Walt Blackwell

by Gene Retske

Walt Blackwell recently stepped down as President and Chief Operating Officer of the CompTel/ASCENT trade association. Walt had been the President of ASCENT, formerly TRA, prior to the merger, and was very instrumental in putting the two groups together. Although not a lifetime telecom'er, Walt demonstrated a deep understanding of the business, and had the opportunity to watch the industry from a high level perspective, seeing some of the trends and issues that can be overlooked by those closer to the day to day action. For this reason, we asked Walt to share with us his thoughts on the industry, CompTel/ASCENT, and how to succeed.

TPP: *We were sorry to see that you left CompTel/ASCENT. What was the reason you left?*

WB: Our goal in combining ASCENT and CompTel was to create for the industry one voice, for one purpose, and that was advancing competition. From the beginning, we knew that having two organizational leaders was not possible. So, my goal that, working with the transitional leadership teams, the transitional board and ultimately with the new Board that was elected in February, was to make the transition as smooth as possible. At that point, having now completed all of that, I would pursue other opportunities.

TPP: *Why was it important for CompTel and ASCENT to merge? Didn't they have different missions, historically?*

WB: Different missions, no, but the focus of the two organizations may have been viewed as a marketing/regulatory for ASCENT and strong policy bent for CompTel. Those were two important advantages that needed to come together. We all believed that today the industry must have one voice, one representation, because it's too confusing to the Administration, the members of the Hill, to the folks at the FCC to see all of us trotting up there with the same clear message, "make competition available." And, help CompTel/ASCENT provide for the companies that we support as a trade association. So, in the future, the only real clear agenda is more combinations/mergers of other competitive organizations. There are fewer dollars to be invested by companies and therefore CompTel/ASCENT has a clear mission to protect the competitive environment. Now is the time for EVERY company in the competitive space to join and become involved. No company or individual who is in this space can afford to be passive any longer.

TPP: *The job of fighting the RBOCs, the LECs, the FCC, the 50 state commissions, that is not an easy task, is it? Isn't CompTel/ASCENT up against some big players and some big money?*

WB: I don't think it's ever been easy, but we're an industry of creative and focused individuals who demonstrated that tenacious spirit in '96 and will fight the good fight in 2004 and beyond. The issues are more complicated today because the space gets more and more and more defined as it gets smaller and smaller and smaller to operate in. And, as companies are pushed to support all these efforts it is clear that they cannot stand alone. It is difficult, no impossible for small , medium or even large companies to stand alone without a strong trade association like CompTel/ASCENT behind them. CompTel/ASCENT has focused very heavily on all sectors of the industry and understands their issues and agendas.

TPP: *So, what is next for Walt Blackwell?*

WB: What's next for me is doing what I do best, and that's working the organizations, boards, councils, both for-profit and not-for-profit. I'm also doing some consulting on new technologies tied to manufacturing and retail applications of Radio Frequency Identification (RFID), and passive and active scanning technologies. And, keeping my hands in the telecommunications arena as much as possible.

TPP: *The telecom industry has been through some trying times recently. Do you think it is turning around, as some have said?*

WB: I think the energy is back. All of the last 3-4 shows for both ASCENT and CompTel indicate that folks are doing bigger and better deals. There is an energy I have not seen for quite some time. And, frankly, it looks like the financial markets are becoming more interested in acquisitions and financing. I've been really proud of a lot of ASCENT members who have looked at alternative funding outside the traditional funding markets.

TPP: *Are we back in the 1999-2000 days yet?*

WB: I don't think that we will ever see the days of just madcap merriment that existed in telecom for quite a few years. I think the market is better defined, the realities of margin-based company managements are certainly more clear to the surviving companies that have weathered this storm. Folks that are currently in this space are folks that knew how to make companies work, and knew how to use the investments they have in the proper way to stay in business and serve the customer, which is what this competitive telecommunications marketplace is really all about. Providing better customer service, consistent dependable service at more reasonable prices than the incumbents.

TPP: *What are the advantages or resources that the smaller companies should focus on to be successful in a competitive environment?*

WB: First of all, they have to have a demonstrated sense of a market that is there for them to service and will that base allow them to sustain their business. Whether that's a UNE market, or a prepaid market, or a fixed or a wireless market, there needs to be some basis to keep them in business and allows them the flexibility to explore new opportunities. The key to staying in business is to not put all your eggs in one basket. I know members of ASCENT have always been very entrepreneurial to look at the next thing and to see how to leverage new technologies while they provide quality products and services.

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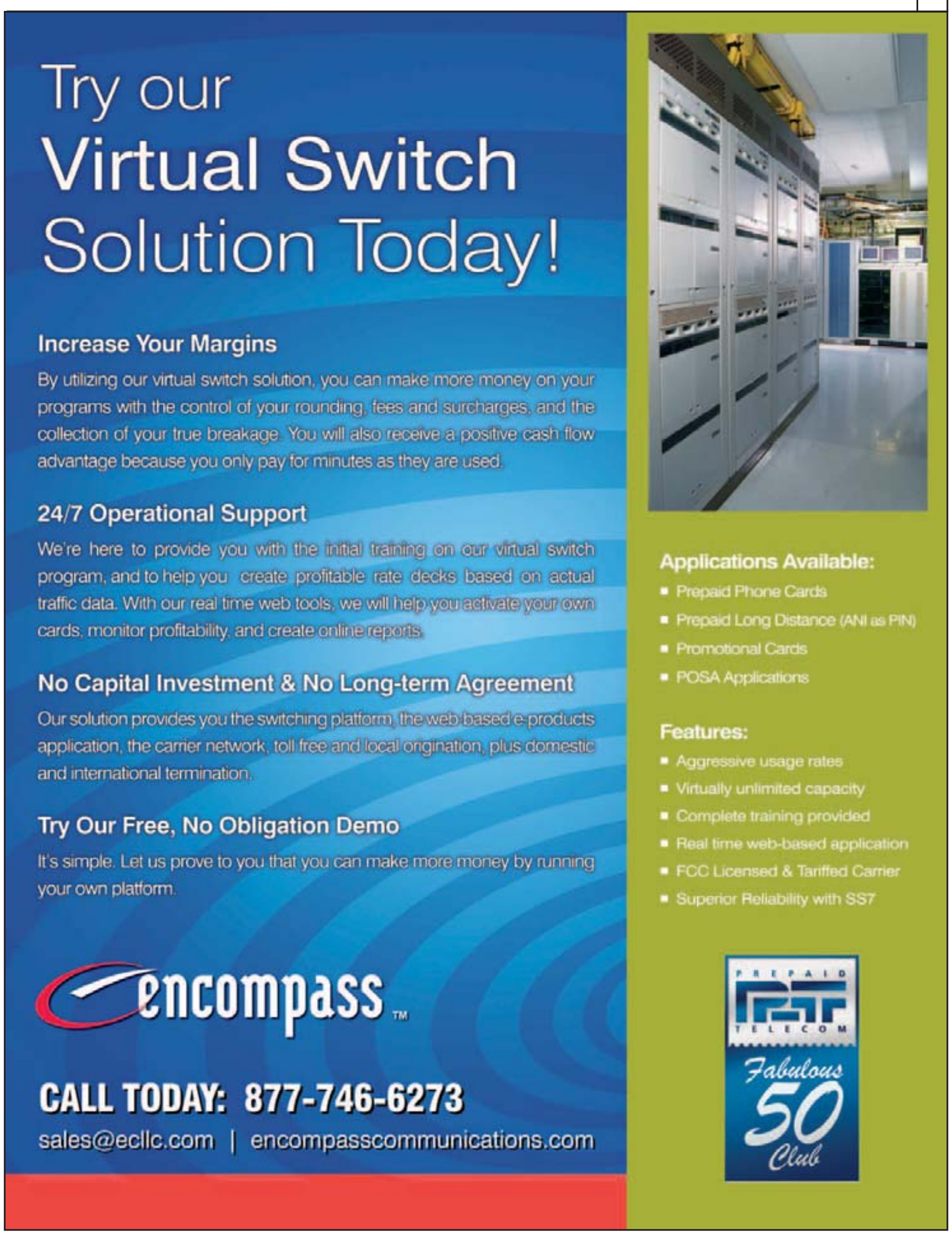

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TPP: *How important is VoIP?*

WB: Today, clearly VoIP is a very hot topic. You can't open a trade publication and not see an article on or about the promise. The question is how, when, why, what? How much money can be made? When you can make it, how expandable that market might be, all of these still remain pretty much unknown. There is and must continue to be a huge focus in the industry to make sure that it is not something that the competitive world gives up, sidesteps or abandons, without a full exploration of its potential. I, like many others will watch this issue as it unfolds in the offering and at the FCC.

TPP: *From your perspective as the leader of a trade association, what advice would you give companies today?*

WB: Small, medium or large... focus on the business of business, and have that entrepreneurial spirit to take the next step into whatever market is waiting for the competitive arena to move into. The issue today is to do business well. Supporting customers with a product they want, and at an affordable price and still make some net margin for yourself. It's Business 101. Don't spend all your time and money trying to develop new products and new technologies on your own; they are going to come. The competitive market and the companies that fill that space are the "change agents" of telecommunications and have held that spot for more than twenty years now. The issue is simple, make sure that when those technologies are available and affordable, you and your company can make it happen in your business and build your customer base.

Walt Blackwell was formerly President and COO of the CompTel/ ASCENT Alliance.
He can be reached at wgblackwell@ hotmail.com.

reg rundown

A primer on sales taxes, stored value & prepaid

by Gary Rhodus

I believe it was Yogi Berra who once said, "Its de'javu all over again." Well, that seems to be the case with the new and rapidly developing area of prepaid services known as "Stored Value Cards." Just as several years ago when prepaid calling cards first came on the scene, questions are again being raised as to how, or if, sales and use taxes should be applied to stored value card sales. The current "point-of-sale" treatment (in most jurisdictions) of one of the first "stored value cards," prepaid calling cards, compounds the question. However, before jumping to any conclusions, we need to examine the differences between stored value and prepaid cards and, also consider how point-of-sale treatment came about.

We begin by defining what a stored value card is. We believe a stored value card is a tangible representation of a cash equivalent prepaid right to the future redemption of various products or services. The sales taxability of other cash equivalents such as gift certificates and, as pointed out above, prepaid telephone calling cards are both well-defined areas. Generally speaking, all sales of gift certificates are exempt from taxation when sold as the sale of an intangible right to future use, and are taxed when redeemed based on the product or service purchased and the place of the redemption.

On the other hand, the sale of prepaid calling cards has almost universally been redefined (importantly, through specific state legislative action) as the sale of tangible personal property, rather than the sale of the right to future telephone service. As such, they are now generally taxed at the point and time of the sale or recharge of the card. Notably, prior to state legislative action, prepaid calling cards were treated as gift certificates and were not taxed when sold but rather when redeemed. Thus, now, in the case of these two similar "prepaid" transactions, we get two different results. What result should we expect when the sale of stored value cards is the issue?

WHAT CONSTITUTES A SALE?

Virtually all states imposing a sales and use tax have imposed the taxes on the "retail sale" of tangible personal property or specifically enumerated taxable services. Retail sales are further defined to be a sale, for any purpose other than "resale," in the regular course of business in the form of tangible personal property or taxable services. A sale is defined as any transfer of title or possession, exchange, or barter, conditional or otherwise, in any manner or by any means whatsoever, of tangible personal property or taxable services for a consideration. Finally, tangible personal property is generally defined as property that may be seen, weighed, measured, felt, touched, or that is in any other manner perceptible to the senses.

Therefore, unless there is a retail exchange of tangible personal property or taxable service, in return for consideration, a sale has not taken place and no sales tax is due.

Gift Certificates or "cash equivalents" are items purchased that entitle a person to redeem them in the future for tangible personal property or services. The "right to a future purchase" is broadly considered an "intangible right" rather than a tangible product or service. Examples of other cash equivalents include "dine out" cards, entertainment coupon books, vouchers and trading stamps. Because these all represent an intangible right, rather than a tangible product or taxable service, cash equivalents are not taxed when purchased but when redeemed.

So, why are prepaid calling cards, the original stored value cards, taxed when sold rather than when redeemed? After all, prepaid phone cards were originally treated as a "cash equivalent" for the right to the future purchase of telephone service. The answer is, of course, simplicity. It was presumed that having the retailer collect the sales tax would greatly simplify the application of sales and other telecommunications taxes, and would preclude the service provider from having that responsibility. (Not all of us agree that this simplified the taxation of prepaid calling cards since most prepaid vendors are themselves making retail sales and may have hidden liabilities they are unaware of.)

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