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Industry News

DSL Port Shipments Reach New Heights in 2Q06

DSL port shipments reached new heights in 2Q06, as operators continue to upgrade and rehabilitate their networks to support faster speeds and IP-based services. Quarterly global DSL port shipments reached 22.6 million, a six percent increase over 1Q06 and a 20 percent increase over 2Q05. DSL ports shipments from IP-DSLAMs reached 10.1 million, while MSAP/BLC-based DSL ports reached 3.15 million. Alcatel maintains its market lead, followed by Huawei and Siemens.

Vendor rankings by region are shown below.

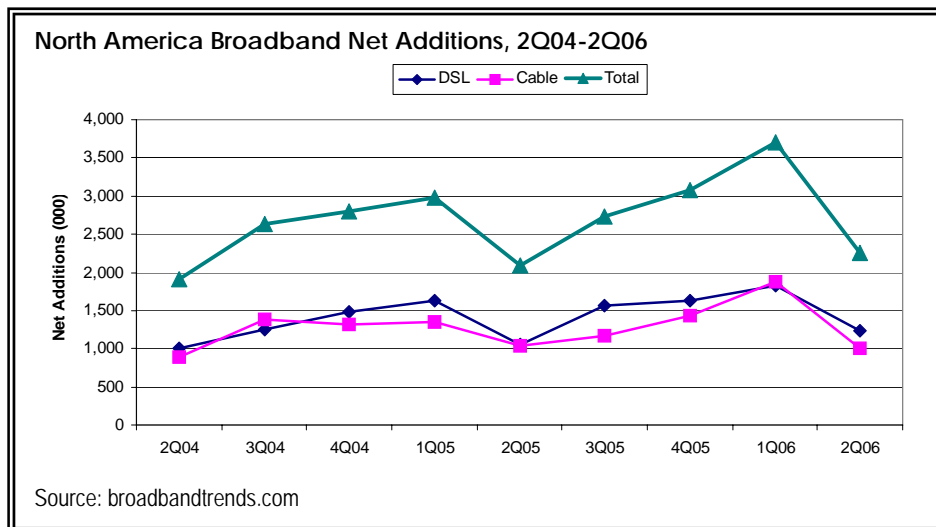
Top Five DSL Vendors by Region, 2Q06

Global	Asia Pacific	CALA	EMEA	North America
Alcatel	Huawei	Alcatel	Alcatel	Alcatel
Huawei	Alcatel	Huawei	Siemens	Lucent
Siemens	ZTE	ZTE	Huawei	Adtran
ZTE	NEC	Zhone	Ericsson	Tellabs
Ericsson	Sumitomo	Lucent	ECI Telecom	Calix

Source: broadbandtrends.com

North America Broadband Additions Slow with the Season

North America broadband subscriber net additions experienced 2Q seasonality as net additions dropped more than 37 percent over 1Q06. For the quarter, operators added 2.412 million new subscribers for a grand total of 58 million, a 4.3 percent increase over 1Q06. DSL subscribers represented 25.9 million; cable broadband was 31 million, and 1.080 million were in the "other" category, including 670,000 for FTTH. VoBB subscribers reached 7.6 million, with Cable VoBB representing 65 percent of subscribers. Broadband net additions by quarter are shown below.



Sprint Nextel Provides Big Boost to Mobile WiMAX

On Tuesday August 8, 2006, Sprint Nextel announced its plans to build and deploy a 4G wireless broadband network based on the Mobile WiMAX IEEE 802.16e-2005 standard offering speeds of 2-4Mbps. Sprint plans to invest \$1 billion on the project in 2007 and between \$1.5 billion and \$2 billion in 2008. Sprint will leverage its extensive 2.5GHz spectrum, which reaches 85 percent of households in the top 100 markets, to offer service to approximately 100 million people. As part of its plans, Sprint Nextel announced that it had selected Samsung, Motorola and Intel as its partners.

Verizon Announces GPON Vendors; Provides FiOS Update

On July 27, 2006, Verizon became the first of the RBOCs to render a decision on the recent GPON RFP by announcing its selection of Alcatel, Motorola and Tellabs as its vendors. According to Verizon, they will begin installing the Alcatel equipment first in company central-switching offices and in new installations of direct fiber-optic links terminating at a customer's home. Deployment of the Motorola and Tellabs equipment will follow.

Regarding FiOS status, Verizon announced that at the end of June 2006, they were serving 375,000 FiOS subscribers, adding 111,000 or 29 percent of total during 2Q06. They also announced they had 4.5 million homes, and were currently marketing to 3.1 million homes at the end of June. Overall penetration was 12 percent of homes marketed, churn rate is less than 1 percent and approximately 33 percent of FiOS net additions are existing Verizon DSL subscribers who converted to FiOS.

Telstra Discontinues Plans to Build Fiber to the Node Network

On August 7, 2006, Telstra announced that it would discontinue plans to invest \$4 billion (AUS) to build a Fiber to the Node Network that would have connected 4 million homes with High-Speed broadband services over the next 40 months. According to Telstra, the major stumbling block was the ACCC's (Australia's Telecom Regulatory) unwillingness to recognize the actual costs that Telstra incurs in providing its services and, especially, the costs it incurs in providing services to rural, regional, and remote Australia. Until Telstra's actual costs are recognized and the ACCC's regulatory practices change, Telstra will not invest in a fiber-to-the-node broadband network.

FCC Broadband Report: Digital Divide is Shrinking

The FCC issued its most recent High-Speed Services for Internet Access Report for 2005, announcing that availability had reached 99 percent of all zip codes within the United States. A key indicator of a shrinking digital divide was growth in adoption in both lower density markets and lower income households. Adoption in lower density markets grew from 75 percent in 2004 to 88 percent in 2005, while adoption in lower income households rose from 83 percent at the end of 2004 to 90 percent at the end of 2005. On a nationwide basis, DSL services were available to 78 percent of U.S. households, while cable modem service was available to 93 percent of households.

France Telecom and SingTel Announce FTTH Trials

On July 25, 2006 France Telecom officially launched its GPON FTTH trial in Paris. The trial which will serve 100 customers in the 3rd, 4th, 6th, 7th, 13th and 16th districts of Paris and 5 cities (Asnières on the Seine, Boulogne Billancourt, Issy-Les-Moulineaux, Rueil Malmaison, Villeneuve-The-Garenne) is expected to last one year.

A few days earlier, SingTel announced the start of trials for FTTH and residential Metro Ethernet (ME) technology in two selected condominiums in Singapore with a trial period from July 22 2006 to January 31 2007. The technologies will allow SingTel to offer customers ultra-fast broadband speeds of up to 80 Mbps that will also enable advanced triple play of voice, video and data services. FTTH based on GPON will be offered to residents of 80-unit Leonie Hills Residences, while Metro Ethernet services will be offered to residents of the 756-unit The Gardens at Bishan condominium. Alcatel is the provider of the equipment and associated support in the trials while 2Wire is the customer premise equipment provider.

Mergers, Acquisitions, Funding

- Tiscali and Video Networks LTD Integrate UK Operations (August 12, 2006)
- Andrew & ADC Agree to Terminate Merger (August 9, 2006)
- Liberty Global Acquires Czech Cable Operator Karavel (August 8, 2006)
- Golden Telecom acquires Kubltelecom (August 3, 2006)
- Cinven and Warburg Pincus acquire Essent Kablecom (August 3, 2006)
- ClearTel Communications to Acquire Supra Telecom (July 31, 2006)
- Ikanos acquire Doradus Technologies (July 31, 2006)
- WiNetworks Secures \$11 Million in VC Funding (July 31, 2006)
- RadiSys acquires Convedia (July 28, 2006)
- Time Warner Telecom Acquires Xspedius (July 28, 2006)
- Limelight Networks Lands \$130M (July 26, 2006)
- FairPoint To Acquire Unite Communications (July 26, 2006)
- Motorola to Acquire Broadbus (July 25, 2006)
- SEQUANS Raises US \$24 Million in Financing (July 24, 2006)

Selected News Highlights (July 20, 2006 to August 13, 2006)

A full listing of news articles is available at http://www.broadbandtrends.com/news_archives.htm

- HomePNA Adds Two Semiconductor Companies to Alliance (August 9, 2006)
- MobiTV Announces Support for WiMAX (August 8, 2006)
- CableLabs Issues DOCSIS 3.0 Specifications Enabling 160 Mbps (August 7, 2006)
- Nortel, Broadstream Team Up For Rural IPTV (August 7, 2006)
- NJ Governor Signs State Franchise Bill; Verizon commits \$1.5B (August 4, 2006)
- DT Launches FMC Product "T-One" (August 4, 2006)
- Neuf-Cegetel in Exclusive Talks with AOL France (August 3, 2006)
- Rogers Cable to offer 18Mbps Service (August 3, 2006)
- Acme Packet Achieves RUS Listing (August 2, 2006)
- Alaska Communications Systems Introduces Internet Anyplace (August 2, 2006)
- AOL to offer software for free to broadband users (August 2, 2006)
- AOL Announces Plans for Video Portal (July 31, 2006)
- Metaswitch Intros Solution for Cable Markets (July 31, 2006)
- DT Goes Live with VDSL2 Network (July 28, 2006)
- BellSouth and TiVo Announce Co-Marketing Agreement (July 28, 2006)
- TDC Selects Ericsson's VDSL2 Solution (July 26, 2006)
- Novera gets more business at KT (July 25, 2006)
- IEEE Explores Next-Generation Ethernet: Beyond 10Gb (July 25, 2006)
- ntl:Telewest Launch Quad-Play Services: Free TV w/Phone Line (July 25, 2006)
- FDN Selects Calix for Co-Location (July 25, 2006)
- Earthlink selects Dragonwave for Wireless Ethernet Backhaul (July 24, 2006)
- Softbank to Trial WiMAX with Motorola in Tokyo (July 24, 2006)

Recent Research Reports

Become a Client! Clients get full access to our research and data as well as unlimited access to our analysts. For more information please visit: <http://www.broadbandtrends.com/services.htm>

Recently published research includes the following:

▶ **Market Share Report: "DSL Port Shipments Reach New Heights in 2Q06"**

Published August 11, 2006

▶ **Research Note: "North America Broadband Additions Slow with the Season"**

Published August 10, 2006

▶ **Research Note: "Sprint Nextel Provides Big Boost to Mobile WiMAX"**

Published August 8, 2006

▶ **Research Note: "Verizon Provides New Insights on FiOS Activity and Future Services"**

Published August 1, 2006

▶ **Research Note: "FCC Broadband Report: The Digital Divide is Shrinking"**

Published July 26, 2006

Upcoming reports include the following:

- ▶ VoBB Forecast Update (2005-2011)
- ▶ FTTP Forecast Update (2005-2011)

Please visit the reports section for further information: <http://www.broadbandtrends.com/Reports.htm>. For pricing information, executive summaries and table of contents, please contact us.

Upcoming Events

Broadbandtrends.com will be attending the following events:

▶ **FTTH Council Conference and Expo**

October 2-5

Las Vegas, Nevada USA

▶ **Broadband World Forum Europe**

October 9-12

Paris, France

Please see our updated event calendar at <http://www.broadbandtrends.com/Events.htm>

Thanks for reading this issue of "The Voice of Broadband"! Next Issue: August 31, 2006

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