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Bill to boost US competition

> **Nevada senator** John Ensign is proposing a bill aimed at stimulating greater competition in the US telecoms market. His proposed Broadband Investment and Consumer Choice Act (BICCA) would amend both the 1934 Communications Act of 1934 and 1996 Telecommunications Act.

The bill, which addresses the need to ensure quality of carrier service, access to VoIP and parity between functionally equivalent services, would limit the authority of the Federal Communications Commission (FCC) and would create a hands-off approach to telecoms regulation. But as it was proposed just as the US Congress adjourned for the month of August, house and senate reaction is hard to gauge.

"It takes control out of the hands of the regulators and puts it in the hands of the consumer," commented Herschel Abbott, vice president governmental affairs at Bellsouth. "You'll see a lot more introduction of technology, considerable competition in price, services and products and more consumer choice." He thought the bill could become law as early as next spring.

The proposed legislation would bring the battle between cable operators and telcos to an end while discouraging municipal governments from building their own networks. Dana Frix, telecom lawyer at Chadbourne & Parke, said that the purely market-driven telecommunications landscape that the bill calls for could lead to unreasonable pricing, as well as problems associated with monopolies and duopolies.

Stocks in the Baby Bells rose following Ensign's announcement. If the bill is enacted as a whole, incumbent carriers would see a lot of interest from Wall Street, but said Frix: "Amending [the Bill] would take an extraordinary amount of thoughtfulness." He thought that the bill might take five years to become law if all of its facets were taken into consideration. ■

Analyst's Eye >



DAVID BALLARINI
PARTNER
MERCATOR CAPITAL
tel: +1 703 995 5521
email: dballarini@mercatorcapital.com

HERE COME THE YAHOOOS

DAVID BALLARINI WARNS THAT THE BIG INTERNET COMPANIES ARE GEARING UP TO PROVIDE TELECOMS SERVICES

> **For many** years, industry analysts and executives have been debating whether major internet companies such as Yahoo, Microsoft, AOL, Google and others would play a major role in revenue-generating telecommunications services. Despite their proprietary forays into messaging and partnerships with voice service providers, the major web portals and ISPs have not mounted significant voice offerings. However, recent announcements and rumours would suggest that these companies are becoming more aggressive about entering the voice business and converting internet subscribers into telephony and enhanced communications customers.

Within the last few months, a blitz of activities has signalled that these new "potential" entrants are investing significant sums to develop differentiated communications services offerings. Yahoo announced the acquisition of Dialpad Communications (deal value undisclosed). With this acquisition, Yahoo is clearly looking to move into the VoIP carrier market and further expand upon Dialpad's voice services as a core component of Yahoo's communications offerings (including VoIP-enabled instant messaging, email, video mail). Yahoo plans to integrate Dialpad's technology with its instant messaging (IM) product to develop a new set of VoIP services for millions of its web-savvy users. Dialpad has a strong VoIP customer base of 14 million, the majority of whom signed up when the company was giving away free PC-to-phone services, and it now offers high quality PSTN calling with a flexible web-based billing system and successful fraud management systems.

Dialpad has also worked with several VoIP carriers, terminating two billion minutes of PC-to-PSTN calls to date. It has the expertise to manage VoIP networks, carriers, interconnects and customers – the skills Yahoo will need to provide a comprehensive communications offering. Dialpad essentially moves Yahoo into the realm of paid communications services, which carries telco-like requirements for network quality and availability. Over time, the combined business will have access to over 70 million users of IM and calling services for which it can offer a differentiated suite of VoIP post-paid and pre-paid calling plans, voicemail, video conferencing, video mail and various collaboration applications. This type of suite will be unique in the market – if successful, the offering creates a significant challenge to traditional telcos.

By all indications, other internet companies are also investing heavily in creating other advanced communications offerings. Microsoft's MSN is adding enhanced PC-to-PC VoIP and full-screen video calling capabilities to its Messenger subscribers. AOL, which this year announced its own voice calling plans for AOL for Broadband, plans to improve its offering with other value-added capabilities. Google is also rumoured to be considering its options for entering the messaging and communications services market.

Finally, Skype, the Danish start-up internet voice service company, has, in its first few years, had over 150 million downloads of its acclaimed free PC-to-PC application and created a peer-to-peer member base of over 50 million, including over two million users of its pre-paid PC-to-PSTN "Skype-Out" service. Rumours abound of Skype's imminent acquisition by one of the global comms and media companies like NewsCorp, Yahoo, Google or Microsoft which has just acquired Teleo.

The potential for internet companies to become major players in telecommunications has so far been largely unrealised, but the next few years are likely to prove the "perfect storm" for traditional telcos – hundreds of millions of users converting their billions of minutes to completely new entrants with unmatched applications, content, geographic reach and financial muscle. ■