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Cloud Wars

Cloud. Used to be, you'd say the word and call to mind those fluffy, white goobers scudding lazily across a clear spring sky. No longer nature's Rorschach test in the sky, now "cloud" is a buzzword. Now, instead of cotton balls floating by, it's about greenbacks flowing down some carrier's new revenue stream. Now, it seems one unintended—and unforeseen—consequence of the Patriot Act could result in those greenbacks wafting over Europe's way.

In January, our Becky Bracken listened in on the Justice Department's conference call on Cloud Computing and Data Privacy, and what she came away with was "the U.S. takes privacy very seriously." So seriously, it would appear, that under the USA PATRIOT ACT—signed into law back in 2001—U.S. companies are required to hand over data to federal authorities if asked, even if said data resides on servers on foreign soil.

At the OTA Privacy & Data Protection Town Hall, held in Chicago, I spoke with Chris Babel, CEO of privacy solutions provider TRUSTe, who acknowledged that "some non-U.S. companies and governments—even consumers—are concerned about using U.S. cloud service providers, because they're worried that the U.S. government, under the Patriot Act, could access their information."

European concerns have got to be wondering if now's the time to get out of DoJ, when it comes to U.S. cloud. Fears over just how secure their information is on the American cloud may drive cloud business into the waiting arms of European cloud carriers. All set to reap the benefits are France Telecom-Orange and Deutsche Telekom's T-Systems division.

Toward the close of January, Orange had crowned itself the leader of French cloud computing, touting that it serves a customer base of over 3,600 in its Business Services cloud solutions.

DT's ICT subsidiary T-Systems has been blazing its own contrail through the cloud realm, most recently when it clinched a four-year, $53 million SAP contract with Spanish national postal service Correos in December. But the dynamo has been amassing a veritable stable of international cloud deals. Promotora de Informaciones, S.A. (PRISA), a media conglomerate and fellow Spanish concern, entrusts T-Systems with its global IT platform, and Swiss Jet Aviation recently extended their contract by several years.

Johannesburg-based Consol Glass has been an ICT customer for six years, and Brazilian insurance firm Intermedica has been on board since 2004.

While Martina Weidmann, T-Systems spokesperson, could not elaborate on any potential partnerships down the road, she did disclose that "the number of smaller, cloud-based deals worldwide is growing rapidly."

Expect to hear more from T-Systems, as well as Orange, in the months ahead, as Europe turns up the heat on the cloud market. Having lagged behind American companies on technological fronts like internet search engines, consumer electronics and social media, the Old World, it would appear, has no intention of letting the cloud slip so vaporously through its fingers. In mid-January, Henning Kagermann—the erstwhile CEO of SAP, now president of Germany's National Academy of

Science and Engineering—was quoted by Bloomberg as saying, “I can’t imagine that Europe can afford to leave this field to the U.S. This year will show whether we’re serious about this.”

The issue of data privacy affords European companies like Orange and T-Systems the ammunition they need to wage cloud warfare against the U.S. “Certainly,” added Babel, “it’s being used as a marketing tool.”

Babel does point out that U.S. cloud carriers can outsource local hosting in order to overcome concerns of privacy as a viable strategy for what is shaping up to be an all-out Cloud War, a war in which sentiment like Kagermann’s may just be the shot heard ‘round the world.’

Japan a Second Front in Cloud War

Half a world away, to the east, Japanese IT behemoth NEC has likewise been busy making friends in the lofty cloud space. In early December, that company teamed up with Russian CSP Mobile TeleSystems OJSC on MTS’ first SaaS service in the Republic of Belarus, and only days later revealed it was bringing the power of cloud to Argentine SMEs under the purview of Telefónica.

Recall, that first deal availed Belarusian MTS subscribers of pay-as-you-go business apps, including accounting service “1C-Enterprise,” web and mobile ad creation software Publiclick, web-conferencing service VideoBridge and vid-conferencing app Spontania. Telefónica’s Aplicateca service, powered by NEC’s cloud platform, presents—at least, initially—Argentine small- and medium-sized business customers with a

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range of SaaS applications and services on a pay-per-license basis.

As an NEC spokesperson told Pipeline:

“The Carrier Cloud NEC is promoting is very unique. NEC will work together with carriers in the construction of platforms and provision of services, as well as to share revenue. In addition to SaaS, IaaS, and DaaS, NEC would like to promote such concepts as WaaS (Workplace as a Service) and CaaS (Community as a Service). NEC is totally committed to expanding the foot print of Telefónica’s model and has already received new projects from Telefónica Spain, O2 Ireland and Telefónica Argentina within the Telefónica group, but also from Thailand TOT and Belarus MTS as well. At the same time, NEC is keen to expand its offering to IaaS and DaaS as a first step toward deployment on a worldwide basis.”

Speaking of the Cloud…

Microsoft made available the latest iteration of its systems management software, Microsoft System Center 2012, in the form of a release candidate. To usher in the new platform—this one optimized for cloud— the software titan hosted a webcast in mid-

January, complete with a panel of representatives from happy customers of System Center, high-profile figures as Lufthansa, T. Rowe Price and Unilever.

Johan Norvik, Microsoft's managing director of Worldwide Telecommunications, told Pipeline, "With the release of System Center 2012, we're bringing private and public cloud together. New advances in System Center 2012 demonstrate Microsoft's commitment to easing the acquisition, deployment and economics of private cloud computing. Many of our customers are betting on the Microsoft private cloud today and we view System Center 2012 as a true private cloud builder."

According to the company, System Center 2012 places control over physical, virtual and cloud environments in one console. Other features include increased cloud capacity with unlimited virtualization; a transparent, suite-based model which facilitates both deployment and purchase; and full private cloud functionality rolled into each System Center license.

Microsoft's latest move pits the company squarely against virtualization expert VMware in the systems management arena. Recall, that firm had launched its vCenter Operations suite back in March. But the larger picture, one that transcends both companies, is the notion of a cloud OS. The concept is on track to become this year's cloud buzz topic, but some analysts expect Rackspace/NASA project OpenStack to steal the thunder right out from under companies like Microsoft. For example, back in October, tech analysis firm Ovum posted its opinion that OpenStack is "gaining strength slowly but surely." According to Ovum, despite some near term challenges, OpenStack boasts a number of strengths, like quick development cycle; a versatile open-source model; numerous commercial distributions; and influential supporters, such as Cisco and HP. The OpenStack community, which boasts some 140 companies from around the world, has gotten that much larger, after AT&T joined up on Jan. 9.

Speaking of Microsoft...

In last month's Newswatch, we examined how Microsoft's aggressive strategy to amass media partnerships is entrenching the Xbox 360 as the premier gateway to the connected living room. In that article, I referenced a September 2010 prediction made by Informa that it would be a connected TV platform taking centerstage and not any single device. Just when it seemed like Microsoft would turn that forecast on its ear, Google TV announced its own string of partnerships. From the 2012 Consumer Electronics Show in Las Vegas, Google revealed it had struck up relationships with TV manufacturers LG and Samsung and chipmakers Marvell and MediaTek, as well as strengthened its existing relationship with yearlong partner Vizio.

While Google TV presents CSPs with some opportunities, the threat posed by the, as yet, untamed OTT remains considerable

But what will best drive Google TV's bid for America's living rooms is its partnership with cloud gaming service OnLive, announced on Jan. 11. The integration of console-quality gaming into Google TV—the first for any television platform—positions Big G head-to-head against the 360.

A Google TV spokesperson we contacted demurred on the issue of competition with the software juggernaut, saying instead:

"We're really focused on growing the Google TV platform and continuing to iterate and improve it over time rather than what other companies are doing in this space. OnLive is a great partner and we're excited to bring their app to Android Market on Google TV. We now have more than 150 apps which developers have specifically built for TV with thousands more Android apps from the mobile world to enrich your living room TV experience coming every day to Google TV."

Which raises the question, what does this mean for cablecos? Google TV, as channeled through our source, explained, "We're open to working with cable providers to help bring a consumer experience that fits with their authenticated model. We've done this with HBOGo and the response from our users has been really positive."

By way of explanation, he went on to add:

"With Google TV, you have access to over 80,000 movies and television episodes through Google TV, including everything you get with your pay TV subscription. Google TV aims to make it easier for you to find the movies and shows you want to watch as well as to bring the millions of channels available on the web to the TV. Smart TVs are building on top of an existing technology, not replacing it—in the same way that smart phones didn't replace telephones, they optimized them and made them more useful. That's what we hope to do with Google TV."

Read: while opportunities exist for CSPs—likely similar to those afforded by the HbbTV platform—the threat posed by the, as yet, untamed OTT remains considerable.

As if Google's gaming TV news wasn't enough to up the stakes of the living room brawl, LG Electronics announced a similar partnership—this one with streaming gaming outlet Gaikai—whereby the latter would integrate its cloud game offering into LG's Cinema 3D TV 2012 product line. While it's clear that game-integrated TVs can't replace the Xbox outright, it still remains to be seen whether console or platform will emerge as the gatekeeper to the connected home.

The Specter of Spectrum Scarcity

When AT&T had finally interred any hope of acquiring T-Mobile, the company issued a dire warning that, as a direct result of spectrum scarcity, "customers will be harmed and needed investment will be stifled."

Couched as it was, it appeared on the surface as, simply, the vitriol of a sore loser. Nevertheless, there is a specter of spectrum scarcity looming over the industry. AT&T's $1.9 billion purchase of Qualcomm's 700 MHz spectrum licenses took the edge off, but the company needs more just to keep pace with rival Verizon. DISH Network is sitting on a heap of spectrum and, as CEO Joe Clayton told Bloomberg, "[DISH is] open to all possible options. We could be acquired or we could be the acquirer." Right about now, the satco has got to be looking to AT&T like a Porterhouse to the starving man, like in those old Warner Bros. cartoons. The rumor mill is churning with whispers that AT&T is looking into a DISH buy, but the consensus seems to be that any purchase would be made at a premium. Other possible takeover targets include Leap Wireless and MetroPCS.

Said rival Verizon has its red hands full with spectrum issues as well. Following the FCC's initiation of a review

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of Verizon's deals with SpectrumCo and Cox, a gaggle of CSPs, including C Spire, DirecTV, Sprint and T-Mobile are clamoring for more information on Verizon's $3.6 billion spectrum grab. Verizon is arguing that, since the cableco agreements involve more than simply spectrum, the FCC needn't concern itself. We'll see how that works out for them. Meanwhile, the Justice Department is investigating the cable deals from an antitrust angle.

As the World of Indian Telecom Turns

India's Telecom Commission has ruled to allow operators in that country to share 2G—but not 3G—spectrum, with some stipulations. Recall, the big telecom players had invited India's prime minister to a summit back in November to address their discontent with the government's move to disallow intra-circle 3G roaming.

This latest episode in India's telecom soap opera finds the major wireless operators in India unaware of the Telecom Commission's decision, because it was not announced by the government, as reported by the Economic Times.

The Telecom Commission provided the following strictures to 2G spectrum sharing:

- Only operators that hold spectrum in a given region can share it in that region
- Spectrum sharing is subject to the same merger limits as set forth by the TRAI: combined spectrum