

Nextgen moves into value-add with VPLS launch

Nextgen Networks has launched Australia's first virtual local area network service (VPLS), Nextgen's first value-added service offering since it emerged from receivership at the end of 2003.

VPLS is a relatively new standard defined by the IETF, for the seamless interconnection of local area networks at different locations. The technology, which operates at layer 2, is claimed to have several advantages over the more established IP-VPNs and ethernet metro-area virtual local area networks. For the customer, management is much simpler - the service appears simply as an ethernet network.

There is a website, www.vpls.org, devoted to the technology. According to a white paper there: "VPLS...uses a combination of ethernet and MPLS...[allowing] customer networks at geographically diverse locations to communicate with each other as if they were directly attached to each other. ie the WAN becomes transparent to all customer locations. This is achieved by a MPLS Layer 2 VPN solution."

Seeking channel partners

Launch of the service also marks a significant shift in the Nextgen business model. Since being bought from the receiver by Leighton Holdings in December 2003 it has focussed largely on selling large bandwidth connectivity to carriers and large corporates. Its VPLS service, however is potentially attractive to organisations from SMEs upwards, but Nextgen is not presently geared up to address this market.

General manager, Peter Harrison, told *Exchange* that Nextgen was now looking for partners to take the VPLS product to the market but "not for people who just want to resell it...We are looking for channel partners and sales partners who do things like desktop support and lan support that can take the product and add value themselves." He added: "VPLS is our first valued added service and as we develop our capability we will deploy more of these."

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Nextgen already has one channel partner “We can’t announce who, it is only small they are a direct one-on one sales force,” Harrison said. “More like an extension of our own sales force.”

Regional access now available

When Leightons acquired Nextgen the network - which stretches from Perth to Brisbane via Melbourne and Adelaide with both a coastal and inland route linking Melbourne and Brisbane - had no access in around 30 regional towns through which it passes. Since then the company has progressively been opening access in these locations. “We have access in all the large ones, Harrison said, “and it is just a matter of demand for us to break out in the others...The Government’s new funding for regional broadband access will give impetus to us and to other parties to open up access.”

Nextgen is also increasing its direct access to large office buildings in major cities using passive optical networking. “This will be relevant to the VPLS product,” Harrison said. “We have CBD rings and tails into a range of city businesses, plus arrangements with other fibre owners. We make a build or buy decision in just about every case.”

Room for both IP-VPN and VPLS

Harrison said that Nextgen had considerable first mover advantage with its VPLS service, and the incumbent providers of IP-VPN services had little incentive to introduce VPLS because of the problem of it cannibalising IP-VPN revenues. “Realistic forecasts are for VPLS to account for about half the total revenue in five years time,” he said. “IP-VPN still has a lot of momentum, just like earlier technologies: there is still a lot of frame relay and ISDN out there.”

Nextgen touts the main advantage of its VPLS offering over IP-VPNs and ethernet metro VLANs as being that it operates at layer 2, in contrast to IP-VPN which operates at layer 3, and is therefore limited in the range of applications supported. “Typically, changes must be managed by the carrier in a co-ordinated outage window and carriers tend to charge extra according to the configuration and QoS options selected by the customer. [IP-VPNs have been] available in Australia for about five years,...but now lack the flexibility and customer control that is available with VPLS technology,” Nextgen says.

Advantages of VPLS

Ethernet Metro VLANs, according to Nextgen “are typically not based on an MPLS platform and therefore limited in scale, capability and performance. Multiple VLANs, if offered, are charged and controlled by the carrier.”

According to Shara Evans, managing director of research company, Market Clarity, “ If you were to compare VPLS to the vast majority of ethernet services it is much more scalable and is able to provide deterministic services...If you are subscribed to a VPLS you can define a class of service and the equivalent of a committed information rate on a per port basis, or on an ethernet virtual circuit basis.”

Nextgen is offering a range of connectivity options for customers, ranging from 4Gbps over Nextgen fibre to 256kbps ADSL. All except DSL support multiple VLANs using 802.1Q tagging.

Telstra’s Asian VPLS

In mid 2005, Telstra launched its first virtual private LAN service in Asia Pacific covering Japan, Hong Kong, Mainland China, Singapore

and Taiwan. It enables companies to connect multiple sites via ethernet in a single bridged domain over Telstra's network and is billed as "a more affordable solution than traditional multi-E1 circuit in a number of markets in Asia Pacific".

At launch, Telstra said it had seen the growth of domestic ethernet services in Asian and believed there was customer demand to extend the domestic ethernet service by adding international connectivity.

Yankee Group bullish on VPLS

According to the results of the Yankee Group 2005 Enterprise Communications Survey, released this week, US enterprises are growing more receptive to VPLS, even though it is in its infancy, as an important solution in overcoming their network management challenges.

"[Enterprises] have an immediate need to simplify network management...Driven by the convergence of multiple applications, enterprises increasingly demand differentiated service levels, which drives unparalleled levels of network complexity."

Yankee added that "adoption of managed VPNs is tempered by enterprises' hesitance to outsource their routing tables. VPLS alleviates this concern because enterprises are not required to share their routing tables, and instead it catalyses the existing strong demand for managed IP VPN services...Although the role of VPLS in the market is yet to be crystallised, the certainty of it as a solution to overcoming network management challenges is unquestionable."

"There is tremendous opportunity for VPLS to address and solve enterprise network complexity," said Yankee Group senior analyst Josh Holbrook. "Service providers that highlight the advantages of VPLS at this ripe time will have a distinct edge in building leadership in this untapped, yet profitable market."