Pipeline

Knowledge Is Power

COMPTEL *Plus* – Light on the OSS/BSS?
by Peter Gilligan

The COMPTEL *Plus* Spring Convention traveled to Nashville this year and was held at the impressive Gaylord Opryland Resort. Around 2,500 telecom folk from network providers, service providers, telecom and regulatory consulting firms, BSS/OSS vendors, hardware vendors and interested onlookers converged for the show – COMPTEL's best attended show so far. Three of the four days focused on a wide range of topics of interest to the COMPTEL community – Tier 2/Tier 3 Telecom operators and their vendors. The last day was dedicated to the obligatory discussion of the ever-present boogieman - the regulatory situation.

Overall impressions were that attendees are generally upbeat about the industry and their prospects. Clearly, that did not extend to everyone, as pressure on companies with *not-so-good* balance sheets continues, placing them in vulnerable positions. There was, however, a sense of "been there, done that" regarding the current economic climate. The scars earned through the crash of 2001 may twinge in this economic environment, but the sentiment is: we made it through that and will certainly make it through this cycle. In fact, for some companies these conditions are being viewed as an opportunity to grow through the acquisition of troubled businesses at bargain prices.

The themes running through the show included:

- Technology movements particularly in IP and Wireless;
- Market Consolidation both in the LEC's and T2 and T3 markets;
- Cooperation amongst COMPTEL members;
- Current economic conditions, including the "R" word.

A topic obvious by its absence was BSS/OSS. Sure, there were a bunch of systems vendors on the Trade Expo floor but the topic did not feature in discussions elsewhere. Perhaps service providers are quite happy with the state of OSS/BSS? Or possibly they are living with their disappointments and don't want to spend any more time discussing their pain.

Network Technology

Yes, IP over fiber is a given, in case you didn't already know. Tier 2/3 carriers seem

to accept this as the technology of choice for the future: new networks will be built on IP and existing networks will migrate to IP over time … but what's the rush? If a carrier can reliably transport data in a prioritized and reliable manner at the right price with current technology, why not continue to leverage your existing investment? It's hard to argue with that logic. However the market has spoken and non-IP alternatives are definitely on the obsolescent list. Network Providers will have no option but to develop a migration plan, but not all of them have come to terms with this challenge.

Should wireline operators be looking at wireless in the core? According to Tarun Gupta of FiberTower, wireless backhaul technology has significantly improved in many ways over the past five years: network components are smaller and easier to deploy; newer technologies reduce the impact of rain-fade; wireless bandwidth capability is increasing, while deployment costs have come down. Yes, it is still a line-of-sight technology, but if that requirement can be met then, according to Gupta, the advantages of lower cost and much faster deployment can make wireless a compelling alternative to fiber.

I was interested in gathering opinions on Over-the-Top (OTT) services to discover if delegates from network providers generally thought these new services were good for the industry or a threat. Mostly the sentiment was that OTT applications like Facebook, MySpace, and YouTube increase usage and consume bandwidth, so this encourages customer adoption of broadband access, and makes them willing to spend more for higher bandwidths. All good. However, as pointed out by Brady Adams, VP Engineering Ops at Grande, the issue with these services is that the impact on the network is unpredictable. Growth is not linear and can hit based on a number of factors off the radar of the network providers, causing unexpected congestion and degradation problems. On balance however, it's probably preferable to handle a congestion problem than an under-utilization problem.

Consolidation and Collaboration

The RBOCs have reconsolidated. An issue for Tier 2/3 companies is how to compete and maintain market share against possible encroachment by the larger beasts. For

the time being, the big guys seem to be preoccupied elsewhere and no doubt the Tier 2/3s hope that continues. However ,whether from fear of AT&T and Verizon, or other economic pressures, the news from the show is that consolidation and collaboration in the LEC and Tier 2 & 3 markets are an ongoing fact of life.

Arunas Chesonis of PAETEC suggests that the COMPTEL brothers should support each other and buy from each other. After all, who wants to add money to the coffers of the "big guys" if it can be avoided? It might just come back at you in the form of negative regulatory outcomes. So why not support each other? Arunas made an insightful observation stating the issue was a "people" problem more than a technical issue. Heaven knows the ASR/LSR process continues to be painful but this should merely be an obstacle to cooperation rather than a reason for non-cooperation. It appears there is a certain level of suspicion amongst some Tier 2 neighbors, if not an actual lack of trust. I can see how that could happen given the nature of this market. Companies like PAETEC, Zayo and many others have grown through acquisitions; a brother one day may become an acquisition target the next. I hesitate to use the term predatory but providing returns on shareholder investment can certainly inspire opportunistic behavior. I guess the question to be considered by a smaller player is this: Do I want to risk the LECs compromising my business through regulation or am I going to be gobbled up by a voracious neighbor? I'll leave that to the readers to contemplate…

Another interesting phenomenon is the emergence of marketing consortia. I was talking to the Indatel folks who are a "Nationwide Team of Carriers." I really do like the logo and the baseball motif (see www.Indatelgroup.org). This is a group of more than twenty regional carriers who have banded together for marketing purposes. I can see the advantages of contributing to a common brand, both in saving costs and establishing more visible market presence. I am not sure how far the integration goes below the marketing layer. It does not seem to extend to full integration of the networks and it would be interesting to understand the revenue sharing model where a circuit crosses network and carrier boundaries. Where customers require end-to-end performance measurement and "one stop" service who and how is this provided? Some homework is required for this writer.

The Economy

No operator is immune to economic conditions. If the economic environment doesn't affect companies directly through the higher cost of capital, it certainly affects their customers and can result in a reduction in new sales and cancellation of existing services, which means less revenue. If the economy is not in recession today, then it certainly is in "slow down." How was this viewed at the show? The tone seemed somewhat philosophical. Economies go through cycles. This is a downturn not unlike previous downturns. The view was that although companies may cut back on many things, communications is not typically one of them. In fact growth through these times is often experienced, as less travel results in more phone calls, conference calls, video conferences, and web conferences, all consumers of network capacity.

The other aspect of this is the cost of capital. In this environment, is it possible to access the capital needed to grow your network and extend your business? The answer from the CEO panel at COMPTEL was a qualified "yes." If you have a healthy balance sheet you can get access to money: it's expensive but available. The qualification stated by Randy Curran, CEO of Deltacom, was that capital up to $100 million was available for specific initiatives but you could have trouble if you were chasing larger numbers.

OSS/BSS

As stated in my opening, there was not a lot of discussion around OSS/BSS, which may be a result of the "wholesale" flavor of the show. Retail telcos sometimes get very excited about their CRM, ordering, provisioning, network management, and billing systems but this was not evident here. Although BSS/OSS specifics were not high on the discussion list, I did spend time with a couple of vendors on the Expo floor who caught my eye.

Streamcore is a solution for monitoring and managing IP traffic over MPLS networks. It originated in France Telecom and has now found a second home in California. The software allows the data streams to be interrogated for reporting and monitoring purposes. It also has the ability to apply policies for specific services. The software is one of an emerging generation of applications that is delivered as an appliance and can be quickly integrated into an all-IP environment.

By contrast, the **Martin Group** has been around for a while now (since 1970) and still doing well delivering a more traditional range of OSS/BSS solutions to a loyal customer base. They have been busy extending their OMNIA and OASIS solutions for the Tier 2 /3 market to cover a broad functional footprint – from customer care and billing to activation and network management. The aim is to provide everything a network service provider needs in just a couple of fully integrated software packages, which is an attractive proposition for smaller operators.

Bottom Line

After every show we question the value of taking a number of days out of the office, paying the show entry, and forking out for flights and hotels. So was the COMPTEL *Plus* Spring 2008 Convention worth it? For me it was. For anyone interested in

getting a sense of what's going on in the industry, well-run shows like COMPTEL, attended by a healthy mix of service provider people as well as vendors, continue to perform a much-needed role. Only at a well-attended gathering of industry decision makers can you tune into the vibe of the business today. My sense is that despite the prospect of a sticky economy, regulatory concerns and competitive pressures, the vibe at this show was positive and determined. People were discussing important subjects and taking things seriously, in well-managed sessions. Presenters were knowledgeable, and people asked intelligent questions, which is not always the case at trade shows. I'll be back next year.

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