

HORIZON NEWSLETTER

Informing Businesses Using Computers

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NorthPoint Who?

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DSL Disaster

As many of you are aware one of the major providers of DSL services, **NorthPoint Communications**, went out of business on March 23, 2001 with only a couple of days notice. **This left more than 100,000 DSL users without an Internet connection which affected their Email ability and in some cases access to their web site.** Unfortunately, some of these users were our customers.

NorthPoint, as well as the two other major remaining DSL providers Rhythms and Covad, was started with venture capital and quickly hit the open stock market. Because DSL services are at a low cost, provide high speed lines and work on standard copper phone wire, everyone thought these companies would be highly successful. If you just considered the number of installations they acquired in a short time, they were successful.

Whose involved with a DSL connection?

To understand this entire mess, it may help to define the three parties involved in getting a DSL line to your door.

ISP (Internet Service Provider) - This is the local service provider who you communicate with and whom you pay for the services. They are responsible for communicating with the DSL provider.

DSL Provider - They provide the connection device in your physical location and verify the line is working correctly. They also control the IP addressing that allows someone to send you email or find your web pages on the Internet. They are responsible for communicating with the local phone company

Local Phone Company - For most of you in our area, this is Ameritech. **DSL services are cheap because they take advantage of plain old copper (POTS) phone lines, the same type of phone line you use for voice.** Ameritech is responsible for either running a new line or using an existing phone line to provide a connection point for the DSL provider's equipment. *DSL technology actually works at a high frequency over a standard voice phone line.*

Because of this chain-of-command, getting DSL lines installed could be a major headache. **Our experience has been that most of the time it is the Local Phone company that provides the problems.** Ameritech is supposed to respond within a certain amount of time to work orders provided by the DSL provider. If there are changes or errors in these work orders or if Ameritech made a mistake in installing the line, the response time starts from scratch again. This can and has caused major delays in getting DSL lines installed.

Cash Flow

Now let's consider the cash flow of this three-tier set-up. You pay the ISP, the ISP pays the DSL provider and the DSL provider pays the local phone company. *Kind of like the neck bone connected to the shoulder bone, etc.*

On paper this appears to be a workable situation. What happened

and is happening to the remaining DSL providers is that they are not always getting paid by the ISP's. Many ISP's have gone out of business. Of course, the local phone company will not wait for their money and thus, the DSL provider is caught in the middle without any money.

The second problem of cash flow is caused by the delays in installation or downtime of existing DSL lines. The ISP and the DSL provider don't make any money until the DSL line is installed and working. In the meantime, the ISP and DSL provider have to use considerable manpower working with the local phone company to get this accomplished. This results in an additional drain on financial resources.

What Happened?

NorthPoint started to run out of money in August of 2000. In September 2000, they were negotiating with **Verizon Communications** for a potential take over. The deal appeared to be promising as Verizon had already advanced \$150 million in cash in exchange for convertible preferred stock

On November 20, NorthPoint had revised its third-quarter financial results, changing its reported revenue from \$30 million to \$24 million. NorthPoint restated its third-quarter 2000 financial results after it discovered some of its customers may not have the money to pay for services.

On November 29, 2000, Verizon canceled its \$800 million agreement to buy a 55 percent stake in NorthPoint due to the deterioration in NorthPoint's finances.

At that point in time, no one was overly concerned as it seemed someone would take over NorthPoint's business. Especially since NorthPoint then started negotiations with **AT&T**. Two contracts were prepared for AT&T: One was for the physical equipment and the other for the installed customer base.

To NorthPoint's surprise, AT&T only opted to buy the equipment. Due to NorthPoint's position of having no cash, they accepted the offer.

Many of the ISP's who were using NorthPoint started to negotiate with both NorthPoint and the local phone companies for a smooth switch over to new DSL providers. The ISP's were willing to contribute several millions of dollars to get this accomplished.

NorthPoint agreed to the concept, but after reviewing what it would cost to do so, finally told the ISP's that it would cost more than their contribution. Because NorthPoint was out of money and with no other prospects to keep the service running, they finally pulled the plug.

Unanswered Questions

One of my questions is why can't the local phone companies simply switch the billing for the existing DSL lines to one of the other DSL providers. The

lines were already installed and connected. It seems to me that it would have been a simple paper work process. The only answer I get to this is that the local phone companies were unwilling to do so. *Of course try and get an answer out of Ameritech.*

My other question is why didn't the government step in and force the local phone companies to keep the lines running. The total cost of this mess had to be enormous and affected many people. The only thing the government has done is to pass new regulations that the local phone companies have to provide more equipment for DSL services.

In my opinion, Ameritech has basically ignored the new regulations and the associated time table. I think the local phone companies want to eliminate the DSL providers and the ISP's and keep all of the DSL revenue to themselves or force you to a more expensive service like T1 or ISDN.

The strange thing is that currently Ameritech's DSL service is limited. They only offer aDSL and not sDSL services. As a business you need sDSL service. With a sDSL line you get the same download and upload speed. In addition, Ameritech does not offer the ability to get a static IP address. If you want to host your own web pages, you need a static IP address.

Their rate is cheaper, but what good is it if you can't use it. Their service is fine for the typical home user.

Verizon, on the other hand, does

offer sDSL services. But the reviews on their service are not good. In addition, their service is very limited in the Chicago area.

Next Step

We have spent considerable time researching other DSL services and Internet connection methods. We have found one company that does provide excellent support, which is always one of our key qualifications. They can be found on the web at exelus.com. In the Chicago area, they currently use Rhythms as their DSL provider. We have been told that in some areas they have contracts directly with the phone company and are working on that situation for the Chicago area.

A T1 or fractional T1 is another alternative. The monthly cost can range between \$500 to \$2000. For most of our customers this is not cost justifiable. The company xo.com claims that if you use them for your local and long distance voice calls, they may actually save you money by using their T1 line.

One other service that we find very interesting is a wireless connection. Using a wireless device, Dataflo.com offers T1 speeds from \$275 to \$450 a month. This is an excellent deal if you can get their service. The nice part is that there are no wires that can get cut or fail. It eliminates the local phone companies and 3rd parties altogether. Currently they only cover a limited area.

Are You Safe with DSL?

Rumors are that both Rhythms and Covad are also having financial difficulties. Will the same thing happen to them as occurred with NorthPoint? Who knows! *I guess if I knew the answer to that question I would be doing a lot better in the stock market.* If you currently have DSL service, keep it. It still provides for the highest speed at the lowest cost. **What we have learned is that if either Rhythms or Covad provides any early warning signals that is the time to switch.**

Check Your Battery

When is the last time you checked your Uninterruptible Power Supply (UPS)? The average battery life on a UPS is 5 years. **Once the battery fails, it has to be replaced.**

How to test

For **older** units, a simple way is to pull the plug from the electrical outlet in the wall. If the equipment keeps running, you have battery power. Of course if the battery is bad, you have just crashed your system.

A recommendation is to first shutdown the equipment and unplug all equipment from the UPS. Now plug something like a lamp or just a monitor into the UPS. Pull the plug and see if you still have power.

Most **new** units automatically perform a self-battery test and a light (usually red) will go on if there is a battery failure. It may also beep

occasionally.

If your UPS is close to or over 5 years old, you definitely should perform a test!

How to replace

Most older units require that the unit is sent back to the manufacturer or a

repair center to replace the battery.

Some newer units have a hot-swap battery replacement option. This makes life easy. Simply pull out the old battery and plug in a new one.

Trade Up Option

If the battery does need replacing,

you may want to consider trading up to a new unit. Discounts of up to 40% are offered by American Power Conversion (APC). In addition they provide a disposal service to get rid of the old unit.

Newsletter Preference

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