

Firms find BYOB runs rings around usual phone rates

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If you ask a telecommunications manager to BYOB, don't expect that person to arrive at your next party with a supply of chablis or beer.

These days, BYOB means only one thing to major corporations: "Be Your Own Bell."

Almost as fast as dialing "0" gets an operator, companies are finding ways to bypass public telephone networks and drastically cut the cost of local and long-distance calls.

Many big companies are suddenly coming to grips with economic and technological changes that make going into the telephone business extremely attractive.

No company can avoid buying some services from local or long-distance companies, but today more and more companies are choosing private networks to carry as much of their voice and data transmission as possible.

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A tough question before many companies is whether to go through the trouble of installing and maintaining a private network themselves, or to purchase bypass services from one of the multitude of firms that have jumped into the telecommunications business since the divestiture of American Telephone & Telegraph Co.

In the past, major firms ruled out circumventing the public phone system with private networks because it was too costly or the technology wasn't available.

Banks, airlines, insurance firms and others that live or die on their ability to move information quickly are finding bypass a way to stay competitive. Telecommunications has become so strategic to many companies that plans are jealously guarded secrets.

And while the surge to BYOB is siphoning revenue from local Bell operating companies, it is opening a market for a new breed of telecommunications equipment. It is territory unfolding for three start-up companies, two in Silicon Valley and one in the Boston area, that have this emerging and lucrative market to themselves for the time being.

The upswing in private networks is rooted in many things. The breakup of AT&T's monopoly, the increasing need to move computer data from one location to another faster and cheaper, and the recent availability of a new class of transmission service all are playing a role in the establishment of corporate-owned telephone networks.

Oil producers and electric utilities, among others, have for years bypassed public telephone networks with microwaves and satellites.

What's new here is that "everyone is doing it now," said Howard Anderson, manager of the Yankee Group, a Boston-based market researcher.

"The technology has been here for a long time, but it is just becoming more cost effective now because local service continues to rise so much," said Edward Horrell of Mitchell & Horrell of Memphis, Tenn., telecommunications consultants.

Feeling the sting of bypass, the 22 regional Bell operating companies are retaliating in several ways. Many are requesting higher residential phone rates to compensate for business customers leaving the fold. Some are lobbying to have bypass outlawed or fined.

"Everyone" is getting into the phone business because they are linking more and more computers scattered in several offices and factories so they can do their business faster and smarter.

Data move from one computer to another using a technology called digital transmission. But telephone companies are in a fix. Most of their equipment that transmits voice and data uses older, analog switches.

Analog technology is fine for transmitting a conversation between people, because the human ear tends to sift through all the strange noises on a line and hear what is being said. It doesn't work that way with data. Every time an analog switch pushes data from one