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MESSAGE FROM THE CHAIRMAN



Fellow IPCC Members and Friends:

As we enter 2006, I felt it was time to review our achievements, and take an introspective look at all that we have accomplished together as an organization and as an industry. With VoIP proliferation continuing at a very aggressive rate, it has become quite clear that we have finished with the era of softswitching, and are witnessing the dawn of a new era of communications driven by bundled services, applications, multimedia content delivery, and communications convergence.

VoIP, WiFi, GSM/3G, IPTV, enterprise IP, SAN, Metro Ethernet, IP Transports and WiMax, are examples of emerging technologies which leverage various means of delivery access to consumers. Of particular note, is that the common link shared between all of the above is IP. As you know, IP Multimedia Subsystem (IMS) is being touted by service providers and vendors as the next generation solution for breaking down the barriers between wireline and wireless networks, thereby allowing the realization of true fixed-wireless convergence, and the associated efficiencies and capabilities. IMS will allow previously proprietary services and applications such as instant messaging,

video, picture and text transfer, e-mail, and new multimedia service to coexist on one network. Taking into account the direction in which the telecommunications market is evolving, our group is responding by focusing heavily on VoIP service architectures, convergence, and IP applications delivery, which entrenches the IPCC at the heart of IMS proliferation. We are witnessing an industry in motion, and the surrounding confusion in regard to IMS applications and how they interconnect with service delivery architectures (as well as mash network), dictate the need for widespread education.

On behalf of the IPCC Board of Directors and Marketing team, I am pleased to announce that the IPCC is addressing this industry demand by transitioning from the IPCC to the IMS Forum. The mission of our new forum will be to accelerate the adoption of IP Multimedia Subsystems by providing a forum for discussion and resolution of real-world implementation issues relating to interoperability, best practices, and standards-based architectures in the application layer. The IMS Forum will serve the industry by acting as a resource to both define and solve the issues surrounding the IMS applications layer, emphasizing cross functionality of devices, service providers, networks, and geographies.

Over the next few weeks, we will have more detailed information available regarding the IMS Forum's growth and development. In addition, I would like to invite all of you to be part of our initial media launch, and more importantly, our long-term efforts in furthering IMS.

As always, I am grateful for your interest, time, and effort in helping the IPCC become the leading industry organization it is today, and I look forward to a continued long, mutually beneficial relationship. At your convenience, please confirm your participation with this new association and its upcoming media launch (details to be provided shortly).

All my best,

Michael Khalilian
Chairman & President
International Packet Communications Consortium (IPCC)
"The VoIP, Broadband, & Wireless Convergence Forum"

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MEMBER PROFILE



XCONNECT – The World's First "Plug & Peer" VoIP Network

Eli Katz is CEO at [XConnect](#).

IPCC: Please tell us about XConnect and its products and services.

Eli Katz (EK): XConnect is the world's largest and fastest growing VoIP Peering service provider. Currently we provide peering for more than 75 VoBB service providers around the world. Our award-winning flagship product, XConnect Alliance, offers the world's first multilateral settlement-free exchange of traffic between VoIP service provider members. Members 'plug and peer' with other Internet telephony service providers wherever they may be through a single connection to the XConnect Network. Our core components include our highly scalable and

secure private ENUM registry with full privacy and policy controls, support for multi-protocol signaling interoperability, and specialized solutions for a number of key VoIP Security concerns. Our customers thereby avoid the need to negotiate multiple bilateral agreements and are assured that their confidential data remains so. XConnect Alliance members are Internet telephony service providers (ITSPs) or Voice over Broadband operators (VoBBs) located around the world. XConnect, together with its partners, have introduced a solution for a number of VoIP security issues including spam over internet telephony (SPIT) and CallerID spoofing. Complementary products include XConnect XChange (a neutral clearing-house for international minutes), and DirectRoute (a product that combines the Alliance and XChange, allowing calls that originate on the PSTN to be directly and optimally routed via VoIP to the ITSP).

IPCC: What do you think IPCC can do for you and your company?

EK: As a leader in bringing together communications service providers, the IPCC can be instrumental in educating the industry about the value of VoIP Peering. Right now, any call that involves the PSTN call incurs a per minute charge due to legacy PSTN settlement fees and accounting charges. Second, all the richness of IP communications is lost by connecting via the lowest common denominator of the PSTN. VoIP Peering allows a VoBB to offer "on-net" calls, thereby reducing the transit cost to near-zero and delivering IP rich multimedia communications services to not only their own customers on their own IP service, but to any other VoBB's customer with which they peer. Thus the more VoIP Peering a provider engages with other VoBBs, the more calls can be offered on-net. Bridging the hundreds of islands of VoBBs to ensure that multi-modal communications remain entirely in the Internet Protocol universe is a necessity for the VoIP industry. End-End IP Communications is when the full benefits of high fidelity codecs, encryption, video telephony, and wide-spread presence will be available worldwide.

For information on becoming an IPCC member, please visit our website at www.IPCCForum.org or contact Debbie Hetland at DHetland@IPCCForum.org.

IPCC INDUSTRY NEWSLETTER

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UPC Netherlands, Casema, MultiKabel, Essent, and CaiW Jointly Select XConnect to Exchange All VoIP Traffic

XConnect, in partnership with Kayote Networks, awarded World's First MSO National VoIP Peering Project

AMSTERDAM – JANUARY 25, 2006 — A joint initiative comprised of [UPC Netherlands](#), [Casema](#), [MultiKabel](#), [Essent](#), and [CaiW](#), totaling more than 7 million subscribers with more than 450,000 telephony subscribers – today awarded the VoIP Peering contract to a partnership of XConnect, the world's largest provider of "Plug and Peer" Voice over IP (VoIP) interconnection services and Kayote Networks, a leading provider of interconnectivity solutions for routing and peering. This landmark agreement enables all participating operators to share VoIP traffic directly over their IP networks, completely bypassing traditional phone networks and thereby eliminating PSTN interconnection fees.

All five Dutch cable operators formed a working group in late 2005 in order to identify a solution or service that ensures full end-to-end IP communications services between cable operators with no interconnection required through the incumbent telephone networks. The group selected XConnect and [Kayote Networks](#) for the VoIP Peering contract following their joint response to a meticulous RFI process which addressed critical VoIP Peering issues such as ENUM management (providing a secure and distributed database system of phone numbers), full interoperability between disparate cable operators and a wide range of VoIP security challenges. The joint solution, called the XConnect SIP-Exchange, will also enable multimedia-rich IP communications services, such as video and presence, to be delivered across all the interconnected VoIP networks.

XConnect is the world's first and leading neutral VoIP Peering provider with more than 75 ITSPs in 20 countries within its network. Kayote, XConnect's strategic technology partner, is a recognized leader in VoIP Interconnectivity services and solutions.

"Following a rigorous review, we selected the XConnect SIP-Exchange service to provide full VoIP peering to our members," said **Sikko de Graaf**, Director of CaiW. "We are pleased to be at the forefront of the VoIP Peering revolution, enabling end-to-end IP communications across all our members' networks, and we look forward to working with the XConnect/Kayote team to provide high quality, cost effective IP telephony and services to all of the Netherlands."

"This groundbreaking deal is a momentous event highlighting the tremendous impact VoIP is having on the paradigms and business models of today's telecommunications," said **Eli Katz**, Founder and CEO of XConnect. "With one of the most highly saturated cable marketplaces, providing services to almost 97% of Dutch homes, the Netherlands is an excellent pioneer for driving the world's first cable VoIP Exchange, and we are honored to have been selected to lead this esteemed group of operators in connecting their subscribers' calls."

"We are delighted that the Kayote technology and systems will be powering this solution for true VoIP interconnectivity," commented **Baruch Sterman**, CEO of Kayote Networks. "Kayote's innovative technology will drive the network operations from private ENUM directory systems, to advanced signaling mediation while actively minimizing threats such as Caller ID spoofing and Spam over Internet Telephony. We feel confident that this VoIP peering model could serve as a standard for other consortia around the world."

About the Dutch Cable Marketplace

The Netherlands is one of the most highly saturated cable marketplaces, with more than 97% cable penetration in the country. Leading Dutch cable operators, otherwise known as Multiple Systems Operators (MSOs), include UPC, MultiKabel, Casema, Essent and CAIW, totaling more than 450,000 VoIP subscribers, or more than 6% penetration of the 7 million homes passed.

(continued on page 4)

About XConnect Global Networks

XConnect is the world's first and largest provider of 'Plug and Peer' VoIP interconnection services dedicated to connecting ITSPs and enabling rich multi-media end to end IP communication. Headquartered in London with offices and facilities in USA, Europe and Asia, XConnect is the largest neutral VoIP peering provider for ITSPs. XConnect's award-winning solutions comprehensively address interoperability, ENUM directory services, and security. XConnect provides peering services to 75 ITSPs in more than 20 countries enabling IP calls between VoIP end-users. XConnect was founded in 2004 by Eli Katz, also co-founder and chairman of the UK's Internet Telephony Service Providers' Association. For more information on XConnect, please visit www.xconnect.net.

About Kayote Networks

Kayote Networks is a leading provider of VoIP Traffic Management products and VoIP peering solutions, dedicated to resolving interconnectivity challenges, with an emphasis on interoperability, security, and routing and peering. A recent winner of the VoIP Magazine "20 to Watch in 2006" award and Internet Telephony Magazine's Product of the Year, the company offers a hosted service platform enabling rapid, risk-free deployment for carriers, ITSPs and enterprises. For more information, please visit <http://www.kayote.com>.

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MARK YOUR CALENDAR

The IPCC will participate in the following events this year. Please let us know if you are interested in speaking or exhibiting at any of these events by contacting Debbie Hetland via email at DHetland@IPCCForum.org or by calling (510) 744-4020.

March 19–22
San Diego, CA

CompTel/ASCENT Spring 2006

• Speak, Exhibit

March 21–23
Singapore

IMS Asia Conference

• Speak

April 9–11
Atlanta, GA

NCTA's National Cable Show

• Speak, Exhibit

June 4–8
Chicago, IL

GlobalComm

• Speak, Exhibit

June 20–23
Denver, CO

SCTE Cable Tec-Expo

• Attend

June 20–23
Singapore

CommunicAsia 2006

• Speak

October 8–11
Orlando, FL

CompTel Fall

• Speak, Exhibit

October 10–13
San Diego, CA

Internet Telephony Conference & Expo
(Fall 2006)

• Speak, Exhibit

REGULATORY UPDATE

By Frank Barnako, MarketWatch

February 7, 2006

WASHINGTON ([MarketWatch](#)) – The Senate Commerce Committee will convene its second session about whether to allow broadband providers to charge Internet companies for delivering traffic across their networks. Witnesses scheduled for Tuesday's hearing include **Vinton Cerf**, Chief Internet Evangelist at [Google](#) (GOOG), **Walter McCormick**, President of the [U.S. Telecom Association](#), and **Lawrence Lessig**, Professor of Law at [Stanford University](#). Telecom carriers including [Verizon](#), [Bell South](#), and [AT&T](#) say they should be compensated for carrying bandwidth-intensive content.

In Tuesday's [Washington Post](#), **John Thorne**, a Verizon senior vice president and deputy general counsel, was quoted saying, "The network builders are spending a fortune constructing and maintaining the networks that Google intends to ride on with nothing but cheap servers. It is enjoying a free lunch that should, by any rational account, be the lunch of the facilities providers."

A Webcast of the hearing, beginning at 10:00 AM, will be available at <http://commerce.senate.gov/hearings/witnesslist.cfm?id=1705>.

For Immediate Release

February 9, 2006

FCC Media Bureau Report Finds Substantial Consumer Benefits in A La Carte Model of Delivering Video Programming

Washington, DC – The Media Bureau of the Federal Communications Commission (FCC) today issued a Further Report on the Packaging and Sale of Video Programming Services to the Public (the "Further Report") on the issue of an "a la carte" model for delivery of video services. The Further Report finds consumers could be better off under a la carte and explores several a la carte options that could provide substantial benefits to subscribers by increasing their choices in purchasing programming.

The Further Report reexamines the conclusions and underlying assumptions of the earlier Media Bureau report on a la carte submitted to Congress in November 2004 ("2004 Report"). In particular, the Further Report describes a number of errors in the Booz Allen Hamilton ("Booz Allen") Study that the Media Bureau relied upon to support the conclusion of the earlier report that a la carte is not economical. The Further Report finds that the 2004 report also relied upon unrealistic assumptions and presented biased analysis in concluding that a la carte "... would not produce the desired result of lower MVPD rates for most pay-television households."

The Further Report identifies mistaken calculations in the Booz Allen Study, which was originally submitted by the cable industry for Commission consideration. Booz Allen itself acknowledges the errors, which other economists also have confirmed. The Further Report explains that the Booz Allen Study failed to net out the cost of broadcast stations when calculating the average cost per cable channel under a la carte. As a result, the Booz Allen Study overstated the average price per cable channel by more than 50 percent.

The Booz Allen Study significantly underestimated the number of programming channels that a subscriber could enjoy under a la carte while still achieving savings compared to the subscriber's current multichannel video programming distributor ("MVPD") fees. Indeed, correcting for this mathematical error, consumers' bills decreased by anywhere from 3 to 13 percent in three out of the four scenarios considered in the Booz Allen Study.

VoIP INDUSTRY ROUNDUP

Vonage Files \$250M IPO, Citron Steps Aside as CEO

[Vonage](#) has filed for an initial public offering worth up to \$250 million. Founder **Jeffrey Citron** has stepped aside and appointed **Mike Snyder** as CEO to look after the day-to-day operations. Snyder was previously president of [ADT Security Services](#), a part of [Tyco International](#). Citron will assume chairman and chief strategist roles and be in charge of public relations. Citron and several other associates at brokerage Datek Securities faced Securities and Exchange Commission (SEC) charges in 2003 of misusing a trading system. Citron paid \$22.5 million in civil penalties and agreed to a ban from associating with a brokerage. He neither admitted nor denied the charges. Citron might step aside before the IPO to alleviate any regulatory concern and boost investor confidence.

The filing shows that marketing expenses are weighing heavily on the company. Revenue has been increasing, but so are losses. For the first three quarters of 2005, revenue reached \$174 million, up from \$50.4 million for the same period in 2004, while losses reached \$189.6 million in the first nine months of 2005 compared with \$42.7 million in the same period a year before. In the first nine months of last year, Vonage was the top online advertiser, with marketing accounting for as much as half of its \$367 million total expenses. The proceeds of the IPO are expected to be diverted mainly into advertising.

“ The telecom industry's expected transition to IMS presents some **potential stumbling** blocks for cable operators ... ”

IMS Transition Crucial for Cable VoIP

According to [IDC](#), while cable operators are currently making significant progress with their VoIP offerings, the longer-term prospects of their voice and related businesses will depend on how well they handle the transition to IMS. IDC has projected that the number of U.S. cable VoIP subscribers will reach 19.8 million by 2009, up from 2.2 million last year. IDC notes that the telecom industry's expected transition to IMS presents some potential stumbling blocks for cable operators with the main hurdle being the not yet IMS-capable PacketCable—the architecture and standard developed by [CableLabs](#).

The cable operators have been content with just rolling out voice services, eating wireline guys' lunch. The strategy has worked out fine with [Time Warner](#) reporting profitability, and Verizon, and most recently AT&T, cutting their rates. As the wireline operators plan their IMS road map to offer more services, cable companies will soon have to follow. This will be an opportunity for softswitch vendors to enable the cable companies to achieve their goals of profitability, revenues, and subscribers.

Residential VoIP Pricing Steady

[VoIP Monitor](#)'s review of the U.S. consumer VoIP pricing reveals that prices for unlimited service continue to hold pretty steady since early last year, following a period of intense price cuts and market entry during 2004. The unlimited-service VoIP market remains segmented into several tiers, with cable operators such as Time Warner Cable and [Cablevision](#) clustered at the high end (as much as \$50 per month), small independent service providers such as [Lingo](#) and [Packet8](#) found mainly at the low end (generally at \$19.95 per month) and telco VoIP services and a few of the larger independent providers, such as Vonage and Verizon's VoiceWing, somewhere in between (\$25 to \$30 per month).

Some of the trends noticed have been a movement toward packages in the under \$10 per month range, and cable operators experiencing healthy VoIP growth despite charging the highest prices. There is also a new rush to the bottom for companies pursuing VoIP service models based on per-minute pricing and low monthly charges for phone numbers needed to receive incoming PSTN calls. VoIP Monitor predicts that while this recent decline in per-minute pricing may not have immediate impacts on the unlimited flat-rate VoIP sector, it is an indication that price competition is likely to intensify as companies jockey for position within and between sectors.

VoIP Market to Hit \$3.3B by 2010

[Yankee Group](#) reports VoIP service to be a fast growing segment, predicting its leap to almost \$3.3 billion by 2010 from \$840 million at the end of 2005. Dividing the market into three categories, Yankee Group projects:

- Hosted VoIP to increase to \$1.2 billion by 2010 from \$233 million in 2005
- VoIP over VPN (Virtual Private Network) to increase to \$1.25 billion by 2010 from \$268 million in 2005
- VoIP real-time QoS bandwidth to grow to \$822 million in 2010 from \$338 million in 2005

The research firm expects that the overall U.S. retail business VoIP market will increase at a CAGR (Compound Annual Growth Rate) of more than 31 percent between 2005 and 2010, and overall the percentage of enterprises' off-net phone traffic traveling over IP will grow to 12.5 percent in 2010 from 2 percent in 2005.

Level 3 Acquires Progress Telecom

By Carol Wilson

January 26, 2006

[Level 3 Communications](#) continued its expansion plans, buying Southeastern-based wholesaler [Progress Telecom](#) for \$137 million, equally divided between cash and company stock.

Progress Telecom operates a fiber optic backbone primarily in the Southeastern U.S., including 29 metropolitan networks, and was originally launched by [Progress Energy](#), which remains an owner and the largest customer. The company also operates wireless towers and last fall announced a new wireless backhaul wholesale business that is being excluded from this transaction.

According to Level 3, the acquisition will lower its access costs in the Southeast and enable the combined company to realize greater efficiencies, and therefore higher earnings on Progress Telecom's revenue.
