# Moving Up or Moving Out

## It's Decision Time for UNE-P Players

By Craig M. Clausen
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**AFTER YEARS OF CONTINUOUS** legal salvos, the UNE-P debate is over. Many UNE-P contracts will revert to higher-priced total resale rate plans as of March 11, the final date set by the FCC for the yearlong phaseout of the wholesale offer (see related story on Page 41). Anticipating this change, UNE-P resellers will be either working under new wholesale agreements with the incumbents, serving their customers from their own or another CLEC's facilities, merging with a Bell company, or lying dead in the water.

While a majority will continue to resell local services in some form or another, for others, deploying facilities will be pivotal to their future success.

UNE-P enabled nascent competitive carriers to get into the local game while avoiding the higher costs of purchasing facilities. This resulted in a crop of competitors serving both business and residential users. As the chart at the right illustrates, the number of UNE-P lines grew at an eye-popping clip from 489,000 in 1999 to more than 16.6 million in 2003. UNE-P lines represented approximately one-third of total access lines served by competitive providers by the end of 2002.

While UNE-P provided CLECs a very inexpensive, low-risk way of getting into the local game, it offered little incentive to leave it. Even the largest players were prey to its lure. Around the turn of the millennium, providers such as the old AT&T Corp. and MCI Inc., which had the most extensive infrastructures of all the CLEC-certified carriers, began shifting resources into UNE-P and away from further network development.

Many other carriers utilizing UNE-P took the same course.

When it became clear in early 2005 that UNE-P was going away, most were caught off-guard. CLECs like ITC^DeltaCom and McLeodUSA Inc. that provisioned both through UNE-P and their own facilities were able to migrate customers onto UNE-L and their own switches, but CLECs using only UNE-P have had to start from scratch.

Fortunately, IP-based switches have matured and offer competitors a cost-effective method to get their customers onto their own facilities.

MetaSwitch, for instance, has been migrating 20 players, representing 2.5 million subscriber lines, with its Class 4/5 platform. Other vendors including BroadSoft Inc. and Sylantro Systems Corp. are doing the same. Sylantro, for example, worked with UNE-P provider STS Telecom in 2004 and 2005 to transition from resale to VoIP facilities.

And in a different twist, softswitch-based operator i3 Networks is enabling resellers to serve customers through what the company calls "fractional switch ownership." Under this program, customers buy an "interest" in a number of switch ports from i3 and pay an initiation fee and a pro-rated portion of monthly network costs based on the customer's usage. The company says it is working with 12 CLECs on UNE-P transition projects.

On the access and transport side, new alternatives continue to surface at a rapid pace. These include CLEC wireline and wireless fare.

While fixed wireless carriers did not do well as CLECs, the second generation of fixed wireless providers are focusing on providing wholesale services and, in part, addressing competitive carriers'

### UNE-P Access Lines (1999-2004)
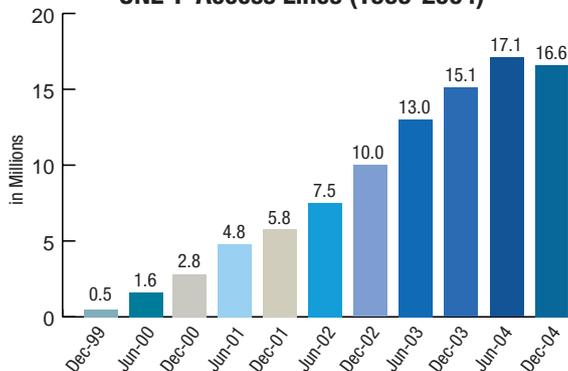


Source: PACE Coalition

(including UNE-P carriers) access and transport needs.

Analysis of today's remaining UNE-P-based carriers shows a variety of migration models in play as each embarks on the road to being facilities-based. Table 1 on Page 26 identifies a sampling of UNE-P based carriers and how they have been coping with the end of UNE-P.

Service akin to UNE-P is being continued through the new agreements negotiated with Bell wholesale units. Both Trinsic Inc. (formerly Z-Tel) and Talk America Holdings Inc. have signed such agreements as a partial solution to their overall transitions away from UNE-P.

Trinsic's agreement with AT&T Inc. (then SBC Communications Inc.) provides it with network elements through the Bell's Local Wholesale Complete product. The 2005 agreement gives Trinsic the same network elements that it received under the UNE-P regime through 2010. Trinsic's similar agreement with Qwest Communications International Inc. runs through July 2008. The company also has an agreement in place with Verizon Communications Inc. These wholesale agreements increase the

Broadvox has been helping 12 carriers transition off UNE-P.

Still, other UNE-P players have opted to deploy fully their own facilities. According to NPRG research, Talk America had two Lucent 5ESS switches before acquiring Network Telephone, which had a single Lucent 5ESS switch, in late 2005. In addition, the carrier has been introducing IP-based softswitches from MetaSwitch into its network.

In addition to its continuing wholesale relationships with Bell

| Table 1: A Sampling of How UNE-P Carriers Have Been Transitioning | |
|---|---|
| **Carrier** | **Transition Process** |
| Talk America | • Signed wholesale agreements with incumbents<br>• Purchased facilities-based CLEC<br>• Purchasing softswitches |
| Trinsic | • Signed wholesale agreements with incumbents |
| STS Telecom | • Deployed IP-based switches and application servers |
| MetTel | • Signed wholesale agreements with incumbents<br>• Working with Broadvox to provision VoIP |

Source: New Paradigm Resources Group Inc.

| Table 2: How Companies are Helping CLECs Transition off UNE-P | |
|---|---|
| **Carrier** | **Transition Process** |
| XO Communications | • Sells a suite of network elements across 70 U.S. markets<br>• Acts as an alternative to ILEC UNEs or special access |
| i3 Networks | • Provides CLECs fractional ownership of its softswitching platform<br>• Transitioning 12 CLECs off UNE-P |
| Broadvox | • Provides a wholesale VoIP solution to CLECs<br>• Transitioning 12 CLECs off UNE-P |

Source: New Paradigm Resources Group Inc.

price the CLECs pay for network elements. According to New Paradigm Resources Group Inc.'s analysis, the monthly increase on average is just less than $5 per line.

Some UNE-P players are opting to form agreements with facilities-based competitors, which have offered up their networks as an alternative to Bell wholesale agreements. MetTel Inc. which signed wholesale agreements with all of the Bells in 2004 and 2005, also has been working with Broadvox to provision VoIP. Broadvox, which wholesales such services to more than 120 other carriers, offers service through its Telica (acquired by Lucent Technologies Inc.) softswitch and Sylantro application server platform. According to Vice President of carrier sales Gary Tabachnik,

companies, Trinsic started deploying IP-based infrastructure in late 2004. The infrastructure, according to the company, is designed to provision services to both business and residential customers. Trinsic's New York City rollout included a Cisco Systems Inc. BTS softswitch along with broadband loop concentrators. According to Andrew Graham, vice president, legal, Trinsic's ongoing plan is to migrate customers onto its VoIP infrastructure where it is able.

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## AOL on the Run

Everyone wants to be fast. That's the premise behind America Online Inc.'s new ad campaign for its AOL High Speed service, which features regular people effortlessly keeping up with elite athletes who are competing in skiing, cycling, swimming and other sports. The pitch, of course, is to urge AOL members to keep pace with a new high-speed connection.

It's not only AOL members that are falling behind. In the ISP race, AOL is trailing.

The company's high-speed offer is being facilitated by partnerships with AT&T Inc., BellSouth Corp., Qwest Communications International Inc., Time Warner Cable and Verizon Communications Inc.

Consumers in these carriers' markets, which reach a majority of AOL members, will be able to access the AOL service with a high-speed connection for as low as $25.90.

With many of those same companies offering equivalent access speeds for as much as 50 percent less, it will be interesting to see if the AOL membership will provide consumers with enough value to propel the ISP a little longer.