania's telecoms sector in mid 2007.

Akdogan said that Albtelecom has since increased investment and accelerated its plans for broadband roll-outs, resulting in 40-fold growth in the number of broadband subscribers, to reach more than 50,000 as of December 2009. At the same time, the operator has increased its network capacity by 25%, and ADSL capacity by a factor of 64.

But although the cost of internet services have been reduced by between 50% and 85% in comparison to pre-privatisation levels, they still remain high, said Akdogan, who believes that increasing competition in the market will result in a wider range of services being delivered to end users, and at more attractive prices. ■

FISHING FOR BUSINESS

With existing contracts soon due to expire, ways of charging for marine maintenance is high on the agenda for international telecoms, writes **John Hibbard**

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Marine maintenance is rapidly becoming a hot topic in international telecoms. With existing contracts in the Atlantic, north and south Pacific as well as south east Asia all due to expire within two years or so, discussions of the possible arrangements for the coming years evoked some passionate exchanges at the recent PTC conference in Hawaii.

In the Pacific, we currently have two different offerings. In the north there is a zone arrangement and in the south individual contracts. This provides a good opportunity to contrast the pros and cons of each and assess whether one or neither provides the best basis for the future agreements.

With zone arrangements, such as for the Yokohama Zone or the North American Zone, the number of ships needed to cover the zone is based on the kilometres of cable covered, the typical frequency of faults and the specified performance requirements which include the time to make a repair, a parameter primarily driven by the speed of the ship and the maximum distance to the site of the fault. Ships designated for the zone can only be moved out and swapped for another ship so long as the replacement vessel can meet the performance requirements. Ships can do laying when not repairing but revenues from that are attributed to the zone. Hence the revenues required to meet the standby ship costs comprise revenues earned plus the standby charges under the marine maintenance agreement for the zone. Totting up the kilometres covered allows a rate to be determined, which is typically around \$300 per km a year. This seems a fair system at first glance, however, it does not take account of the capacity of the cable so the cost per Mbps can vary widely.

In the south Pacific, each cable has an individual contract. While the contracts are not fully independent because they all involve the same ship based in the zone, separate contracts afford the potential advantage of being able to tailor each contract to the individual requirements of a cable with the only requirement that the aggregate revenue must be sufficient to cover the standing cost of the ship. In practice, the full benefits of the apparent flexibility have not been able to be harvested. Firstly when a ship does some laying and/or works outside the region, none of the revenues flow to reducing the standing costs. Secondly the large capacity cables in general have been able to use their leverage to negotiate lower "per km" prices than the small capacity systems exacerbating the difference in the cost per Mbps. Some south Pacific cables are paying a \$1,000 a Mbps per month whereas the larger cables are paying less than 10 cents. Such large costs are an enormous impediment to reducing prices and a strong disincentive for those planning new small capacity cables.

Across the region, the smaller cable owners are looking at different solutions from the current ones. With contracts soon expiring, the issue is heating up. Industry watchers will keenly look to see what creativity is being applied both north and south of the equator to develop a more appropriate arrangement. ■