

NewsWatch: Dueling Foes and Billing Woes

By Phillip J. Britt, Senior News Editor

Business combinations and business expansions continued to dominate BSS/OSS developments in the last month even as most other businesses in the global economy continued to struggle.

CSG Systems International Inc.'s planned purchase of Intec Telecom for approximately \$372 million announced in late September, while eliminating one of the OSS/BSS competitors, still leaves a very fractured market, with more than 90 firms offering services, according to Karl Whitelock, senior consulting analyst for Stratecast, a division of Frost & Sullivan.



"There are more than 90 players; there are a number of regional and a number of specialized players," Whitelock said. "But the top 10 control more than 90 percent of the market."

The combined business will have some new customers announced after the purchase as Intec unveiled wins in Malaysia and the U.S. Whitelock said those deals were all but signed before the acquisition announcement. Even so, in mid-October, Kaufman Bros. analyst Karl Keirstead lowered his rating to "hold" from "buy" in a note to clients, saying the deal may be defensive in nature, citing upcoming renewals of large CSG contracts in the cable sector.

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Billing Issues Hit Verizon

Billing issues abound during the last month. Verizon Wireless agreed to pay more than \$50 million, which translates to \$2 to \$6 per affected customer, for data sessions they did not knowingly initiate. Some of these charges were for opening mobile Web links or for accidentally hitting a data access button on the phone. Customers were charged even if no data was received.

According to the company, “the majority of the data sessions involved minor data exchanges caused by software built into their phones.”

The announcement “exposes a number of things,” according to Whitelock. “Carriers have worked closely with billing system suppliers; they are very sophisticated in the way that the billing plans are constructed. You have to read the fine print. The [billing] systems aren’t completely at fault. The first thing people have to do is look at what the data plans do and don’t cover. Even when companies offer ‘all you can eat’ plans, there are a lot of exceptions.

Verizon announced the settlement just prior to the company announcing that it would launch its 4G LTE network in 38 major metropolitan areas and more than 60 airports this year. The 4G LTE network

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launch will cover more than 110 million rural and urban Americans, right from the start, the company said.

While this will provide faster connections to those who have 4G capable devices on the Verizon network, Whitelock doesn’t expect any big shift uptick in business for Verizon from 4G until the carrier provides deeper network penetration than with the initial LTE launch. He added that initial LTE launch wouldn’t be enough by itself to drive Apple to start providing iPhones and iPads that would operate on the Verizon network.

“You don’t want to lose service when you go from place to place,” Whitelock said. “You don’t want to have it in Atlanta, lose it when you go to Austin for a meeting, then have it again when you come back through Dallas. I think it would be a marketing nightmare.”

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More likely would be Apple devices that would use a hybrid baseband controller that would be capable of handling both GSM (for AT&T) and CDMA transmissions, which could be available in 2011, according to Whitelock.

Billing Wars Heating Up

While Verizon is expanding its services, the company is likely to see increasing competition in other services. Published reports said that AT&T was close to announcing a partnership with two billing providers as it moves more formerly into mobile billing.

Richard Crone, a financial services consultant specializing in payments, said that the carriers are already the most experienced recurring payments providers in the world due to their monthly billing procedures. They are now looking a “bill through me” services as well as “bill to me” services, each of which will drive growth in the other. While the carriers have had billing for things like ring tones and ancillary services for a long time, the relationships with billing providers would enable the carriers to provide “billing gateway services,” much like MasterCard and Visa.

Energy Expansion

BSS/OSS providers will also move more deeply into the energy business as part of the evolution of the

smart grid. The NGN Forum in October established a Smart Energy Forum to focus on IP services used to power the smart grid, home grids, and alternative energy sources including wind and solar.

“Utility companies have traditionally developed their own networks and communications systems. However, they are now looking toward the telecommunications industry for apps, technology development, and OSS/BSS/security to help them manage consumer demand,” said Michael Khalilian, NGN Forum chairman and president.

Survey Says

A survey from CTIA-The Wireless Association found that wireless subscriber connections rose to 292.8 million, an increase of roughly 16 million since June 2009 and represents a penetration rate of 93 percent. These subscribers used 2.26 trillion minutes (up by 19 billion minutes), 1.8 trillion SMS messages (up by 33 percent) and 56.3 billion MMS messages (an increase of 187 percent). Despite these increases in usage, the average local monthly bill fell by 4.2 percent to \$47.47 over the same period.

Smart phones and wireless-enabled PDAs also grew substantially over the past year, increasing from 40.7 million in July 2009 to 61.2 million in June 2010. This

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brings the total number of data-capable devices on carriers' networks to 264.5 million. Wireless carriers reported handling 161.5 billion megabytes of data in the six months ending in June 2010, up 49.8 percent from the last half of 2009.

SMS-capable devices increased to 243.7 million as of June 2010, which is up from 235.3 million in June 2009. There were more than 243.5 million Internet-capable devices during this survey period, which was an increase of more than 6.4 million since June 2009.

With deeper penetration of iPhones, iPads and Android-capable devices, those numbers are bound to grow, as are opportunities for OSS/BSS providers with services to support these devices, the developing smart grid and other evolving products and services.

Last but not Least...

TM Forum's Management World Americas 2010 wrapped up on November 11. With a reported 1200 registered attendees, show staffers noted that the event was back to 2008 levels after a dip last year. That comparative improvement aside, the event was still decidedly subdued on the show floor and in the keynotes, though more interesting debate was to be found in the conference rooms and in private meetings. *Pipeline* was on hand to catch the events, and you can read more in news reports posted in our News Center. There, among other news, you can find out about vendor activity at the show ([here](#) and [here](#)), plus check out specific show-related news for vendors like Nakina Systems, [Microsoft](#), and NetCracker (who released results of its [2010 Global Service Provider Survey](#), conducted in conjunction with Pipeline). In addition, you'll find our overall take on the show [here](#).