

Broadband: When Will It Happen?

*First Appeared in
The Bandwidth Desk,
September 7, 2001*

The last week of August was not a particularly happy one for the economy or the telecom industry, and, not surprisingly, the Labor Day weekend brought a rash of stories on overbuilt fiber capacity, service providers' and equipment suppliers' planned cost reductions and worries over consumer spending. The latest Barron's cited Susan Kalla, an analyst at the Friedman, Billings Ramsey Group in Arlington, VA, as suggesting that the equipment segment of telecommunications could decline by a third, from already low levels, through 2002. Kalla reports that investors think telecom equipment revenues could return to normal 10%-15% annual growth rates in 2003. We've been in a telecom recession for a year, she says, and we haven't seen the bottom yet.

Patrick Montani, with Whistler Associates in British Columbia, shares this rather pessimistic view and he is especially downbeat with respect to broadband. Montani dismisses notions that pent-up demand among small businesses and consumers will have a noticeable impact any time soon and he is equally forceful in refuting the idea that investors are waiting for an opportunity to return to the telecom market. Lack of local access stymies broadband service applications, he says, pointing out that over the past year every one of seven or eight promising DSL providers in Canada has gone into bankruptcy. As a result, says Montani, most venture capitalists are still licking their wounds and have no desire to make further investments in the telecom sector.

Against considerable data and even more analysis indicating that recovery in telecommunications, particularly in fiber and broadband, will be a long, slow and painful process, there are nevertheless some encouraging signs. Even in the midst of the present economic slowdown, it seems, businesses recognize that advanced broadband telecom applications offer better value than traditional services at lower cost and can mean the difference between success and failure for their enterprises. Small companies and medium-size advanced applications providers have found that there are niches for their products and services and have gotten both customers and funding.

In an August 30 report, entitled, "Dynamic 100: Networking's Next Generation," Forbes.com points to the same "access gap," noted by Montani, between long-haul networks and "the local businesses that are clamoring for cheaper bandwidth." But Forbes.com believes that this metro bottleneck, in its terms, means big opportunities for equipment makers such as Cisco Systems, Redback Networks, Juniper Networks and their suppliers. The article argues that growth in Internet telephony, which is expected to accelerate in the next few years, will add momentum and new opportunities as well. This view is supported by Broadwing's optical-network expansion, including the recent delivery of 38 OC-192 circuits in under 60 days, which takes its network to a new level, and by the continued growth of Focal Communications and other competitive providers.

Shoreline Communications of Sunnyvale,

TTI
**TELECOMMUNICATIONS
& TECHNOLOGIES
INTERNATIONAL, INC.**

RICHARD THAYER, PH.D.
President & CEO

7018 Beechwood Drive
Chevy Chase, MD 20815

T: 301.913.2883
F: 301.913.2884

Email: info.tti@verizon.net
<http://www.ttinetwork.com>

CA, a small enterprise-class provider of IP voice communications systems certainly is "not above the fray," as a spokesman put it, but Shoreline is a tough, vigorous and, so far, successful competitor. Shoreline provides a range of advanced broadband and telecom management applications at prices, it says, lower than those companies typically pay for information services alone. The company has gained a number of customers in diverse industries who see in these applications the opportunity to reduce costs and compete more effectively. Shoreline's Greg Ness is decidedly optimistic on broadband development. The demand is there, he says and "the proliferation of broadband will only serve to make the business case for IP voice even more compelling." In June, Shoreline closed a successful US\$30 million funding round and has raised US\$78 million since its beginning in 1996.

CustomerLinx, based in Alexandria, VA, with offices in five other states, combines advanced technology, management and software analytical tools to provide customer care solutions for companies

on an outsourced basis. The company uses a web-based platform, and specializes in rapid application development and customized programs, with real-time reports and performance measurements, to address clients' needs. CustomerLinx has a staff of 700 and customers in various industries. In March, 2001, the company secured US\$6 million in new capital funding.

In August, Cable & Wireless paid US\$340 million to acquire Digital Island, which provides web hosting, content delivery and other Internet infrastructure services for multinational business customers. Digital Island had built a solid customer base among Internet, electronics and other high tech firms.

Network Magazine, August 3, published results from its own survey of companies' current and projected spending levels on infrastructure services and applications. Network found that while companies are now somewhat more cautious than before the slowdown, they are planning to spend on infrastructure services at levels consistent with those of the previous 12 months. In some areas,

such as optical services, Network says, a number of companies plan to increase their investments over the next year, because they regard such investments as enabling them to be more efficient and productive.

The glass isn't full, but it is not completely empty.

Richard Thayer is President & CEO of Telecommunications & Technologies, International, Inc. www.ttnetwork.com, a telecom and IT consulting firm located in Chevy Chase, MD. Contact by email: rthayer.tti@verizon.net, or phone: 877.913.2883.

*Copyright 2001, Richard Thayer and Scudder Publishing Group, LLC. www.scudderpublishing.com
Reprinted with the permission of the publisher.*