

Carrier Neutral Data Centers



John Corcoran

EDITORS' NOTE John Corcoran has held his current post since 2008 and has been a key adviser to shareholders of Global Switch since 2005. He previously served as Chief Financial Officer of Multiplex Group, a large Australian diversified property group. Corcoran's career in the finance industry began at Hambros Bank Limited where he worked in its corporate finance business in London, Hong Kong, and Sydney. An Australian, Corcoran received bachelor degrees in Economics and Laws from the University of Sydney. In 1983, he was admitted to the Supreme Court of New South Wales as a solicitor.

COMPANY BRIEF Established in 1998, Global Switch (www.globalswitch.com) is the leading owner and operator of large scale carrier neutral wholesale data centers in Europe and Asia-Pacific. Wholesale data centers are highly engineered buildings providing customers with technical space and resilient standby power and cooling in which to house their business critical IT equipment. Global Switch owns and operates nine data centers with over three million square feet of space in seven Tier 1 markets (which are principal metropolitan business, communication, and Internet hubs) and has embarked on an investment program to deliver an additional six data centers.

In 1998, when Global Switch was created, why did its founders feel there was a need for it?

The business was built on the back of the tech boom that occurred in the late 1990s when it was expected that the digital economy would grow rapidly.

Unfortunately, the forecasts that underlay many of the projections on dot com business growth at that time were inflated. The collapse of the tech markets had a significant impact on the demand for data center space, which fell short of available supply.

In 2004, Simon and David Reuben participated in the privatization of Chelsfield PLC, a London listed

property group, which had become the owner of virtually all of the Global Switch business. This ultimately led to the Global Switch assets being owned equally by the Reuben brothers and Multiplex.

From 2004 to 2007, we formed the view that future demand would quickly grow to outstrip diminishing supply in key markets and so Simon and David moved to full ownership. They invited me to run the business and we began investing heavily. From the time of acquisition, Global Switch has grown to become an investment grade property company with a near fully occupied portfolio generating profits in excess of £225 million.

How broad is the reach for the business? Are there new markets you're focused on?

We want to be only in key Tier 1 markets, which are connectivity hubs in major cities where all of our major customer types are present.

There are probably only five Tier 1 markets in Europe, and we're in all of them: London, Paris, Frankfurt, Amsterdam, and Madrid.

In Asia-Pacific, there are also five Tier 1 markets at the moment. However, I believe there will be many more in Asia-Pacific over time, and that is where the preponderance of our investment focus has been directed.

Global Switch has large data centers in Sydney and Singapore, and has acquired an important site in Hong Kong. Hong Kong is the third major Tier 1 market in Asia-Pacific, the remaining two being Tokyo and Shanghai. More Tier 1 markets will eventually emerge in India, Korea, and Taiwan.

The missing part of our global portfolio is in North America, but we prefer to focus on Europe and Asia-Pacific, where the barriers to entry are much higher and by extension the rewards for those businesses that have secured growth capacity are much higher.

How critical is carrier neutral status for Global Switch?

Carrier neutrality is incredibly important. The data center industry only came about in the 1980s when mainframe computers were first used commercially and the outsource data center sector developed and grew on the back of the tech boom in the 1990s.

The initial wave of data centers were carrier-tied data centers. Because the cost of communication is one of the three major costs of occupation for a customer in a data center, many customers wanted the choice of bandwidth provider and accordingly, carrier neutrality was established and the segment grew rapidly.

An Interview with John Corcoran, Executive Chairman, Global Switch

We have also seen carriers insert themselves, growing to represent one of our larger customer groups – they represent around 30 percent of our customers in our data centers. This is a confirmation of the trend towards carrier neutrality.

How have you addressed the issues of privacy and security?

Data center security comprises the physical security that we provide, while data security remains the responsibility of our customers.

Given the highly confidential nature of the data that our customers host with us, physical security is of paramount importance to them for governance and compliance reasons.

Our customers have peace of mind in that all our data centers have the most rigorous of controls and monitoring systems as well as 24/7 on-site security.

When it comes to data security, typically our customers employ the latest techniques available to safeguard the security of the IT systems that they deploy in our data centers.

What makes your green focus so critical?

When we bought the business, we recognized that the data centers were significant consumers of power, so we immediately established a commitment within the business towards energy efficiency, reducing carbon emissions, and where we could, providing environmentally friendly solutions to customers.

Data centers require significant amounts of power to operate and cool the IT equipment located within them. Initiatives to reduce power consumption are vital to our customers from an environmental and cost perspective. Green considerations are becoming increasingly important in the decision making process of our customers and the impact on data center design and power procurement.

We design our new data centers in accordance with the latest environmental best practice guidelines and we are continually investing in our existing data centers to reduce their environmental impact. Consolidating multiple customers in a single large scale purpose built data center is significantly more energy efficient than if these customers were to run their own sub scale computer rooms.

Due to our scale, we are able to procure energy at extremely competitive rates, which we pass on to our customers. In addition, we have invested heavily in monitoring and reporting tools to ensure that we can constantly provide feedback on energy consumption to our customers to continually improve energy efficiency. ●