Feeling Deserted By Your Media Gateway Vendor?

Does your media gateway vendor make you feel like you're alone on a deserted island, with disparate protocols and no lifeline to customer service and support? Excel Switching, an award-winning provider of carrier-class telecom equipment for nearly two decades, heard your SOS for multi-protocol support, scalability and value and developed the IMG 1010 integrated media gateway.

Excel's IMG 1010 Integrated Media Gateway Solution:

- Scalable VoIP Gateway
- Integrated SS7
- IP-IP Transcoding
- Routing/Translation
- Media Server

Benefits:

- Reduced CapEx and OpEx
- Faster Time to Market
- Improved Network Performance
- 15+ Years Telco Experience
- Worldwide Deployments and Support
- Investment Protection

EXCEL

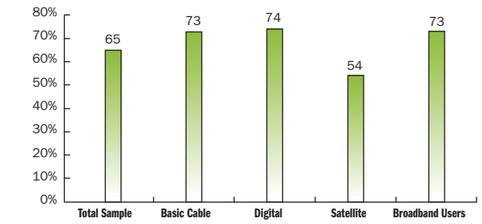
Excel Switching Corporation
(508) 862-3000

For a complimentary copy of Excel's White Paper, "Enabling SS7 on an H.323-Based VoIP Network," www.ExcelSwitching.com/Gateway

VoIP Business Weekly June 6-10, 2005 Volume 2 Issue 18 www.voipweekly.com

VoIP BUSINESS WEEKLY

Awareness that Cable Companies Offer Phone Service



Source: Cable & Telecommunications Association for Marketing

Pushed Off the PSTN

By Gary Kim

Whether the cost of 911 support may be a good thing for independent VoIP providers is debatable. Some people argue that a few firms, such as Vonage, sitting on lots of cash can more easily afford to bear the costs of implementation. Others say the cost will be more than most upstart firms can bear.

And others think 911 compliance, plus the additional taxes and fees that seem certain to follow at some point, might be helpful, to the extent that more contestants will stop trying to squeeze the life out of POTS (plain old telephone service) and focus more on replacing the public network, muses Jeff Pulver, pulver.com CEO.

Continued on page 9

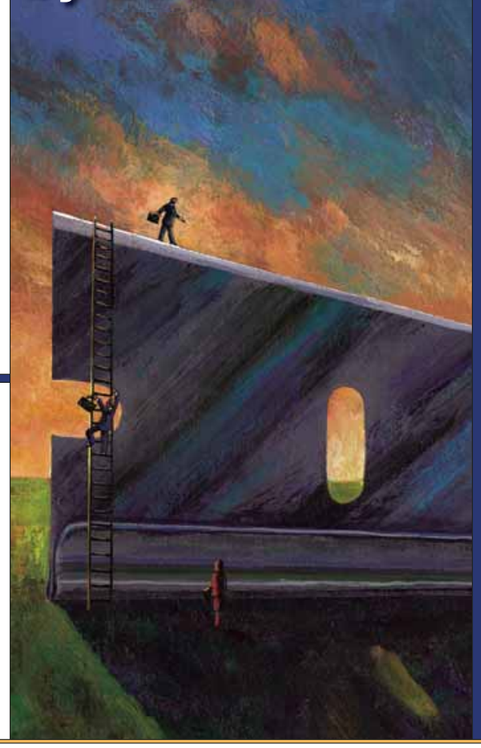
Verizon May Lease Optical Access

VBW Staff

Verizon Communications says it is in talks to give ISPs (Internet service providers), including Earthlink, access to the optical-fiber access network it is building. That would be big news indeed for ISPs that face a slow death if they can't get access to the optical local loops Verizon, SBC Communications and BellSouth are building.

Continued on page 8

VoIP Slices Int'l Revenue by 32%



By Martin Vilaboy

Worldwide international voice traffic revenue losses due to VoIP bypass amounted to $73.7 billion in 2002, representing about 32 percent of all international voice traffic revenue in that year, according to recent findings from Insight Research. By 2011, Insight expects VoIP bypass of international voice traffic—defined as voice traffic that uses the Internet as a transport vehicle and appears at the termination point as local traffic—to amount to $96 billion in revenue loss, or just more than 22 percent of all international voice traffic.

Of course, while VoIP is having direct and measurable impacts on international carrier revenues, the impacts are a precursor, Insight analysts warn, of what telecom carriers will face in their local and long distance national markets in the near future. And those effects "will be irreversible," say Insight researchers.

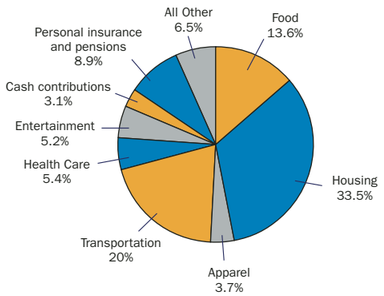
Continued on page 8

Entertaining Figures 2
Talk Free Globally 4
SBC Lowers Bar 4
Next-Gen 911 6

Content Prospects Not as Entertaining as You Think

With content revenues now emerging as an important new revenue stream for all sorts of IP and wireless service providers, it's probably worth noting that the typical United States consumer spends about $2,218 each year on event admission tickets, audiovisual equipment, services related to audiovisual equipment and reading.

Typical U.S. Consumer Expenditure Breakdown



Source: U.S. Census Bureau data

Altogether, that represents about 5.5 percent of all personal spending.

If one assumes that new content and multimedia services primarily will be consumed by persons, rather than households, that suggests service providers can shift some portion of that spending from current consumption to new IP services. The issue, of course, is how much.

Housing typically takes up at least 25 to 33 percent of personal spending. Food typically represents about 14 percent, while apparel purchases represent about 5 percent. If we assume that these three categories are unlikely to be shifted, that suggests about 44 to 52 percent of spending is not discretionary, in terms of possible shifts to new services.

Another 20 percent is reserved for transportation, a bit more than 5 percent for health expenses, about 9 percent for insurance. That's another 34 percent that most likely cannot be shifted. Contributions represent another 3 percent or so. So at least 78 to 86 percent of all personal spending probably isn't available for shifts to alternate purposes.

Entertainment, travel and other recreation, for example, represent about 8.6 percent of personal spending and might be shifted to some extent. Of course, it's not likely that consumers really are likely to shift all of that spending to new forms of IP content and services.

If we assume spending on platforms required to access new audio and visual content means hardware spending can't be shifted, that removes about 38 percent of entertainment and recreation spending. About 20 percent of entertainment and recreation spending goes for toys, books or magazines. Those categories also seem resilient to shifting, in part because they collectively represent relatively small amounts of money, and in part because toys and books are products difficult to reproduce entirely in the digital domain.

About 19 percent of entertainment and recreation spending is for admission tickets of one sort or another, and we would suggest that the social aspect of movies, concerts, museums and events makes digital services incomplete replacements for these activities, which might be characterized as "socialize with friends and family" or "find a mate" pursuits.

Percentage Spending, Recreation and Entertainment

Category	$	%
Total	633	100%
Books	35.8	6%
Magazines	34.2	5%
Toys, sports supplies	59.7	9%
Products and equipment	120	19%
Audio and visual equipment	76.7	12%
PCs and related	44.2	7%
Admissions	119.3	19%
Other	153	24%

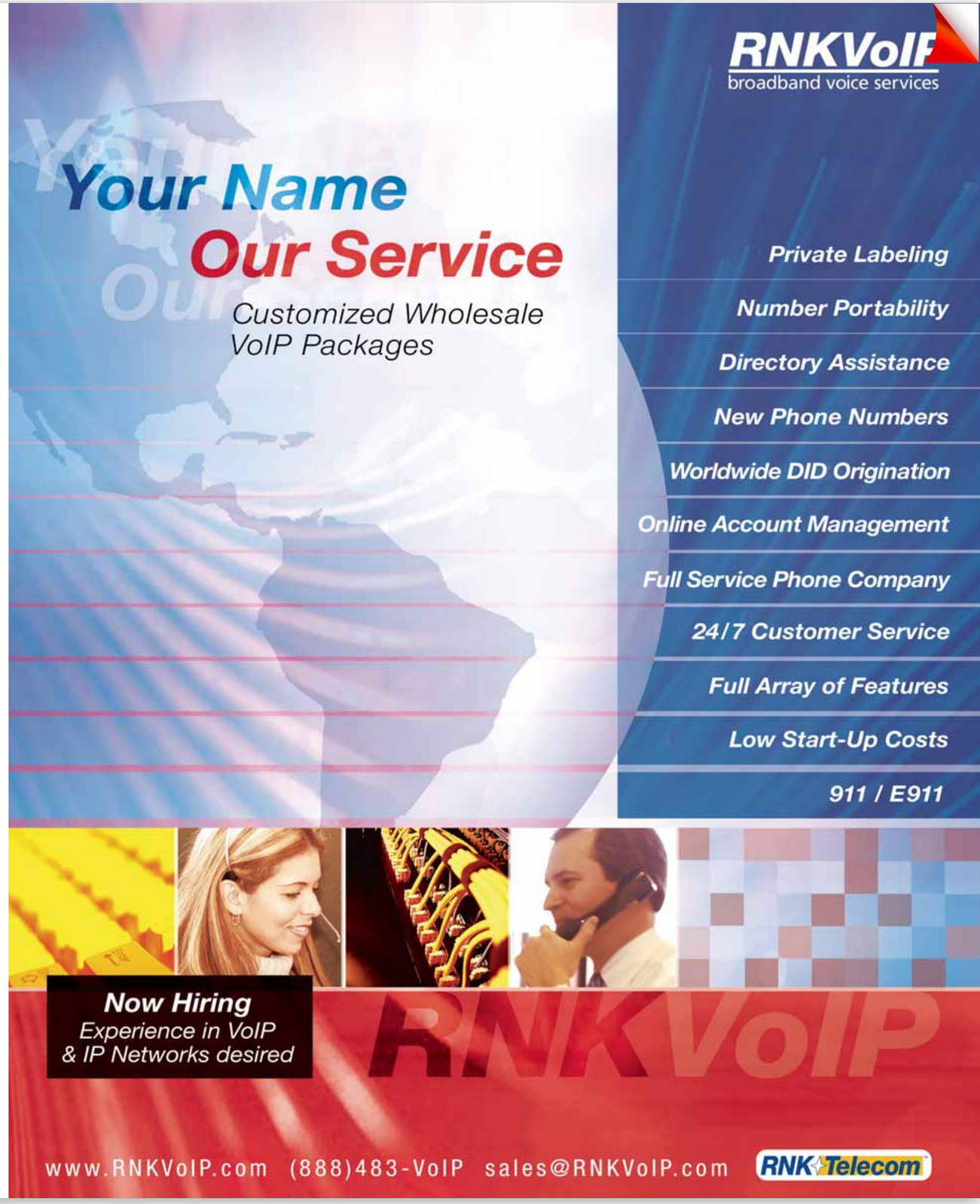
Source: U.S. Census Bureau data

Altogether, we'd say 77 percent of entertainment and recreation spending will prove highly resistant to shifting. Which leaves something on the order of 23 percent as most discretionary. If one assumes that the typical consumer spends about $2,218 a year, then the portion that most likely can be shifted is about $510 a year.

That's a pretty juicy target, indeed. Keep in mind that cable TV and wireline phone expenditures are per household, not per person. So a five-person household might represent $960 a year in spending. That same five-person household might represent as much as $2,550 in additional spending if attractive IP content services can be created and if consumers really do shift 23 percent of their entertainment spending.

We doubt that will happen. It's more likely that consumers could be enticed to shift 10 to 15 percent of those $510 worth of expenditures. Or, by our rough exercise, $51 to $77 per person, per year. That's significant, across the whole base of human beings, but it's only about $4.25 to $6.40 a month.

IP content is hopeful, but let's not get too carried away. Share shifts will account for most of the revenue gains for service providers, not adoption of new services. VBW



SBC Slashes DSL Prices, Again

By Martin Vilaboy

Already among the cheapest providers of DSL (digital subscriber line) service, SBC Communications has cut the price of its SBC Yahoo! DSL Express (384 Kbps - 1.5 Mbps) residential offering by about 25 percent to $14.95 a month. The limited-time offer only is available via online ordering, suggesting that SBC is targeting current dial-up subscribers and cable modem users with its lowered price. The offer requires a 12-month term.

SBC also is banking that users who order online will be cheaper to support and market new services to, helping the company to maintain its DSL margins. The move is the "latest SBC initiative designed to encourage customers to order SBC products and services online, as well as learn about new products and offers, view and pay their bill, manage their account and request service repairs over the Web," SBC executives announced.

"The online advantage we're giving consumers also benefits us," says Scott Helbing, senior vice president-SBC Consumer Marketing.

SBC executives have stated they believe there is a two- to three-year window to add as many DSL lines as possible, before cable companies fully ramp up their digital telephony offers to round out there voice, video and data bundles.

DSL is particularly important, when that point comes, as SBC has found that, "if you sell DSL, the customer just doesn't churn," said SBC chief operating officer Randall Stephenson in a recent interview. "Once you get them, you've got them."

SBC Quarterly DSL Adds

'03 Total	1Q04	2Q04	3Q04	4Q04	'04 Total	1Q05
3,516,000	446,000	315,000	402,000	425,000	5,104,000	504,000

Source: IGI

SBC added more than 500,000 DSL subscribers in the first quarter of this year, a record amount during any one quarter for the company, according to research firm IGI, and only the second time any telco has topped Comcast for additions in a quarter. With its first-quarter growth, SBC now has more than 5.6 million DSL lines, about 11 percent of its total phone lines.

The company currently offers DSL service to about 80 percent of the homes in its territory and expects to reach 90 percent within the next 12 to 18 months.

For customers who require more speed than 1.5 Mbps, SBC offers its DSL Pro service (1.5 Mbps - 3.0 Mbps) for $24.99 a month, also with a one-year commitment, though "other monthly charges" may apply.

The online offers include a $99 instant credit toward a $149 SBC Yahoo! DSL Wireless Home Networking kit, a $179 laptop home networking bundle or a $99 DSL modem.

If nothing else, SBC's move likely will accelerate the adoption of high-speed Internet services, effectively increasing the addressable market for VoIP services. VBW

Talk Free Gets Global Partners Online

VBW Staff

Facilities-based international VoIP provider Talk Free has unveiled a new online management system that provides real-time control of calling accounts for its growing base of channel partners. Considering that its partners span the globe, however, a robust partner portal is almost essential to the California-based company's growth plans.

And since Talk Free is targeting developing countries, in particular, where access to broadband services can be limited, a unique VoIP technology likewise is essential. This Talk Free seems to have.

Talk Free's softdialer, available to all its agents and resellers, includes a proprietary voice engine that performs advanced packet error recovery, jitter buffer, echo cancellation and audio gain control, say company executives.

In other words, the softdialer operates in all bandwidth environments and can be downloaded by customers with just a 19.2 Kbps dial-up Internet connection. This allows Talk Free to offer its PC-to-phone services in developing countries where as many as 90 percent of Internet users are on dial-up—quality trade offs notwithstanding.

Highlights of Talk Free's new Web-based portal include real-time, unlimited online account generation; call log and account inventory reporting; variable account aging and expiration; multiple rate plans; management controls; and instant recharging and transferring of accounts.

"Delivering to our partners a PC-to-phone VoIP service that combines quality and valuable functionality with the lowest industry calling prices creates a compelling service for customers who are forced to pay up to $1 to $2 per minute for phone service," says Michael Scheele, Talk Free co-founder and president.

The Web-based platform also includes functionality for subagent distribution and inventory controls. Resellers also can white-label Talk Free's services. Incidentally, the company currently is making a push for master agents located in Vietnam, China, Haiti, Brazil, Mexico and the Middle East. VBW

Talk Free PC-to-Phone Rates

Austria	$0.049
Brazil	$0.075
Canada	$0.029
Chile	$0.075
Algeria	$0.18
China	$0.045
Hong Kong	$0.05
Ireland	$0.049
Israel	$0.079
Malaysia	$0.05
Mexico	$0.078
Russia	$0.059
South Korea	$0.05
U.K.	$0.029
U.S.	$0.029
PC-to-PC	Free

ENUM Summit 2005
Main Conference: June 28-29, 2005
Pre-conference Workshops: June 27, 2005
Hotel InterContinental · Miami, FL
Leveraging Electronic Numbering to Drive Revenue from Telecom and IP Network Convergence
How will ENUM impact your bottom line? Hear directly from industry experts as they share insights into:
- Leveraging ENUM to drive VoIP and new service adoption
- Understanding the impact of ENUM on the competitive telecommunications landscape
- Determining the viability of existing economic models
- Analyzing lessons learned from global ENUM trials
- Improving cost-efficiency and interconnection of new services
- Exploiting ENUM to generate revenue and create value for the enterprise
- Ensuring authentication, privacy and security of the ENUM DNS
Plus! Don't miss special pre-conference tutorials on SIP, DNS and ENUM!
Presented by:
telecoms IQ a division of IQPC
IQPC International Quality & Productivity Center
Register by June 3rd with VIP CODE VP54AD to recieve your 10% discount! Operators recieve 50% discount.
REGISTER TODAY BY CALLING 1-800-882-8684
OR BY VISITING WWW.IQPC.COM/TELECOMSIQ

Working toward 911's Next Generation

VBW Staff

Late in May, researchers from leading universities and technology companies provided a demonstration of a next generation 911 (NG911) prototype solution. The proof-of-concept demonstration highlights an Internet-based emergency call delivery system for nomadic and VoIP users to an IP-capable PSAP (public safety answering point).

"Despite the Federal Communications Commission's latest ruling requiring VoIP providers to offer 911 service, technological obstacles mean there is no quick fix for all VoIP scenarios using today's 911 network. End-to-end IP calling to 911 will require a different type of network," says Paul Mallett, executive director, Texas Commission on State Emergency Communications.

In addition to seamlessly providing dispatchers accurate location information for 911 users, the system is also designed to provide multimedia capabilities. For instance, callers using the system in the future will have the ability to provide video from the emergency scene to dispatchers or will allow a responder to send video instruction to the emergency site.

The NG911 technology was developed by researchers from the Department of Computer Science at Columbia University and the Internet2 Technology Evaluation Center at Texas A&M University in partnership with University of Virginia, the National Emergency Number Association (NENA), the offices of Emergency Communications for the States of Texas and Virginia, as well as with the help of Nortel, Cisco and MapInfo Corporation, among others.

The National Telecommunications and Information Administration's Technology Opportunities Program provided grant funding for the project. VBW

VegaStream Doubly Supports Open Source

VBW Staff

In separate announcements made at the end of last month, VoIP gateway manufacturer VegaStream announced that it has joined the Pingtel Ecosystem Partner Program and has become a corporate sponsor of SIPfoundry, the open source SIP (session initiation protocol)-based development project. The moves signal VegaStream's commitment to "cost-effective, standards-based VoIP solutions," as well as finding ways for SIP technology "to deliver PC-like economics to the VoIP market," say VegaStream executives.

As part of the Pingtel partner program, VegaStream's Vega 50 and Vega 400 VoIP gateway products are now fully certified to work with Pingtel's SIPxchange, the enterprise SIP PBX (private branch exchange) for Linux. Now VegaStream and Pingtel customers and channel partners can integrate the two products smoothly, as well as have the ability to configure and manage the VoIP gateways directly from SIPxchange.

The Vega 50 analog gateways are designed to connect analog phone systems into IP networks, and the Vega 400 digital gateways connect digital telephony equipment. Both products have proven interoperability with a wide range of existing telecommunications and VoIP equipment, say VegaStream executives.

"Pingtel and VegaStream represent where the telephony market is going," asserts David Rudee, vice president of United States sales at VegaStream.

According to sources at Pingtel, the SIPxchange documentation details all the steps required for a successful installation of Pingtel certified Ecosystem components, ensuring that end users can quickly configure Ecosystem products with SIPxchange in the field. Pingtel also supports certified components when used in conjunction with SIPxchange.

VegaStream's corporate sponsorship of the SIPfoundry, meanwhile, enables the company to play an active role in shaping the next wave of development of products and technologies, says the company, while providing a mechanism to leverage standards-based IP communications as a means of differentiation. VBW

Briefly Noted

3Com Corp. has a new, fifth generation release of the NBX IP Telephony system. The IP PBX (private branch exchange) features ACD (automatic call distribution) for up to 199 agents. This latest release supports silent monitor/whisper/barge-in. When used with the ACD feature, supervisors can listen in on an incoming call, silently coach agents while on an active call and interrupt a call in progress if necessary by "barging" into a call. The release supports the 3Com 3100 Entry, a single-line Power over Ethernet (PoE) compliant IP phone, designed to be a cost-effective alternative to traditional analog telephones, and two cordless IP phones for retail and small office applications.

MetaSwitch unveiled an "open packet host/remote architecture" for telephone companies seeking to migrate from legacy switching platforms.

Veraz Networks announced that **Primus Telecommunications** has migrated its Open Settlement Protocol (OSP) traffic from existing H.323 gateways to the Veraz platform.

eLEC Communications has deployed a VoIP application server cluster technology based on the Linux operating system. "Our initial single-cluster deployment in Orlando, Fla. can support 10,000 subscribers, but the technology is now scalable to millions of subscribers," says VoX's president Mark Richards. "We believe that we have the lowest cost-per-port, industrial-strength technology for IP softswitching available."

General Bandwidth announced a Class 5 migration to Class 5 replacement solution with an integrated emergency standalone capability that enables service providers with softswitch control of their circuit-based access networks while providing the ability to maintain local and emergency services when communications are lost with regional softswitches. The new G6 universal media gateway interoperates with leading digital Class 5 switches, softswitches, SIP (session initiation protocol) feature servers, digital loop carriers and customer premises equipment, say General Bandwidth sources, allowing service providers to leverage their existing and next-generation network assets while migrating to or accelerating VoIP services. VBW

VoIP BUSINESS WEEKLY

Gary Kim
Editor-in-Chief
gary@dagdamor.com

Martin Vilaboy
Editor
martin@dagdamor.com

Tony Jones
Executive Editor
tony@dagdamor.com

Ben Folkertsma
Senior Art Guru
ben@dagdamor.com

Pat Crocker
Legal Editor at Large
pdcrocker@telecomattorney.com

Contributing Writers
Danny E. Adams, Rachael King, Daisy Whitney

Robert C. Titsch
Group Publisher/Editorial Director
bob@dagdamor.com

Berge Kaprelian
Publisher
berge@dagdamor.com

Jennifer Vilaboy
Production Director
jen@dagdamor.com

Dagda Mor Media, Inc.

Robert C. Titsch
President and CEO

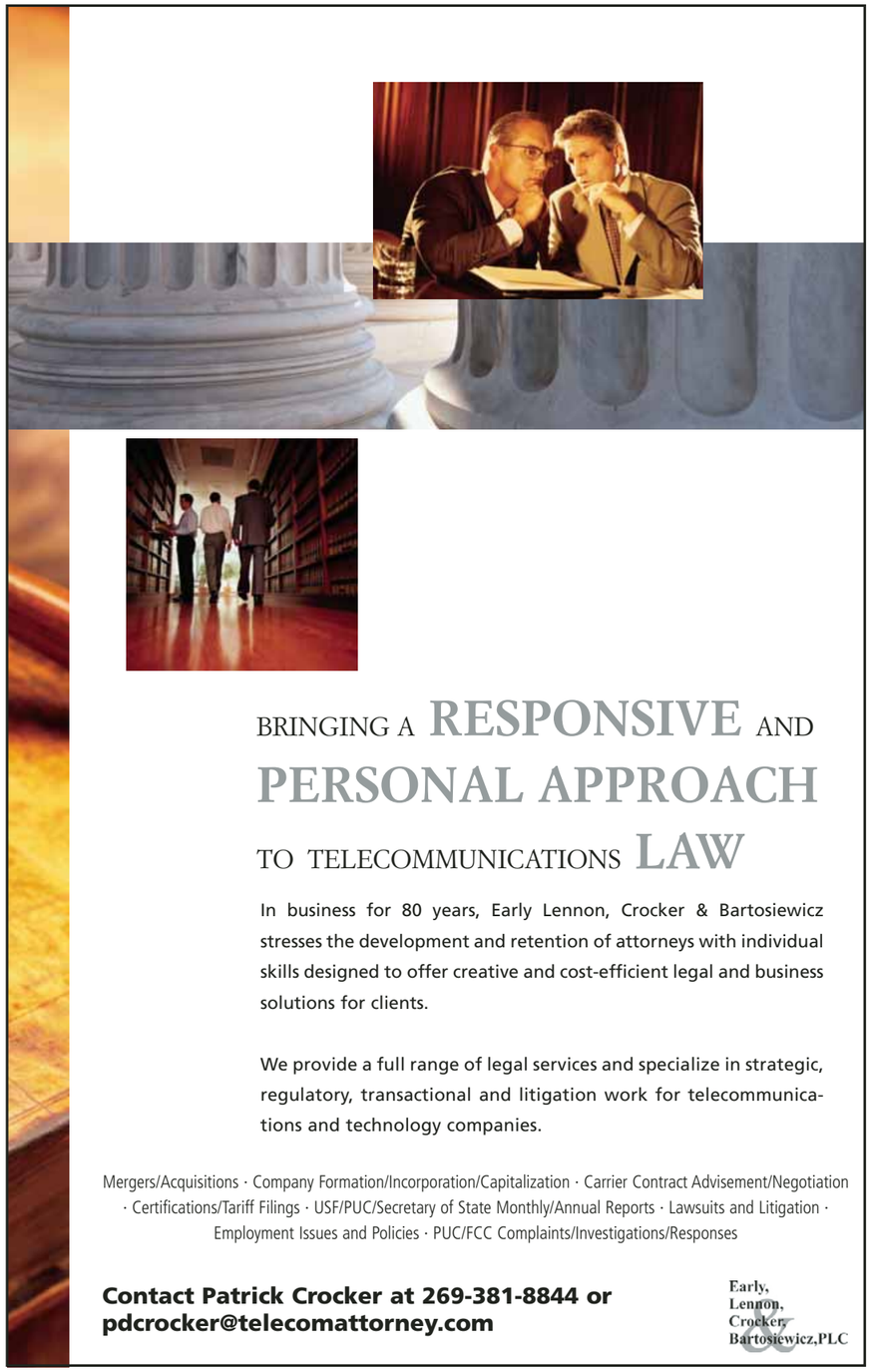
Gary Kim
Chief Operating Officer

Deborah Dellisanti
Executive Vice President

Becky Pennington
Vice President/Finance

Corporate Headquarters
21001 N. Tatum Blvd.
Suite 1630-449
Phoenix, AZ 85050
480-203-2513 voice
480-203-2514 fax

© 2005 Dagda Mor Media, Inc., All rights reserved. Reproduction in whole or in any form or medium without express written permission of Dagda Mor Media, Inc. is prohibited. VoIP Business Weekly and the VoIP Business Weekly logo are trademarks of Dagda Mor Media, Inc.



VoIP Slices Int'l Revenue by 32%

Continued from page 1

"VoIP technology will require drastic cost containment action and the adoption of a 'new' business model based on the Web service creation paradigm as VoIP technology gains traction," say Insight researchers. Then again, **VBW** readers probably already knew that.

On the other hand, the importance of telecommunications is in no way waning, as reflected in its growing share of world output. In 1975, for example, telecommunications accounted for 1.6 percent of an estimated $20 trillion of global wealth generated that year. That climbed to 2.9 percent of an estimated $40 trillion in global GDP in 2000. Then again, this growth "came to a screeching halt in 2000," Insight reminds us, with the sector since then going through "a series of shocks whose effects are still being felt."

Even so, despite declining rates of international voice revenues, Insight expects worldwide revenues for all communications services to increase to $1.8 trillion by 2011, up from the approximate $1.04 trillion generated in 2002, for a compound annual growth rate of 6.6 percent over the period.

Increased revenues will be driven principally by three factors, says Insight: the growth of the wireless and wireline subscriber bases in developing nations; the shift of revenue recognition from usage to fixed charges or flat-rate service fees driven by increased teledensity; and the continued diffusion and adoption of the Internet, particularly in the developing world.

"The revenue gains in these segments will not produce a reversal in declining operating margins, however," Insight researchers reiterate. "This can only be achieved through cost reductions."

The good news is Insight executives believe "the potential for VoIP to bring about cost savings still remains." For example, migrating Class 4 and Class 5 switches to a MPLS (multiprotocol label switching) access network will allow network operators to cut field engineers by as much as one third, Insight analysts estimate. "Before the saving can kick in, however, operators have to come with up-front investment in new gear."

For vendors of telecom equipment, little or no demand for circuit-switched technologies and declining revenues from what had been a high-margined business—providing maintenance on legacy equipment—presents a cloudy future. And while cable companies bring new money into the picture, Insight researchers do not expect cablecos to offer significant relief in the near term, since cable capital expenditures are still falling and large numbers of VoIP customers are not yet a reality.

"Since voice is now an inexpensive service to deploy, it is difficult to see how anything other than large migrations requiring access network upgrades will raise CAPEX noticeably," they argue. VBW

Impacts of VoIP on Worldwide Telecommunications Revenue ($Billions)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	CAGR
Global Service Revenue	1,047	1,129	1,213	1,296	1,382	1,472	1,567	1,660	1,758	1,861	6.6%
Intl. Service Revenue	232	251	271	292	311	332	354	379	402	425	7.0%
Intl. VoIP Revenue	73.7	78.7	82.1	83.8	86.1	87.6	88.9	90.7	93.2	96.0	3.0%

Source: Insight Research

Verizon May Lease Optical Access

Continued from page 1

Verizon is talking with several ISPs to develop a wholesale relationship similar to its DSL (digital subscriber line) offering, Verizon spokesman Mark Marchand says.

The more conspiratorial among us will argue that Verizon is doing in the optical access areas what incumbent carriers earlier had done with competitive local exchange carriers, essentially selecting a few wholesale partners to demonstrate the existence of competition and openness, while essentially closing off access for most other competitors.

The optimistic among us will argue that sometimes Verizon and other carriers are telling the truth when they argue they simply want to retain the right to sell their products at free market rates, without being forced into deals they think are unfair, by government fiat.

Verizon's fiber to the customer network is now within reach of 1 million homes and is on track to pass about 3 million homes by the end of the year.

For ISPs, the possibility of commercial wholesale agreements would be quite important, as there are few other ways they can reach wireline customers as older copper facilities, to which they do have a legal right to access, gradually are retired.

SBC spokesman David Pacholczyk says that the company was talking to ISPs but that the conversations have been more general. The company already leases out DSL lines to ISPs, and he says SBC would be open to other deals.

BellSouth spokesman Jeff Battcher says the company was also in talks with ISPs in regard to its fiber networks. VBW

Pushed Off the PSTN

Continued from page 1

"Well, the regulators might be forcing us, cold turkey, to abandon the PSTN and the economic opportunities that it afforded," he says. "Well, now we can see what IP-based communications is all about.

"When we leave the PSTN and establish our own distinct all-IP, peer-to-peer networks, we'll at last show the world that IP-based communications is about so much more than cheaper but undifferentiated voice service," Pulver says.

"VoIP today is POTS version two," says Nominum chairman Paul Mockapetris. ENUM (electronic number mapping) is a few years behind, he argues, but will go further. "It's a way to associate what you want done with your media, with your phone number," he says. "Maybe the phone number isn't the best identifier, but it's ubiquitous."

So far, there's still some skepticism that fully public ENUM represents the most likely path forward for the peering standard. "The Swedes just want to make it all public, but it won't go that way in the United States," says Mockapetris. Still, lots of carriers have an interest in open standards and not paying "by the dip."

Interoperability also is an advantage, since it offers the hope of fewer data translations, Mockapetris says. Venture capitalists might not be so happy, since "they want to make money off it, and open isn't so helpful, in that regard."

So if the profit margin gets sucked out, people will want private solutions that still provide the benefits but avoid the cost. Right now, people are building VoIP islands, and they have to be bridged, argues Xconnect CEO Eli Katz.

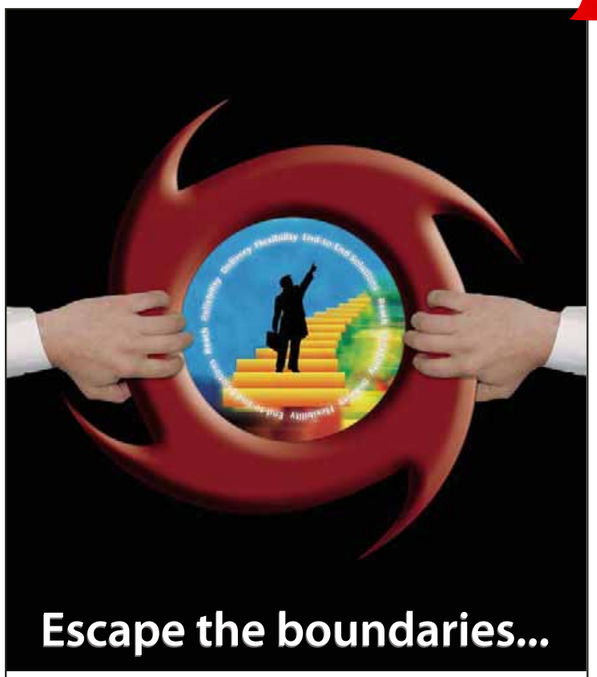
Continued growth of the Voice Peering Fabric (VPF) operated by Stealth Communications suggests private ENUM peering is gaining traction. The idea underlying the VPF is to complete VoIP calls entirely over private IP networks, rather than laundering them through the public networks.

Enterprises and organizations with VoIP numbers are able to query the ENUM database. Calls to any telephone numbers contributed by member organizations then can be routed across IP networks. If the numbers cannot be routed that way, they are simply delivered using the organizations' presubscribed carriers. VBW

Voice Peering Fabric Statistics, May 20 2005

Minutes Peered Volume	9,257,871	minutes
ENUM Call Volume	102,044	successful ENUM lookups
Annual Run Rate	3,833,795,385	based on 30-day moving average
Annual Run Rate	37,937,784 (227,626,702 minutes)	based on 30-day moving average for ENUM calls

Source: Stealth Communications



... of traditional telecom. Discover a world of innovative options and creative alternatives. Connect your service partners and customers with fast, flexible, end-to-end networking solutions.
Exceed your expectations.

Now that's Progress!

Progress Telecom
Taking the challenge...making it happen
727.471.5300 www.progresstelecom.com