

# THE VOICE OF BROADBAND

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Editor: Teresa Mastrangelo

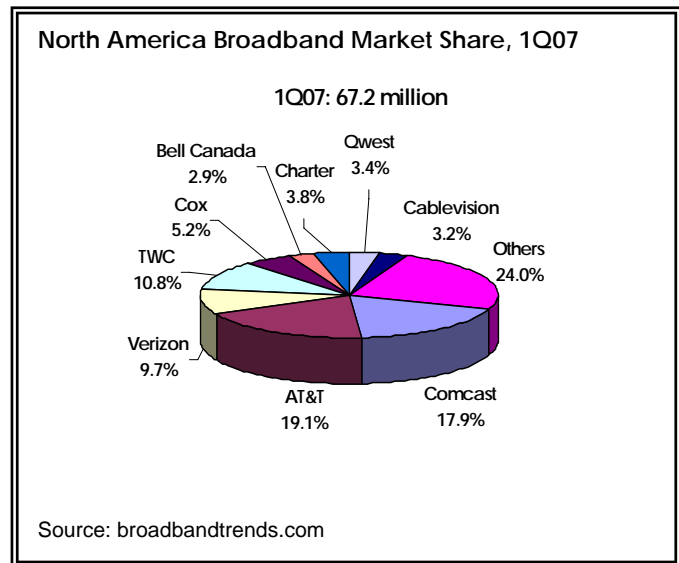
## Industry News

### U.S. Broadband Penetration Breaks Through 50% Mark

Total North American broadband subscribers reached 67.2 million, a 5 percent increase over 4Q06. DSL represented 44.5 percent of total subscribers; cable was 52.5 percent while the "other" category represented three percent.

Other Highlights include the following:

- ▶ At the end of 1Q07, there were 1.3 million FTTH subscribers
- ▶ RBOCs serve 39 percent of US Total Broadband
- ▶ Verizon's FTTH Net Additions will overtake DSL as early as 2Q07
- ▶ North America VoBB reached 12.4 million
- ▶ Cable VoBB represents 74 percent of North America VoBB subscribers
- ▶ Broadband penetration is 52% of U.S. households, 63% of Canadian households
- ▶ IOCs contribute 14.5% of total U.S. DSL subscribers



### ECI and Motorola Form Strategic Partnership

On Wednesday April 11, 2007, ECI and Motorola announced a strategic relationship enabling Motorola to brand, market and sell ECI's portfolio of access infrastructure solutions. The main focus of the global agreement is on OSP and IP-DSLAM products. Although the agreement is global (with the exclusion of France, Germany, Israel and Taiwan); the near term focus will be on North America, where Motorola has been given exclusive rights to sell the ECI portfolio for two years. From a strategic perspective we view this as a positive for Motorola, particularly after it left itself with few options to address the copper broadband segment when it capped investment in the Next-Level platform over a year ago. For ECI, this provides an opportunity to increase its North America presence and potentially position the company for future opportunities with other product lines. Despite the positives, there remain a number of concerns regarding whether they can overcome some serious challenges, such as existing customer migration, in order to achieve measurable revenue recognition and market share in the foreseeable future.

### HSDPA Deployments Continue to Accelerate

According to the most recent survey by the GSM Mobile Suppliers Association (GSA) 110 HSDPA networks are now commercially launched in 57 countries. This compares with 70 commercial networks in 39 countries 6 months ago and 18 commercial networks in April 2006. 52 operators are deploying 3.6 Mbps (peak) data capability in their networks, while a few are offering 7.2 Mbps (peak) commercial service. In the uplink direction, the first High Speed Uplink Packet Access (HSUPA) services have launched. HSUPA increases uplink data throughput up to 1.45 Mbps (peak) initially, later evolving to 5.8 Mbps (peak).

The survey indicates at least 19 networks have currently launched, are testing, or are rolling out HSUPA. According to GSA, at least 20 HSUPA-capable user devices have been launched.

**FCC Announces New Proceedings to Evaluate U.S. Broadband Market**

On Monday April 16, 2006, the FCC announced two proceedings focused on evaluating broadband deployment. The first is a Notice of Inquiry (NOI) into whether broadband services are being deployed to all Americans in a reasonable and timely fashion. The second is a Notice of Proposed Rulemaking (NPRM) exploring ways to better collect information in order to set future broadband policy and gain a better understanding of the overall market. While these initial steps by the FCC are encouraging, it may not be soon enough for a number of states and organizations that are calling for more aggressive targets and goals in order to increase speeds and ensure availability and affordability for everyone.

**IBM and Cisco Partner for IP-TV in EMEA**

On April 27, 2007, IBM officially announced its IBM Converged Communications Services for IPTV infrastructure. The service package, which was soft-launched in January 2007, consists of six modules: (1)Head-End from Cisco/Scientific-Atlanta; (2) Conditional Access from Verimatrix and IBM; (3) Video on Demand from Kasenna; (4) Core Network from Cisco; (5) Metro Network from Cisco; and (6) Access Network from Cisco and Allied Telesis

The solution will utilize Cisco's IP Next-Generation Network (IP NGN) architecture to deliver advanced video services. IBM will provide business consulting, technical consulting, implementation services and flexible financing services from IBM Global Financing. More specifically, IBM will perform the following:

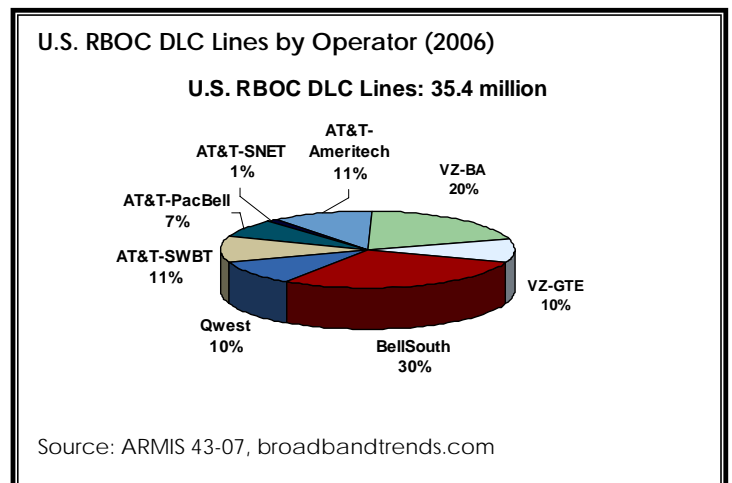
- Solution definition workshop
- Network consulting
- Readiness assessment
- Network design assessment
- Network diagnostic assessment
- Network integration and deployment
- Digital video integration and deployment
- Middleware and video-on-demand integration and deployment

**U.S. RBOC continue to embrace DLC platforms**

Recently published Digital Loop Carrier (DLC) deployment statistics reveal that DLC penetration at U.S. RBOCs continues to rise, even though operators are transitioning towards FTTx architectures. At the end of 2006, U.S. RBOC DLC Penetration increased slightly to reach 28.1 percent, in spite of accelerating access line loss.

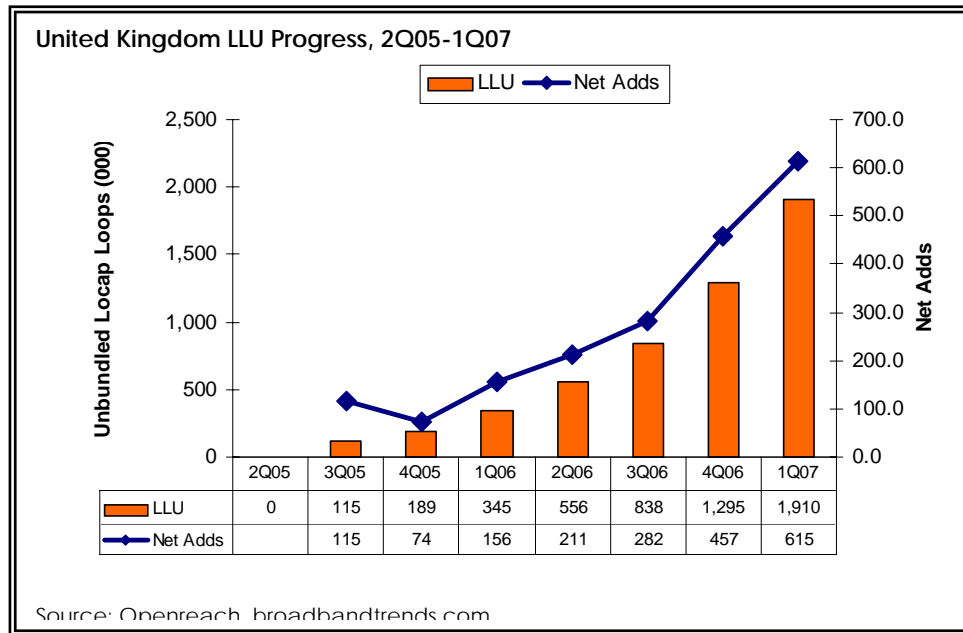
For 2006, total DLC port shipments increased by 13 percent, including a 23 percent increase in DSL port shipments and a six percent increase in DS0 port shipments.

BellSouth has the highest DLC penetration rate at 49 percent, while AT&T, with the largest number of DLC lines at nearly 11 million, is at 23 percent penetration. AT&T-PacBell continues to have the lowest penetration rate at 16.3 percent.



**Unbundled Local Loops in UK Break Through 2 Million**

Local Loop Unbundling (LLU) reached a major milestone in the United Kingdom this month, as total loops broke through the 2 million mark in mid-April, per the latest numbers from Openreach.



**Mergers, Acquisitions, Funding**

- Broadcom Acquires Octalica for MOCA Technology (May 4, 2007)
- Airvana Acquires 3Way Networks (May 2, 2007)
- Motorola Acquires Terayon (April 23, 2007)
- Comstar-UTS Acquires Golden Line (April 23, 2007)
- Jordan Telecom takes majority stake in Lightspeed Communications (April 16, 2007)
- Entropic to acquire RF Magic (April 11, 2007)
- Rinera Networks Raises \$9M in Series-A Investment (April 10, 2007)

**Selected News Highlights (April 11 to May 8, 2007)**

- Comcast Adds PowerBoost Capability to Upstream (May 8, 2007)
- Comcast to Launch Interactive SmartZone Communications Center (May 7, 2007)
- Motorola Introduces 'Cable PON' Ultra-Broadband Technology (May 7, 2007)
- TANDBERG TV intros Switched Digital Video (SDV) Solution (May 4, 2007)
- TXP Launches Family of GPON mini-ONTs (May 1, 2007)
- AT&T Adds U-Verse to 3 Southern California Metro Areas (May 1, 2007)
- Thomson Selected by SFR for Broadband VoIP Telephony Project (April 26, 2007)
- Telkom South Africa selects Alvarion for WiMAX (April 25, 2007)
- XO Standardizes on Hatteras for Mid-Band Ethernet (April 18, 2007)
- CableLabs Announces Tiered Test Program for DOCSIS 3.0 (April 17, 2007)
- Frontier Approves Adtran's TA5000 for Multi-Service Access (April 16, 2007)

## Research Highlights

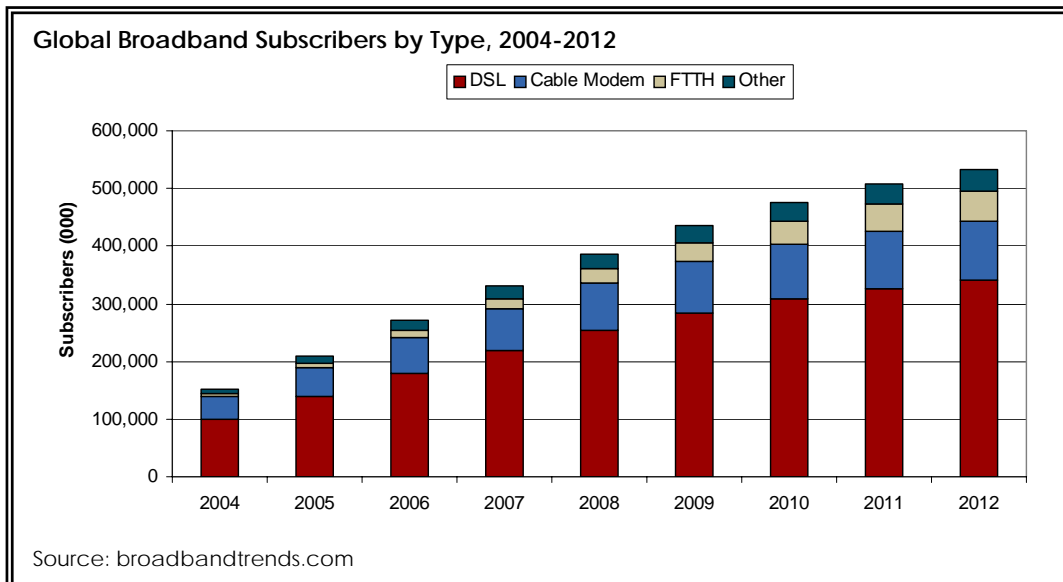
### Market Outlook Report: Global Fixed Broadband Subscribers to Reach 533 million by 2012

Global fixed broadband subscribers are expected to grow from 271 million at the end of 2006 to more than 533 million by the end of 2012, representing a CAGR of 12 percent. Strong regulatory and government initiatives will continue to accelerate broadband availability, while innovative services and applications such as IP-TV and FMC combined with lower prices will help drive adoption.

DSL will remain the dominant broadband technology throughout the forecast period, with 64 percent of total fixed broadband subscribers. FTTH will offer the strongest growth opportunity with 29 percent CAGR, while cable will be the lowest at 9 percent. Of the alternative broadband technologies, WiMAX holds the most promise for widespread deployment, while broadband over powerline and satellite will find limited market opportunity. It is expected that WiMAX will find its home in emerging and rural markets; however, it will likely be challenged by advances in mobile broadband technology.

Other Report highlights include the following:

- ▶ China will overtake the United States in 2010 to become the largest broadband market
- ▶ Asia Pacific FTTH subscribers will outnumber North America 3 to 1
- ▶ The “sweet-spot” for Other technologies (Satellite, WiMAX, BPL) will focus on rural and emerging markets
- ▶ Southeast Asia and Eastern Europe will experience strongest growth over the forecast period



This 39-page report contains (32) Figures, (6) Tables and a detailed accompanying spreadsheet. For more information on this report, please contact us at [sales@broadbandtrends.com](mailto:sales@broadbandtrends.com)

## New Reports

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Recently published research includes the following:

► **Research Note: "U.S. Broadband Penetration Breaks Through 50% Mark"**

Published 8 May 2007

► **Research Note: "Comcast Takes the Lead for North America VoBB from Vonage"**

Published 7 May 2007

► **Market Deployment Update: "U.S. RBOCs continue to embrace DLC Platforms"**

Published 26 April 2007

► **Research Note: "Is the United States Finally Getting Serious about Broadband?"**

Published 20 April 2007

► **Research Note: "Motorola and ECI Form Strategic Relationship for Broadband Access"**

Published 13 April 2007

## Next Issue: June 6, 2007

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