



Competitive Intelligence Report:	<b>TelePacific Enhances 1Net IP VPNs with Integrated Voice and Additional CPE, Coverage and Features</b>
Report Date:	August 20, 2009
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Market:	Business Network Services - U.S.
Current Perspective:	

## Standard View

### Summary

#### Event Summary

August 18, 2009 – TelePacific Communications has enhanced its 1Net MPLS-based IP VPN service. The 1Net service now supports integrated voice and/or Internet with IP-VPNs, six CoS and an outbound Internet failover option. TelePacific also has added ADTRAN NetVanta 3205 and 4305 CPE router support (available with service contract at no additional cost), and can offer international MPLS IP-VPN coverage through a partnership with Global Crossing. All features are generally available except the SmartVoice option, which is in controlled release and becomes generally available October 1, 2009.

#### Analytical Summary

- **Current Perspective:** Positive on TelePacific's round of enhancements to its 1Net IP-VPN services, because the carrier leads with an IP-integrated voice/Internet/VPN service that can position against its local exchange carrier (LEC) competitors. The carrier's six classes of service (CoS), additional router CPE, expanded footprint and other options also give its multi-site, mostly mid-market customers more reasons to stay with the CLEC as their IP-VPN service needs grow more sophisticated.
- **Vendor Importance:** Moderate to TelePacific, because the CLEC can use the 1Net IP-VPN enhancements to converge 1Net VPN customers with Internet and/or voice; it can also upgrade existing SmartVoice integrated access customers to add MPLS-based IP-VPNs. The national and international reach from Global Crossing, ADTRAN CPE router options at no extra cost, and expansion to six CoS also each make 1Net IP-VPN service better-suited to a multi-site business's specific configuration needs.
- **Market Impact:** Moderate on competitors in the western U.S. (California and Nevada), because TelePacific owns a substantial SMB market share in these western states. The 1Net enhancements can help the CLEC go upmarket to target more sophisticated customers, while the same service can also serve smaller branch offices with voice, data and VPN service across a single pipe. TelePacific estimates it has nearly 50% of the region's CLEC market share, and the carrier serves more than 1 million lines.

#### Target Markets

Small to Medium Enterprises

## Perspective

### Current Perspective



We are taking a positive stance on TelePacific's series of 1Net MPLS/IP-VPN service enhancements, because the CLEC leads with its expansion of the IP-VPN service to bundle voice and Internet access across the same pipe. Existing 1Net customers can opt to converge their voice and/or Internet access onto their MPLS IP-VPN service, while customers of TelePacific's SmartVoice SIP trunking/Internet access service could migrate over to 1Net if they need to build secure links between locations with IP-VPNs. The carrier's additional enhancements – including an upgrade to six CoS tiers, outbound Internet failover option, national/global IP-VPN reach through a network interconnect agreement with Global Crossing, plus support for ADTRAN routers – expand the possibilities for customers looking at 1Net service for their specific needs.

TelePacific launched its IP/MPLS infrastructure in 2004, rolled out VoIP capability in 2006 and added its SmartVoice SIP trunking service, which is the same voice component used for the 1Net voice/Internet/IP VPN bundle, in 2008 (see "[TelePacific Adds QoS to IP VPNs to Enable VoIP on Top](#)," Feb. 3, 2008; and "[TelePacific Extends SIP Services Directly to the Customer Premises](#)," July 3, 2008). The carrier combines its IP/MPLS infrastructure with a comprehensive access presence in California and Nevada, covering 281 central offices and more than 500 wire centers. TelePacific remains by far the largest CLEC operating in the region, and it claims an 8-10% share of SMBs in the markets where it provides services.

Parsing out TelePacific's list of enhancements includes the following observations:

- \* 1Net now lets customers bundle in business VoIP with their MPLS IP VPN, and optionally to add dedicated Internet access. 1Net service with SmartVoice supports up to 12 Mbps service via bonded T1s, for up to 120 simultaneous calls. The carrier expects future iterations to support DS3 and Ethernet interfaces. For the SmartVoice component, 1Net customers can choose to receive a SIP interface directly (TelePacific has currently qualified IP-PBXs from Allworx, Asterisk, ShoreTel and Avaya).

- \* TelePacific has long supported ADTRAN Total Access and NetVanta for general-purpose dedicated Internet access. It has now qualified the multicast and CoS features of ADTRAN's NetVanta 3205 and 4305 CPE routers for use with its 1Net service. Customers can either supply their own, or select a carrier-provided Cisco or ADTRAN router; TelePacific can wrap the ADTRAN router into the customer's contract, so that the customer incurs no extra CPE charge.

- \* TelePacific's Outbound Internet Failover feature is useful for customers that are using TelePacific with a third-party carrier's Internet access for redundancy. For a slight additional up-front and monthly recurring charge, the carrier can ensure the customer's Internet port will switch over and continue to provide connectivity in case either its own or the third-party ISP's Internet connection fails.

- \* TelePacific's support for six CoS is a leap up from the carrier's prior approach to CoS. Instead of tiers, TelePacific divided IP/MPLS traffic classes into voice, video and data. This capability lets customers start to prioritize individual applications on the corporate network.

- \* Finally, TelePacific's IP-VPN interconnect via Global Crossing's Fast-Track Services lets customers tap the latter's national and global reach to expand their MPLS IP-VPN services outside California

and Nevada. While customers that run into substantial numbers of IP-VPN sites will probably go direct to an enterprise services provider, TelePacific does become a viable aggregator to add just a few out-of-region sites to the corporate network.

TelePacific is not first with a voice/Internet/IP-VPN bundle for the mid-market. XO IP Flex with VPN offers similar services nationwide, including ten markets in California and Las Vegas; Qwest iQ Integrated Access includes optional site-to-site VPNs. Among western incumbent local carriers, AT&T's Business in a Box is a viable threat, though the service is more visible for enterprise branch offices than with smaller offices. Verizon Business' BizPaks target the mid-market with integrated access, but could also deploy Private IP. Overall, however, TelePacific's round of 1Net enhancements give the carrier more convergence, more reach, more CPE options and more CoS – in short, more flexibility for the CLEC to meet upscale, multi-site mid-market customers' more complex needs; and to be able to say “yes” more often to specific requirements that might crop up from individual customers.

## Positives and Concerns

### Competitive Positives

- A bundle of MPLS IP-VPN and voice, or of IP-VPN, voice and Internet access, opens up new opportunities for TelePacific to meet customer needs. Customers with smaller offices and sophisticated needs can layer voice, VPN and Internet service onto a single T1, saving costs. Customers with larger offices and higher numbers of locations can get up to 8xT1 (12 Mbps) capacity, which can handle up to 120 simultaneous calls. Existing SmartVoice customers can move to 1Net service and add MPLS IP-VPN service.
- TelePacific's support for ADTRAN CPE with its 1Net service gives customers the option to subscribe without either having to supply their own CPE or else pay an additional charge for the Cisco gear. CPE that carries no additional costs lowers the entry bar for new customers.
- With its Global Crossing partnership, TelePacific can go out-of-region to let customers extend their MPLS IP-VPN services nationally and globally. Customers with greater numbers of out-of-region sites may look for other ways to put together a corporate IP/MPLS network, but for those with just a few locations outside of TelePacific territory, the tie-up makes it easier for customers to do business.
- TelePacific brings its service enhancements, which also include an increase to six CoS and a premium outbound Internet failover feature, mainly to the SMB segment. Competitors accustomed to keeping their complex services for enterprises, and coming to SMBs with a basic IP-based integrated T1 voice/data offer, probably will not stack up well against TelePacific's more sophisticated array of options.

### Competitive Concerns

- TelePacific's array of new features depend on customers having more sophisticated needs: Only businesses that need to connect multiple sites will need IP-VPN services, for example. While competitors that focus on basic IP-based integrated T1 voice/data services might lose out if the SMB prospect has more sophisticated needs, many SMBs are happy with basic voice and data connectivity, assuming service is comparatively inexpensive and reliable overall.
- TelePacific's 1Net service coupled with SmartVoice will support speeds up to 12 Mbps and up to 120 simultaneous calls, which leapfrogs the carrier's current ceiling for standalone SmartVoice, which is up to 6 Mbps speeds and up to 48 simultaneous calls; the carrier needs to align the

specifications for its SmartVoice voice/Internet service.

- Global Crossing's MPLS IP-VPN service may not align with TelePacific's in terms of features, cost, reliability and support. While TelePacific has an extensive access network presence, Global Crossing runs national and international core networks. The most cost-conscious customers may balk if the combination is not as cost-effective when it comes to provisioning and supporting T1 drops, which can happen especially for customer sites that are in out-of-the-way locations.

## Recommended Actions

### Recommended Vendor Actions

- TelePacific needs to publicize that SmartVoice availability for 1Net service is imminent, as some carriers use terms such as controlled release for services that are six to 12 months away from roll-out. TelePacific's plan for general release in October 2009 means customers can look at the service now, and it will be available by the time they are prepared to sign a contract.
- TelePacific needs to comb through its list of OnePac and SmartVoice customers, looking for multi-site clients. The carrier should contact these clients with an upgrade offer that lets the customer cancel the existing contract at no penalty and sign a new contract with, at minimum, the same volume and term. TelePacific also needs to get its higher-capacity 1Net capability (i.e., up to 12 Mbps via NxT1) over to its SmartVoice product, so customers can choose either for their high-volume headquarters locations.
- With its new 1Net features, TelePacific can revisit high-end mid-market and smaller enterprise accounts that may not have seen the carrier's services as sophisticated enough for their needs at the last sales contact. TelePacific's 1Net service, with its converged access services and slew of new options, can meet fairly sophisticated needs. With this audience, TelePacific sales needs to stand ready to discuss its list of business continuity capabilities.

### Recommended Competitor Actions

- AT&T can position Business-in-a-Box as a fully managed services alternative to services such as 1Net, and therefore should continue to push to educate and give incentives for its mid-market sales force to get the package out to multi-site SMBs. The carrier can position Business-in-a-Box as letting the customer offload all the headaches of running network sites, a major benefit for any of the customer's business locations that do not have resident IT staff.
- XO (and some other carriers) can show off their own services that combine MPLS IP-VPNs, voice and Internet access for mid-market, multi-site customers. These competitors can tout longer track records and therefore more working expertise with the technology, and contrast TelePacific as a carrier that is still in a controlled release stage. XO, for example, launched its IP Flex with VPN service back in September 2007.
- Verizon should get the message out that Verizon Business is now in charge of the mid-market. The carrier can describe having a national mid-market strategy that transcends its LEC boundaries in western states, and can go out with a message that its enterprise-level services are being packaged to serve SMBs of all sizes.
- Cable competitors, as well as incumbent and competitive LECs, can continue to tout existing IP-based integrated access services with dynamic bandwidth allocation. While some SMBs may need sophisticated product sets, much of the market still is focused on essential voice and data connectivity, which customers want at a decent price and with good reliability. TelePacific is also

competitive in this market, but its series of 1Net enhancements are unlikely to give it an edge for these customers.

### **Recommended End User / Customer Actions**

- TelePacific's various options and enhancements for 1Net make the service more capable of filling the needs of larger businesses. Companies that found 1Net to be too basic for their needs in the past can have another look, and may find the expanded features now better suit their requirements.
- Businesses with multiple locations inside California and Nevada can benefit from TelePacific's strong access presence in hundreds of central offices and wire centers. TelePacific's colocations give it direct control down to the access level, which gives the carrier greater service visibility and control, and better cost control, throughout most of its portfolio of access services.
- Any single-site SMBs that don't need IP-VPN service, will probably not shift their opinion given TelePacific's array of service enhancements to 1Net. These businesses could investigate TelePacific's array of other integrated access and other services, and equivalents that might be offered by the incumbent LEC or cable operator, or other CLECs and carriers doing business in western states.

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