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INFORMATIONWEEK ONLINE NEWS

November 8, 1999

FutureWeb: Arbinet: Preventing Telecom Capacity From Going To Waste

By [Ramin P. Jaleshgari](#)

Selling products over the Internet has at least one weak link for retailers: delivering the product after the sale. But when you sell space and time, as does Arbinet Global Clearing Network (www.arbinet.com), you don't have that problem.

At A Glance:

Arbinet
City: New York

Selling the ultimate virtual commodity in the virtual marketplace, Arbinet is an exchange

that links telecommunications providers and Internet service providers with business buyers looking for better rates on telecom network capacity.

Arbinet uses a type of reverse-auction format that would be a logistical nightmare anywhere but the Internet. Would-be buyers of telecom capacity post the rates they pay on the Arbinet site, along with a percentage decrease they'd like to realize on those rates. Telecom providers then offer bids within that range.

The model works for both buyers and sellers by reverse-auctioning what otherwise would be a wasted commodity, CEO **Alex Mashinsky** says. "Telecom is inherently a very low-capacity equation," he says. "A major carrier like AT&T, with a \$100 billion network investment, only runs at 20% efficiency. If you have a 10-Gbps pipe and only use 10% capacity, it's still operating at that 10 Gbps. The other 90% is wasted, so why not broker and sell it?"

The model can be likened to buying space in a truck that ships products across the country. Whether full to the brim or sparsely loaded, that truck still makes the transcontinental journey.

If another supplier buys the unused space in that truck, the trucking company's owner realizes additional profit. The National Transportation Exchange Inc. (www.nte.net), in fact, provides just that service.

Arbinet's undisclosed revenue has more than doubled in the past year, **Mashinsky** says, and an initial public stock offering is in the works, potentially for the second quarter of next year.

In large part, **Mashinsky** is betting his company's future success on the assumption that information transactions of all kinds will become a more common and a more in-demand commodity. He foresees Arbinet diversifying beyond telecom capacity into everything from videoconferencing capabilities to one-time viewing of movies via the Web.

"You'll download an applet and get a quote from several vendors who will be bidding to do your videoconference," **Mashinsky** says. "The capacity will be self-provisioned for you, enabled, and then taken away by Arbinet--and the sellers will never know who you are."

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Top executive:
Alex Mashinsky,
co-founder and
CEO

Year founded:
1996

Employees: 52

**Amount of
venture funding
to date:** Not
available

Business: Brings
buyers and sellers
together online to
trade telecom
capacity and
services on a
secured exchange

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