

Weakening voice

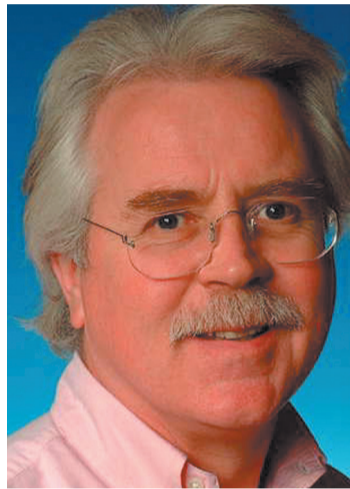
Revenues from voice are on the decline, partly because of competition, but new networks bring new opportunities, writes **Keith Humphreys**

EUROLAN HAS RESISTED the temptation to move to a Carrier Pre-Select (CPS) telephony supplier, despite the daily bombardment by telephone, fax and email. We resisted 'free' Skype calls because of the lack of provision for a quality of service. BT's own voice over IP (VoIP) offering - BT IP - was dismissed because the service has very little price advantage. But when a company such as Vonage quietly releases a VoIP service in the UK, companies have to sit up and listen and - at least - evaluate, the offering.

It is not only the savings through call arbitrage that make Vonage attractive. The ability to re-route calls with a 'follow me' feature makes dialling and receiving calls in hotels, airport lounges and even Starbucks possible. This facility was available only to companies that had committed fully to an internal VoIP system. With broadband becoming ubiquitous, prices falling and speeds doubling, Vonage's ability to add two voice lines to a broadband line (which already has spare voice or fax line), and one line uses only 90kbps of upload and download.

The adoption of Vonage will produce great savings from our Blue Bill. But as EuroLAN is a customer of BT, which supplies our voice, data and mobile services, loyalty does have some bounds. And as this becomes the general trend, voice revenues will decline, not only because of call arbitrage but because of competition; not least of which is mobile substitution. IDC forecasts that the European wire-line voice market will decline from \$108bn in 2003 to \$95bn by 2008, which represents a compound annual growth rate (CAGR) of a negative three per cent.

BT will compete in the short term, but its long-term plan relies on the build out of 21CN, its net-



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work for the 21st century. Competition is the driver for 21CN. While the revenue streams are falling, running costs are not and the existing public switched telephone network (PSTN) is expensive to maintain. BT estimates that the 21CN will save £1bn a year, compared with running the PSTN. However, the cost over the next six years comes to a total of £10bn.

21CN consists of new converged network, replacing 16 different network environments, each with their own billing and operating systems. Central to this new network is a Multi Service Access Network (MSAN), which combines voice, Ethernet, ISDN, ATM, SDH and all the other fixed telecom technology into an IP/Multiprotocol Label Switching bit stream. BT's intention is that, by 2008, 50 per cent of premises will be converted to IP and by 2010, there should be 100 per cent coverage. To achieve this BT will need to provide fibre to the premises. Trials of this so-called 'deep fibre' are currently taking

place in Milton Keynes, Ipswich and South-East London.

The last stage is a 'triple play' to the home that will bring IP voice, IP data and IP TV in a similar play to Fastweb in Italy, which has been so successful. Fastweb cleverly talks about internet access, computer backup, telephone and television, bypassing the techno-speak of VoIP.

At the core of Fastweb is NetCentrex, the Paris-based soft-switch vendor, which offers enterprises and service providers a platform for IP Centrix and triple-play solutions. IP Centrix is one area in which channel partners could investigate making an investment, and not only for the enterprise. Small companies in the UK are frustrated, not only by the increasing costs but by the delay involved in transferring calls using BT's offering, Featureline. This is a traditional centrix offering that uses the exchange as the PBX. There are many opportunities at both ends of the market for IP Centrix.

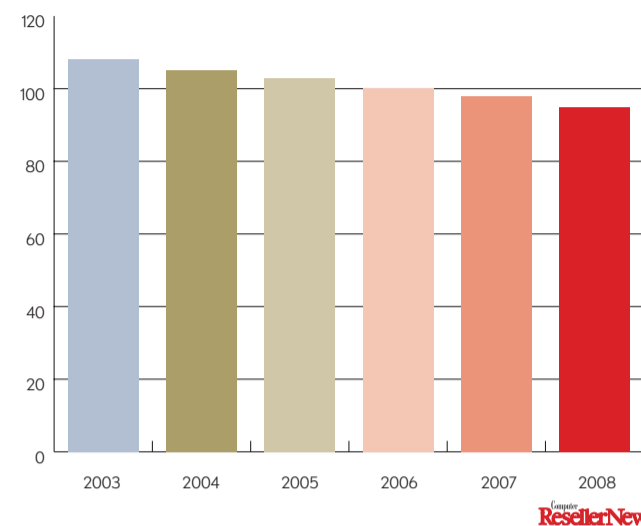
Cable companies will not take BT's plan lying down, but upgrading their own networks to carry IP TV will not be cheap either. A triple play, which gives packages of three or four services, will reduce customer churn and create the economies of scale that will allow them to profit in a competitive environment.

For both cable operators, BT and competing telcos, telephone service will be the commodity product, and perhaps even the loss-leader they need to drive consumers to more profitable multimedia services. The 21CN may take some integration opportunities away from the channel, but for every one that disappears, more will become available.

Keith Humphreys is managing consultant at EuroLAN.

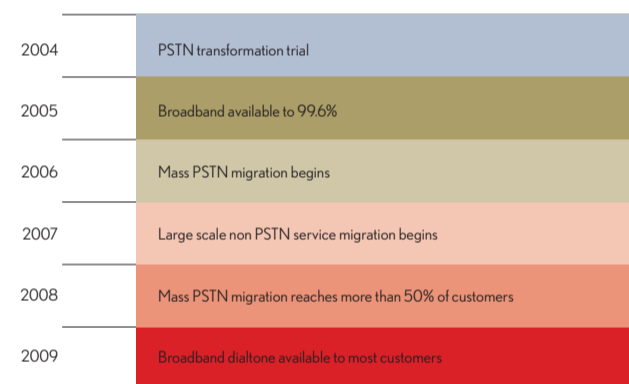
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European voice revenues (\$bn)



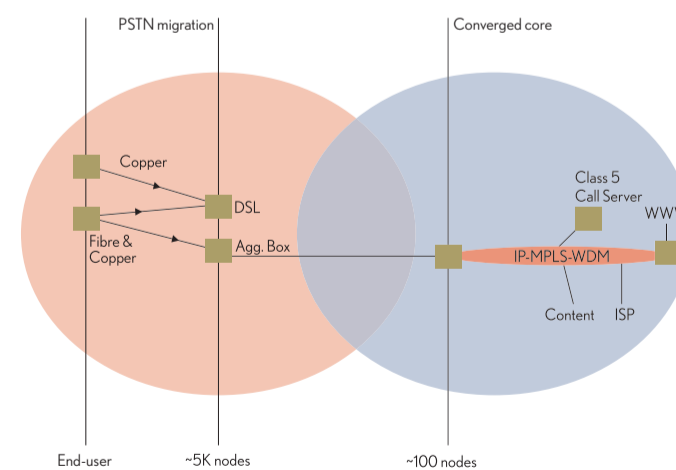
Source: IDC

21CN - Key milestones



Source: BT

21CN - BT simplified network



Source: BT