December NewsWatch: Clouds, Tiers, and Broadcast Fees

By Phillip J. Britt, Senior News Editor

Cloud services are growing quickly as companies look for ways to minimize capital investments while still getting benefits from high-powered processing and scalable applications. The more services that move to the cloud, the more imperative it is for users to have top-tier OSS/BSS capabilities.

Telecom carriers need to make major changes to their data center strategies if they are to remain competitive in the face of strong offerings from independents, according to Ovum.

Mike Sapien, Ovum analyst and author of a new report, says carriers need to up their game if they
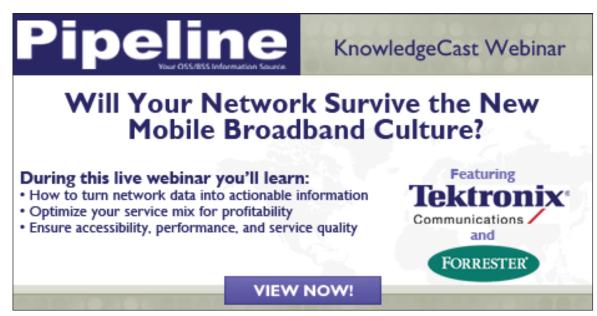
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are to remain major players and become significant providers of fast-growing cloud services.

"Data centers have traditionally been used by carriers for basic hosting and collocation purposes," Sapien said. "Their role has taken on a new importance with the advent of cloud-based services and virtualization, and has changed to address this emerging demand. "Independent data center operators are winning business in this market and are building expertise."

These data center operators are showcasing top systems and technologies, according to Sapien, who calls on carriers to focus on existing customer

relationships and channels in order to meet this challenge.

Deutsche Telekom unit T-Systems is trying to meet this challenge through a simplified system to bring customers to the cloud. T-Systems customers can now use infrastructure services dynamically according to their requirements within minutes using a portal that T-Systems operates. These dynamic infrastructure services are billed on an hourly basis. The service is free for T-Systems customers during the pilot phase – November 2010 through February 2011.

The offer combines the cloud approaches used in the public sector with those from the high-security business customer sector: Access controls, data security and protection, defined Service Level Agreements, full scalability and attractive prices. All data centers, and consequently all customer data, are located in Germany, certified according to ISO standard 27001 for security and also audited by customers. Each customer's applications are logically separated and additional security precautions protect against access via the Internet.

The public cloud has enjoyed rapid growth over the last few years, but the rate of growth could still accelerate, according to Werner Vogels, chief technology officer for Amazon Web Services, who spoke about best practices for cloud migration at a November seminar in Chicago.

Vogels said that cloud services have yet to hit the sharp upward angle of the "hockey stick curve" in terms of adoption. Public cloud services are catching on in part because companies can quickly ramp up a technology support infrastructure without the need to first make a large capital investment in servers and applications. The downturn in the economy over the last few years has made the pay-as-you go model more popular than ever.

The pay-as-you go model enables users to avoid paying for much more capacity than they need, one of the problems with the practice of buying and running all of the technology in-house.

Tiered Rate Plans Better: Study

Many iPhone users were paying for more service than they needed, according to a new report that supports AT&T's claims that the tiered rate plans result in lower

costs for most users. According to research from the Technology Policy Institute, residential standalone plans with bit caps are, on average, $164 less per year than similar but unlimited plans. Residential "triple play" plans with bit caps are about $152 less per year than unlimited but otherwise similar plans. Additionally, business broadband plans with data caps are about $1,063 less per year than plans without, and prices increase by nearly $4 per GB increase in the cap. Residential plans with contracts are cheaper than plans without. Plans with contracts are on average $22 less over the course of a year for standalone broadband plans and $11 less for triple play plans.

Broadcast Fees, Rights Battles Continue

Content issues continued over the last month as AT&T U-Verse and Cablevision both settled disputes with broadcasters, but not before some subscribers missed some of their favorite programs. The Cablevision dispute with Fox carried on for a few weeks, but the AT&T disagreement with Scripps was settled in a couple of days. More of these disputes can be expected in the future as broadcasters look to maximize revenue from a dwindling and increasingly fragmented viewership base. Viewers are getting more and more of their entertainment from the Internet. One way to make up for this loss of revenue is for broadcasters to charge cable and satellite companies more for rights, timing contract termination near popular events, such as the Oscars.

The cable and satellite companies say they get pictured as the "bad guys" because they're the ones who send the bills. So they are looking to legislators for some changes in the rules. But the wheels of Congress turn slowly. So these battles are likely to continue and to be more numerous in the near-term according to Mike Jude, program manager, consumer communications services, for Stratecast, a division of Frost & Sullivan.

Higher 4G Demand

More than ever these programs are being viewed on mobile devices. The ability to watch video and other

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ever-growing capabilities of smartphones is increasing the pressure to offer 4G performance, ABI Research director Philip Solis. When 3G was introduced there was no need for great haste in deploying compatible handsets, but mobile's new, more ambitious range of functions is driving demand to roll out 4G (and 4G smartphones) more quickly.

Sprint is a benefactor of the demand for 4G services, Solis added. "The carrier will ship almost three million 4G handsets for its WiMAX network by the end of 2010. That number is greater than many observers expected."

Sprint has rolled out WiMAX in about 62 US cities to date. The latest, and one of the most significant: New York, which lit up on Nov. 1.

Internationally, KDDI in Japan is in the process of building an LTE network and is also part-owner of UQ Communications, a leading WiMAX provider. They are selling EVDO/WiMAX modems. Yota, which has accumulated 600,000 WiMAX subscribers in Russia, announced its intention to focus new rollouts on LTE and to deploy LTE alongside its existing WiMAX networks in Moscow and St. Petersburg. But it has problems with Russia's telecoms regulator concerning allocated spectrum. Investigations will delay the carrier's LTE plans for at least two years. Yota is also continuing its WiMAX deployments in Nicaragua and Peru.

As WiMAX, LTE and cloud demand continue to grow, carriers will need to sharpen their OSS/BSS strategies to meet the demands with a minimum of network bottlenecks and interruptions.

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