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Industry News

Global DSL Port Shipments Reach Unprecedented Levels

DSL port shipments reached unprecedented levels in both 4Q05 and full-year 2005, as operators continue to upgrade their broadband infrastructure in search of faster speeds and new services. Quarterly global DSL port shipments reached 20.3million, an eight percent increase over 3Q05. For the full-year, DSL port shipments climbed to 74.3 million, a 31 percent increase over 2004. IP/Ethernet DSLAMs contributed 41 percent of total ports, while Multi-Service Access Platforms and Broadband Loop Carriers contributed 11 percent or 2.3 million ports to overall DSL port shipments for the quarter. Vendor rankings by region are shown below.

Top Five DSL Vendors by Region, 4Q05

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

Source: broadbandtrends.com

IP-TV Market Consolidation Begins

Vendor consolidation in the IP-TV market segment has begun to accelerate, as vendors look to expand their scope, scale, market share and time to market for new, innovative solutions. The most recent announcement was TANDBERG Television’s acquisition of Skystream for \$80million in cash and stock. Skystream offers high density switched digital video headends for MPEG-2/MPEG-4 AVC encoding and transcoding. Skystream’s products are currently deployed by more than 300 customers including satellite, cable and IP-TV operators. Skystream posted 2005 revenues of \$30.7M, up 43% on 2004.

The second announcement was ICTV’s merger with Switched Media. The combination will leverage Switched Media’s live stream video processing capabilities with the interactive capabilities of ICTV.

Both announcements follow on the heels of Motorola’s acquisition of Kreatel and Cisco’s acquisition of Scientific-Atlanta.

How Low will at&t go with DSL Pricing? Try \$12.99!

Perhaps they were jealous of the success Verizon had with their \$14.95 DSL package in 4Q05, or maybe they were just feeling generous – but on February 3, 2006, the new “at&t” debuted a \$12.99 per months DSL service that will be hard for consumers to ignore. Offering speeds up to 1.5Mbps and requiring a twelve month commitment, at&t’s new pricing is lower that virtually every dial-up Internet plan on the market.

Vonage Files to Go Public, Gets new CEO

On Wednesday February 8, 2006, Vonage filed for its IPO and announced the hiring of a new CEO, Mike Snyder, while founder Jeffrey A. Citron would assume a new role as Chairman and Chief Strategist. Vonage plans to raise \$250 million to fund the expansion of their services.

The prospectus provides additional insight into Vonage's operations, including detailed information on revenues, cost of services, customer churn (2.1%), marketing and acquisition costs. The question is: does anyone really want this stock? Time Warner cable is already adding more subscribers per month than Vonage.

FCC Changes Position on A la Carte

The FCC recently issued a report on the packaging and sale of video programming, concluding that consumers could be better off with a la carte channels. The FCC stated its change in position was due to the fact that the first report, submitted in November 2004, "did not present an accurate or balanced picture of the consequences of increasing consumer choice" and was full of incomplete and incorrect analyses.

The FCC examined three models: mixed bundling (pure a la carte), themed tiers and subscriber-selected tiers and concluded that all potentially offer consumer benefits, as compared with bundling channels into tiers of service. According to the FCC, each option would allow some consumers to reduce their bills and permit others to purchase video programming that they do not currently receive because of bundled pricing.

Multimedia Over Coax (MoCA) adds second silicon vendor

The addition of Octalica to MoCA offers not only a second source for silicon, but will help drive down costs for OEMs and service providers. It also indicates that demand for MoCA based solutions is gaining ground. MoCA hopes to set the standard for networking digital entertainment around the home.

Research Highlights

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Recently published research includes the following:

▶ **Market Share Report:** *"DSL Port Shipments Reach Unprecedented Levels in 4Q05 & 2005"*

Published February 16, 2006

▶ **Research Note:** *"Vonage gets a new CEO; files for IPO"*

Published February 9, 2006

Upcoming reports include the following:

- ▶ 4Q05 Broadbandtrends Report: Global Broadband Subscribers by Region
- ▶ Annual Market Share Report: Global MSAP/BLC
- ▶ IPTV Report: Home Networking

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.

Vonage Quick Facts

Company Founded: January 2001

Product Launch: 3Q 2002

Capital Raised: \$658 Million

Number of POPs: 33

Subscribers: 1.4 million (2/8/06)

Regional Distribution: 95% U.S.

Technology: 60% cable, 40%DSL

Customer: 88% residential, 12% SMB

Direct Sales: 78%, Retail: 22%

60% Using LNP

Per-Subscriber Acquisition Costs: \$214

Rate Centers: Approximately 2500

Countries: Three (US, Canada, UK),
**Virtual Numbers in Mexico, Austria,
Spain, France, Italy, Ireland**

Retail Outlets: 8500+

IP Carriers: Level 3, UUNet, Global
Crossing

Service Provider News Highlights (February 2, 2006 to February 16, 2006)

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

- BellSouth Extends Relationship with DIRECTV (2/14/2006)
- MovieBeam Goes Nationwide with On-Demand Movies (2/14/2006)
- CTC Communications and Choice One Join Together (2/10/2006)
- GlobeVISION to target Asia-American market for on-demand TV (2/10/2006)
- CenterPoint Energy moves forward with BPL, but not for broadband (2/07/2006)
- Verizon launches FiOS TV in California, Picks up PA Franchise (2/07/2006)
- EarthLink introduces DSL and Phone Bundle (2/06/2006)
- Dallas and Fort Worth to Get Citywide WiMAX Network (2/03/2006)
- Packet 8 rolls out new features, adapter (2/02/2006)

Vendor News Highlights (February 2, 2006 to February 16, 2006)

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

- Telefonica using Broadsoft for VoIP (2/14/2006)
- BroadLight Opens Office in Japan; GPON Interest High (2/14/2006)
- Lucent and Ubiquity Software Sign Global agreement (2/14/2006)
- Lucent Provides Brasil Telecom With IMS Elements for VoIP Services (2/01/2006)
- Nortel moves towards ATCA Platforms (2/14/2006)
- ZTE Wins ADSL2+ Contract from China Telecom (2/14/2006)
- UTStarcom gets IP-TV win with China Telecom in Fujian Province (2/13/2006)
- Nokia launches UMA Solution (2/13/2006)
- Sonus Networks introduces FMC Solution (2/13/2006)
- NTL and ARRIS to field trial 100Mbps on CMTS (2/10/2006)
- China Telecom selects Alcatel for DSL Upgrade (2/06/2006)
- Tut Systems to resell Siemens IPTV Middleware (2/06/2006)
- Kasenna secures \$11m in funding (2/06/2006)
- Novera Optics Korea to Supply WDM-PON to KT (2/02/2006)
- Fujitsu Enhances North American Access Strategy (2/02/2006)
- Widevine offers Application-Level Encryption for Video Content Protection (2/02/2006)
- Optibase and Telrad Networks Cooperate in IPTV (2/02/2006)

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