

Granite Still Reaping POTS Revenue



News Analysis

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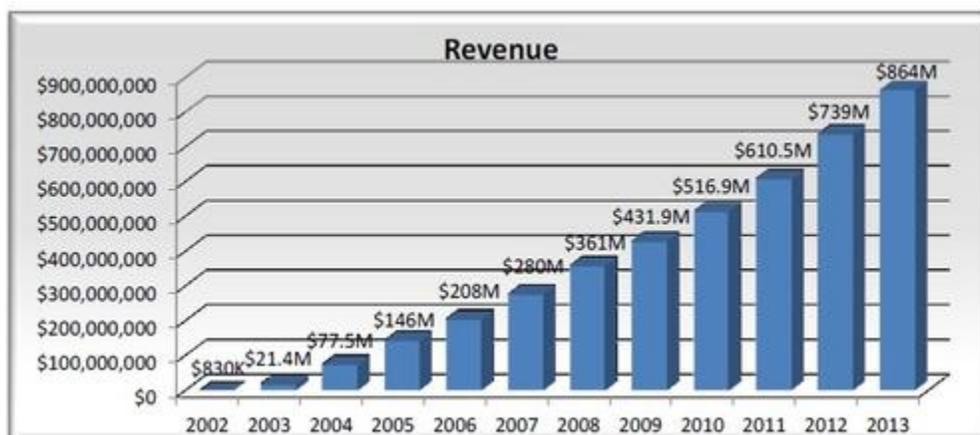
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At a time when most service providers are racing to tout their gigabit services, one operator is finding significant success selling voice services over copper phone lines. In fact, privately held Granite Telecommunications will hit \$1 billion in revenue this year doing just that on a national scale.

The Boston-based firm essentially consolidates voice and data services for multi-location clients nationally and delivers a single bill, a single point of support for changes or problems, and a single national account management team for companies including Walmart Stores Inc., CVS Caremark, Hilton, Fed-Ex, 7-11 Corp. and PetSmart. [Granite Telecommunications LLC](#) relies on wholesale contracts for local access lines with all the major telcos and many smaller ones -- the deals known as "UNE-P" arrangements under the 1996 Telecom Act -- and knits together the services so they appear seamless to its customers, which include more than half of the Fortune 100.

And while its portfolio and a new national IP network can support VoIP, SIP trunking and high-speed data services, Granite continues to see significant demand for POTS lines over copper, says COO Rand Currier.

Granite's Revenue Growth



Source: Granite Telecommunications

"In the past two years we have introduced a lot of high-speed bandwidth products -- hosted PBXs, SIP trunks -- but 90% of our business is still POTS lines," Carrier says. Granite operates a VoIP network based on a [Metaswitch Networks](#) softswitch and leased backhaul capacity, but finds many of its customers don't feel the need to update technology for its own sake.

"VoIP and MPLS sound sexy but POTS lines just work," Carrier says. "If you are a Yankee Candle and you have three lines and want to migrate to a hosted solution and you want quality of service, you are not going to go to over-the-top VoIP."

Making the leap to VoIP requires more expensive phones and new wiring to connect them, and for many of Granite's customers, the features that VoIP delivers aren't in as great a demand as many once expected.

"If they have high data needs, the change might work, and if they want to do it, we will do it for them," he says. "But if they have three phone lines and a DSL line, that may be all they need."

Granite does offer MPLS-based data services and speeds from 1.5Mbit/s DSL service up to gigabit Ethernet, but much of the 60% growth in broadband revenues the company experienced in 2013 isn't at the highest end. Granite also offers its own inside wiring services and has built on that with a security offering, Granite Guard.

The company's appeal is built largely on the software platform it created and operates to give its customers what looks like a single network with a flat, national rate plan. Customers have one place to call for support and their own customer portal for tracking reporting at a per-store, regional or corporate level. That allows companies with a lot of locations to detect where things aren't going as expected -- i.e., possible fraud or misuse -- but also to determine how facilities can be used most effectively.

"We can usually offer companies savings -- although we aren't selling ourselves as the cheapest game in town," Carrier says. Granite was actually able to keep growing during the financial meltdown of 2007-2008, in part because companies were looking for approaches which gave them flexibility to cut back services if they had to cut headcount.

Competitively, Granite does bump into CLECs such as [EarthLink Inc.](#) (Nasdaq: ELNK) and [MegaPath Inc.](#) , but finds its major competition is still big telecom players -- from whom it also buys services.

Granite continues to look at new products and to scope out its options for new products and services, but the company isn't looking to push its clients off what is working well for them. One complication might be the potential shutdown of copper networks by the largest local telcos -- [AT&T Inc.](#) (NYSE: T), [Verizon Communications Inc.](#) (NYSE: VZ) and [CenturyLink Inc.](#) (NYSE: CTL) -- which are all looking for ways to migrate away from aging networks that are costly to maintain.

Carrier says Granite is keeping a close eye on how discussions around the future of the copper plant evolve at the FCC.