21CN set to change telecoms forever?

As 21st Century Networks begin to take over from traditional fixed line telephony infrastructures, the channel is set to see many changes. Selling plain minutes will eventually disappear and in its place will come a plethora of new voice and data products and services.

In the meantime, incumbent operators are working to move legacy offerings to new networks over the next few years, while newer market entrants are busy building next generation networks (NGN) and getting services running over them as soon as they can.

The problem for BT is its legacy network and services mean its deployment of a NGN is slower than other carriers, Mark Hollister, managing director at Opal Telecom, says. “BT’s problem is it won’t have full service deployed in the UK on its NGN before 2009 or 2010, because of legacy services and rolling those out on the new network. Some things just aren’t a natural fit on the new network, such as pay phones which use pulse signalling; BT needs to figure out how to deploy that on its NGN.”

Daryl Dunbar, director of BTs 21 Century Network Portfolio Development, comments on Hollister’s statement: “There is certainly some truth in what he says. We have a very large network so the sheer volume of the networks we need to integrate are very big, so it’s a very aggressive project. But this isn’t just about PSTN lines; it’s about high speed broadband and other services, so while Hollister makes a valid point and it will take us some time to transition to the new network, smaller companies that can deploy NGN much faster can do so due to lack of scale. So I’m not worried about degradation of our customer base.”

Dunbar comments on the possibility that BT will lose revenue from the further decentralisation of the fixed voice market through NGNs: “Different products and services will come out with different pricing schemes from what we have today. As far as BT and falling voice revenues is concerned, there is a decline in traditional voice revenues which is being felt by BT as we are the incumbent. But we are replacing those revenues aggressively, with global services and new wave services. That said, we are still a telco.”

Phil Purssey, sales director at BT Business Indirect Channels, says: "21CN represents huge opportunities for partners and the channel in terms of continuing the convergence journey. As we roll out 21CN, we will be working closely with our partners to see how best to deliver the solutions and ensure that the channel maximises the benefits on offer. As a result, this will give them a significant competitive edge with their customers".

However, fixed line carriers without a legacy network are in a better position to move faster on LLU and quit paying BT as much money for carrier pre select, Hollister adds: “We’ll be fully deployed in around nine months. With LLU we will be giving less of our revenue to BT, and we will retain more of the revenue. Plus, today we have 10% of the UK residential market and we’re out to get 20%. We had 300,000 people sign up to our free broadband offer on the residential side ion the first three weeks, and the only reason we could do that is because of the power of our NGN; our cost base is significantly reduced by it so we can put great offers out.”

The market is currently in the throws of responding to the NGN trend in the marketplace, according to Hollister. Two things are happening: the advent of NGNs is forcing consolidation in the market, reducing the number of players; and new entrants are moving in that would not have been interested in delivering voice from the fixed line side before.

Hollister explains: “My guess is there will probably be only four or five main players in the UK, and some of these won’t be traditional telcos. Mobile and broadcast companies will be in on the act; look at Sky’s purchase of Easynet [in October 2005].”

This is about new market entrants moving into the local loop unbundling market in order to take a piece of what was the traditional fixed line telephony market as it evolves, plus other data services over NGNs, Hollister says. “I think the winners will be BT, Opal, O2, Sky, maybe Cable & Wireless and maybe Thus. It’s difficult to say the likes of Gamma Telecom will be successful, as they aren’t into LLU.”

Thus has been running its NGN for several years now. Duncan Wilkinson, head of channel sales at Thus, which bought Your Communications earlier this year, states: “We’ve had a 21 Century Network for years. Quite a lot of our competitors are jealous of the technology we deploy in our network and are now following suit.”

Wilkinson continues: “We have a fully scalable network based on multi protocol label switching (MPLS), which we use to deliver complex solutions. We are selling 21 Century Network services today. If you look at Cable & Wireless or Colt, a high proportion of their traffic is simple voice still, whereas ours is only 40% voice; the majority is based on other services.”

Wilkinson adds: “NGNs will change the margin mix and the way we charge for things. The Internet doesn’t have the quality we need for voice, so to get the quality connection resellers will just have to change the way they charge. Fixed line carriers and resellers will get revenue through different types of technology, such as Ethernet pipes and MPLS, by charging for the connection instead of where they previously would have charged for voice minutes.”

On how quickly the market will change from fixed line to NGN, no one is sure. Wilkinson states: “No one knows how quick the decline in old voice services will be. 21 Century Networks will change the model we use to bill, but I don’t yet know how big an impact that will have on resellers.”

Resellers need to work strategically now in order not to be caught out as fixed line carriers are caught up in consolidation, Hollister warns: “If you are a reseller today, you need to spread your traffic around between three or four suppliers if you can. The difficulty of that is that today’s relationships are very tactile and price-led, so if you’re a reseller you have to scratch your head and think about who to go with. The same goes for us as a carrier; we also have to only work with strategic partners,” he adds.