

On the line

Why traditional telephone companies could – perhaps should – go out of business.

"THERESA GATTUNG SHOULD BE HERE," growls one of about a hundred corporate managers, public sector officials and geeks gathered on a grey day in a marquee in the middle of Wellington's Civic Square.

Well, maybe. The office of Telecom's CEO is only a few hundred metres away, it is true. But, surely, only a masochistic streak would have made her come along and listen to a man who proposes that traditional telephone companies such as hers will – and should – go out of business.

That man is former AT&T analyst David Isenberg, who was recently the lead signatory to a letter to the US Federal Communication Commission urging it to reject pleas to spend billions of taxpayer dollars propping up troubled telephone companies, and to let them fail and "fail fast".

Only by that means, Isenberg believes, can telecommunications move beyond a predicament where big telcos have hundreds of billions of dollars trapped in irrelevant, outdated technology. He has been saying so publicly since 1998, when he wrote a paper called "The Rise of the Stupid Network".

The mechanics of the telephone system have evolved since calls were manually completed by operators. What hasn't changed is that the important part, the intelligence, is at the centre. Even when the "intelligent network", a new set of signals that allowed for better management of the system and services such as caller ID, was adopted by telcos, their systems were still designed to carry voice calls at 64Kbit/s.

What Isenberg proposed with his "stupid network" was a reversal: the network would "just carry the bits, stupid", and plenty of them. The intelligence should shift to the edge of the network, in the shape of services and devices offering everything from better voice calls to TV-via-IP.

Remarkably, one of the better real examples of Isenberg's dream lives in Wellington. CityLink operates an overhead fibre-optic loop that creates what is basically a very fast local area network for the CBD. CityLink was not taken seriously when it

David Isenberg skips lightly over the cost of running fibre to everyone's home – no more per home than doing up the bathroom, he says.



David Isenberg: let troubled telephone companies fail and "fail fast".

was founded by a handful of zealots in 1995, as part of a Wellington City Council initiative.

Now it has more than 500 customers, from government agencies and financial corporates to small software developers. Its shareholders include TelstraClear and the Mitsubishi distributor Melco. Customers can connect to each other or to the Internet at speeds of up to 1Gbit/s (or about 18 million times the capacity of your 56Kbit/s home modem).

Almost everyone now agrees that CityLink's service – priced and designed for optimum access – is a huge competitive advantage for the capital. More companies have more fibre laid in central Auckland – but it's just not done right. It took CityLink to eradicate pointless bottlenecks in passing traffic between competing telcos and ISPs in Auckland, when it helped set up the Sky Tower-based Auckland Peering Exchange, modelling it on the CityLink-inspired Wellington Internet Exchange.

Isenberg is in town to launch CityLink's latest project, CafeNet – a system of base stations connected to the fibre network, providing high-speed wireless connectivity in and around cafes, hotels and public buildings in the CBD. If you have a credit card in your wallet and a cheap wireless

card in your laptop, you can sign up on the spot.

"This is one of the most advanced places in the world," Isenberg declares after taking the marquee stage. "Right up there with Stockholm and Tokyo."

His speech is pure Isenberg: a libertarian-inflected "creative destruction" take on capitalism, laced with a kind of people-power affection for municipal infrastructure projects such as Wellington's.

Afterwards, he grants that the "fail fast" letter will get little traction in

the US Congress, and that it's a lot easier to do the right thing with a company such as CityLink than with Telecom – to innovate from scratch rather than transform. He skips lightly over the cost of running fibre to everyone's home – no more per home than doing up the bathroom, he says.

It would also be unfair to portray Telecom as a dinosaur. Back in 1996, an influential group, of which Gattung was part, wrote into Telecom's strategy the transition to a new world in which everything, including voice, is carried on the same Internet Protocol network. But, inevitably, Telecom's path to that future is shaped by its business realities: getting as many years as possible out of the old switches, pricing new DSL services for a speedy return on investment, pricing bandwidth as if it was scarce when it is plentiful.

Yet, Isenberg's vision is a no-brainer; an extension of what makes the Internet both robust and endlessly dynamic. We might just get there without Telecom imploding and wrecking a lot of pension funds – but we'll need a few more CityLinks to show the way.

Email: russb@dubwise.co.nz

LINKS

David Isenberg
www.isen.com
CityLink
www.citylink.co.nz