



by David Molony

Reliance flags Ethernet services race

India's Reliance Communications is to pay 12 billion rupees (\$300 million) for US-based Ethernet services provider Yipes Holdings.

Yipes was founded in the late 1990s as a metro Ethernet operator in the US market, but after a spell in Chapter 11 bankruptcy protection, has emerged with a broader international footprint in Ethernet managed services, with NOCs in London, Hong Kong and Tokyo.

Reliance owns the Flag Telecom global network, acquired in 2003, and Yipes' services will be overlaid on this system, which is particularly strong on access into the Middle East.

Comment: This deal is significant for three reasons at least. It raises the stakes in the race between Indian industrial giants Reliance Ambani Group (which also operates a domestic mobile network with 32 million subscribers) and Tata Group (which owns VSNL International) to be a global telecoms brand to rival AT&T.

Tata has already taken the rivalry to Europe, where it acquired and relaunched a service provider called Cipris as a VNO for business users, as well as looking to acquire data centres in the UK. Now Reliance has made a significant acquisition in the United States, where Yipes claims to have about 1,000 enterprise customers.

Second, this is a significant deal for multinational enterprises because it provides a major new platform for managed Ethernet services to grow worldwide. Yipes already supports a number of national and regional service providers developing Ethernet-based virtual private LAN service (VPLS). These effectively offer enterprise network users the means to work on global corporate networks as if they were in their local network. Most global operators will be offering managed VPLS by end of 2007 — with companies like Verizon Business making most noise about their plans.

Third, while Yipes focuses on four verticals, it is a specialist in high-speed data services to the financial trading sector, which is fast becoming a battleground for operators claiming advanced networking capabilities. BT Radianz has been the leader in the field thanks mainly to BT's acquisition-and-contract swap with Reuters. But Verizon Business with its ultra low latency network in the US, and Colt Telecom with its financial exchange data storage services in Europe, are widening the range of options for realtime traders who want to virtualize their 'black-box' algorithmic trading systems in global financial centres. Yipes has several products to measure performance of electronic trading networks as well as reduce transaction times.