Data storage, disaster recovery needs drive telecom market

By: Rebecca Reid

Fueled by disaster recovery plans and financial regulations such as the Sarbanes-Oxley Act in the U.S., data storage demands are skyrocketing in the greater Toronto area, according to Toronto Hydro Telecom Inc. (THTI).

As evidence of this trend, the Utility-Telco (U-Telco) has seen a dramatic increase in the number of circuits sold to major Toronto data centers, including those of Hewlett-Packard Co., IBM, Fusepoint Managed Services Inc., Q-9 Networks Inc. and SunGard, said Ian Miles, president of THTI.

Miles said demand for Gigabit Ethernet circuits is up about 150% since 2002, and THTI now operates several 10-Gigabit Ethernet rings in Toronto.

As a bonus, the cheaper cost of bandwidth lets users increase their data storage needs without incurring massive costs, Miles added. Increasingly, THTI's clients are realizing they can afford more bandwidth than they had initially projected.

"Many users are not aware of how much prices have declined," he said.

With bandwidth being added and data storage needs increasing, users are becoming more sophisticated with their disaster recovery plans, THTI said. Miles said users are now more likely to operate off-site data centers in and around the Toronto area. The U-Telco partners with 10 other U-Telcos in the province, mostly southern Ontario, that lets them service those Toronto customers who want to add a data center in Barrie, for example.

Additionally, Miles said users are demanding real-time disaster recovery solutions.

"Users have less tolerance for downtime," Miles explained. "People expect Internet access all the time." For real-time disaster recovery, Miles said customers are either implementing or strengthening data mirroring." One THTI

client, a brokerage firm, has four levels of redundancy, Miles said and he's seeing this trend trickle down into areas such as health care and education.

Currently, disaster recovery represents 35% of THTI's revenue and that continues to grow, Miles said. In fact, U-Telcos are increasingly gobbling up more of the telecom pie.

According to a report on the Canadian telecom market by the Canadian Radio-television and Telecommunications Commission, released last month, U-Telcos continue to bring in more revenue. In 1999, U-Telcos accounted for only $100,000 of the telecom services market in Canada. In 2003, that increased to $132.3 million. However, this is only a fraction of the total telecom services market, which reached $31.8 billion in 2003 up from about $24.8 billion in 1999.

Another trend fueled by increasing bandwidth requirements and data storage needs is the proliferation of optical networks.

"Optical technology is the only technology that can support growing bandwidth needs," Miles said, adding that between 15% to 20% of RFPs now include demand for Dense Wavelength Division Multiplexing (DWDM). "Customers are thinking five years ahead and they need technology like that keep up with their increasing bandwidth needs," he said.

Another key trend in the telecom market includes the increased reliance on outsourcing. Miles said many companies are employing the services of large outsourcing firms like IBM and HP, and as a result, THTI's strategy has shifted. Now THTI is more focused on wooing the business of outsourcing providers because they are the ones most likely to make decisions about where bandwidth is purchased.

But one trend in telecom that THTI is not seeing come to fruition just yet is the convergence of voice, video and data.

Cost is still a barrier, said Miles. "Everyone agrees convergence is happening but what people don't agree on is the pace," Miles said.

Despite the hype around technologies like voice over IP (VoIP), it still hasn't been deployed much beyond campus or small office environments, Miles explained. He said it costs a lot of money to remove a PBX and replace it with VoIP. Also, some Toronto Hydro Telecom customers have told Miles that complete migration to VoIP would be a painful and costly endeavor.

"Migration will be slower because the economics and ease of deployment aren't quite there yet," he said.