broadbandtrends.com
the voice of broadband

THE VOICE OF BROADBAND

May 19, 2008 **Volume 4, Issue 4** **Editor: Teresa Mastrangelo**

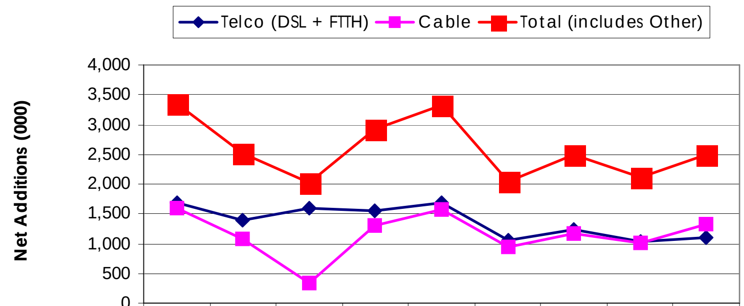
Industry News

Cable Roars back in NA after 13 Straight Quarters Behind Telcos for Broadband Net Additions

Cable operators staged a comeback during 1Q08, boosting net adds by nearly 30 percent, as North America's two largest operators, Comcast and Time Warner Cable, reported stronger than expected growth in broadband and telephony. In contrast, Telco net additions remained flat, as Verizon's FTTH net additions, could not make up the distance of disappearing DSL additions, which have almost dropped to zero.

For 1Q08, DSL represented 33 percent of total net additions; cable was 53 percent, FTTH was 12 percent and the "other" category represented two percent. For the first time, in 13 straight quarters, cable operators added more broadband subscribers than the combination of DSL + FTTH net additions from Telcos. Broadband net additions by Type are shown in below.

North America Broadband Net Additions by Operator Type, 1Q06 to 1Q08



	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08
Telco (DSL + FTTH)	1,692	1,385	1,594	1,553	1,696	1,060	1,235	1,039	1,111
Cable	1,601	1,073	345	1,297	1,565	933	1,170	1,018	1,322
Total (includes Other)	3,350	2,518	2,020	2,922	3,327	2,044	2,492	2,109	2,502

Source: broadbandtrends.com

Other highlights include:

- Voice over Broadband Subscribers stand at 19.4 million
- Cable VoBB Subscribers represent 79 percent of total; 91 percent of net adds
- IPTV Subscribers are estimated at 870,000
- Broadband penetration is 57% of U.S. households, 68% of Canadian households

Huawei Bumps Alcatel-Lucent Out of Top Spot for 1Q08 DSL Shipments

Broadbandtrends recently published it quarterly DSL market share report. Shipments of DSL ports declined during 1Q08, after hitting record levels at the end of 2007. Every region experienced a decline, except North America, which was flat during the quarter. The decline in shipments is most likely attributed to seasonality, as well as operators using up existing inventory. Total DSL port shipments were 22.7 million, a 14 percent decline over 4Q07, and an 8 percent decline over the same period in 2007.

For the first time, Huawei took the lead away from Alcatel-Lucent on a global basis, as its market share for the quarter was nearly 31 percent to Alcatel-Lucent's 29 Percent. Nonetheless, Alcatel-Lucent continues to lead in the rolling-4 quarter market share and commands a strong lead in CALA, EMEA and North America. Huawei continues to lead in Asia Pacific. Alcatel-Lucent remains the only vendor with a Top 5 position in every region.

Top Five DSL Vendors by Region – Current Quarter (1Q08)

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

Source: broadbandtrends.com

Other 1Q08 Highlights include:

- Alcatel-Lucent maintains market lead in rolling-4 quarter and IP-DSLAM market share
- Adtran experienced the strongest gains at 22 percent in the quarter, followed by Zhone and Huawei
- IP-DSL Ports represent 75 percent of total DSL ports, flat to 4Q07
- Shipments into CALA experienced the sharpest drop at 37 percent, followed by EMEA at 18 percent
- Alcatel-Lucent leads VDSL market with 53 percent market share, followed by ZyXEL And NEC

Sezmi Unveils Next-Generation Television Product

On May 1, 2008, Sezmi (formerly known as Building B) unveiled its Next-Generation Television platform. The system is based on its FlexCast™ video distribution technology that combines terrestrial digital broadcast television with existing broadband infrastructure to cost effectively deliver video content. The system utilizes available capacity in existing digital television broadcast networks and creates a private, secure broadcast transmission for content. In addition, Sezmi has developed a cutting edge, smart antenna indoor reception system that makes both its private broadcast and existing terrestrial TV broadcasts accessible in an unprecedented manner. This network-attached reception system can be placed in any location in the home and requires no user adjustments.

The Sezmi solution offers a complete viewing experiencing, which combines broadcast and cable network programming, movies and Internet video, allowing both live and on-demand viewing. A unique feature is the Sezmi remote control, which offers buttons for individual members of the household. Each user is presented with a personalized homepage-like screen that organizes a line-up of content that is specifically matched to the user's routines and preferences. Finally, and most importantly, the system was designed for self-installation, offering a simple, out-of-the-box wireless product that provides consumers a high quality television experience in minutes.

The solution is offered only in the United States and is currently in trials, with expected launch in 2008.

Clearwire & Sprint Create New "Clearwire" for Nationwide WiMAX Network

On May 7, 2008, Clearwire and Sprint Nextel a definitive agreement to combine their next-generation wireless broadband businesses to form a new wireless communications company. The new company, which will be named Clearwire, will be focused on expediting the deployment of the first nationwide mobile WiMAX network. It was also announced that Intel, Google, Comcast, Time Warner Cable, and Bright House Networks - have collectively agreed to invest $3.2 billion into the new company.

By combining wireless spectrum, the new Clearwire will be able to achieve greater coverage, cost and operational efficiencies, and bandwidth-utilization than either company could by operating alone. The new Clearwire is targeting a network deployment that will cover between 120 million and 140 million people in the U.S. by the end of 2010.

Google will partner with the new Clearwire in the development of Internet services, advertising services and applications for mobile WiMAX devices. In addition, Google will be the search provider. The new Clearwire will support Google's Android operating system software in its future voice and data devices that it provides to its retail customers.

Sprint, Comcast, Time Warner Cable, and Bright House Networks will enter into wholesale agreements with the new Clearwire, becoming 4G providers of new Clearwire's mobile WiMAX service.

The new network is expected to launch at the end of 2008 in Baltimore and Washington D.C. markets.

Big Changes for FTTH Municipal Networks in Utah and Municipal Wi-Fi networks across the U.S.

The dream of ubiquitous fiber-to-the-home service for 16 communities in Utah has turned into a nightmare, as the Utah Telecommunications Open Infrastructure Agency (UTOPIA) has been forced to refinance the cost of its network build-out and re-engineer its business model as the network is currently unable to support itself due to low subscriber levels and the resulting revenues. As such, UTOPIA has asked each of the 11 pledging communities to increase both the amount of their original financial commitment, as well as the length of that commitment. In addition, UTOPIA will require new customers to pay a significant "connection fee" of up to $3000 to help offset the high cost of connecting to the network and required at least 40 percent commitment of all homes in the city before construction will begin. At the end of 1Q08, the network had passed only 42,000 addresses – 25 percent of its original plan – and had only 7200 subscribers.

Not to be outdone, the City of Provo's iProvo network has also been losing money, forcing the city to sell the network to a private operator, Broadweave Networks. Network construction is complete, passing 36,000 addresses, and supporting 10,400 subscribers. Unfortunately, the business plan required 75 percent to take a triple-play package, while the actual number is only 17 percent – thus the network is not generating enough revenue to cover its costs.

Both networks were based on an open access model, which offered potential subscribers their choice of both service providers and services. Unfortunately, both networks have had difficulty securing providers and both presently only have one that offers a triple-play service. While the open access model has proven successful in Europe, it has yet to be a proven business model in the United States.

In another blow to municipal broadband networks, MetroFi announced plans to sell their networks in nine cities, which include Concord, Cupertino, Foster City, Riverside, San Jose, Santa Clara, and Sunnyvale in California, as well as Portland, OR and Aurora, Illinois. If no buyers emerge, MetroFi is expected to shutdown the networks within 30-60 days. This falls on the heels of Earthlink's decision to terminate its Wi-Fi network in Philadelphia – the last of its municipal Wi-Fi networks.

Food for Thought…..

Market Share Analysis

Virtually every market research firm publishes market share data on a number of coverage segments. Market Share data provides an indication of both market leadership as well as the actual size of the market in relation to shipment data and/or revenue. This is a critical data point and one that plays a significant role in market forecasting.

For consistency and comparative purposes, broadbandtrends provides market share analysis on both the current quarter, as well as a rolling 4-quarter. The rolling 4-quarter (four consecutive quarters) data point is the better indicator as it smoothes out the lumpiness of the individual quarters. This is particularly important in emerging market segments, where deployments are limited and actual shipment data is relatively small.

At the end of each quarter, market research firms typically issue a request for shipment data to all known participants in a market segment. In the case of DSL, we request the following information: DSL by type (ADSL, SHDSL, VDSL); By Platform (ATM DSLAM, IP DSLAM, Multi-Service Access Platform); and we will request each by region (Asia Pacific, CALA, EMEA and North America). To be clear, we request data on "shipped" equipment, not "contracted" equipment.

Unfortunately, not every vendor will provide all requested information. In the case of DSL, some firms will only provide revenue by region. In this case, it requires the analyst to estimate the number of ports shipped based on the average selling price per port in that particular region. Other firms will report data, but do not wish to be identified, and therefore will land in the "other" category.

We are often asked how we validate our information. Typically, this is through discussion with the individual vendors and through our own understanding of the state of the market (i.e. subscriber growth, network rehabilitation/network transformation projects, new service introduction, etc.)

From a broadbandtrends perspective – we have received data from every firm identified in our report. If we estimate data based on revenue, we clearly note it and if data has changed from a previous quarter we will also note that.

Under no circumstances, can data be validated via vendor press releases, nor will a service provider confirm its purchases from a particular vendor. It may validate that it is using that vendor, but it will not tell you how much it has bought in a particular quarter.

Finally, there is often debate as to whether a particular vendor has actually shipped the amount reported. While we believe there is the potential for "padding" of data, without any direct evidence we will never change, reduce or remove a vendor's data.

In short, when considering buying market share, ask questions to make sure the data you get is both reliable and accurate. A reputable firm will be able to answer all of your questions without hesitation.

Mergers, Acquisitions, Funding

- Broadweave buys iProvo Network (May 7, 2008)
- Sprint & Clearwire to Create New Mobile WiMAX Company (May 7, 2008)
- CopperGate Buys HomePlug AV technology from Conexant (May 7, 2008)
- iamba Networks secures $7 million in funding (May 5, 2008)

New 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 our website: http://www.broadbandtrends.com/services.htm

Recently published research includes the following:

▸**1Q08 Market Share Report "*Huawei Bumps Alcatel-Lucent for 1Q08 DSL Leadership*"**
Published 13 May 2008
▸**Research Note: "*North American Broadband Subscribers Reach 76.3 million in 1Q08*"**
Published 12 May 2008
▸**Research Note: "*UTOPIA's Problems illustrate Municipal Broadband Challenges*"**
Published 12 May 2008

Selected News Highlights (April 16, 2008 to May 19, 2008)

- AT&T Introduces U-verse for Small Business (May 13, 2008)
- Mediacom to Launch 20Mbps/2Mbps Service (May 13, 2008)
- Vonage and Covad Form Strategic Relationship (May 8, 2008)
- CopperGate Hits 5M HomePNA Chipset Shipped Milestone (May 7, 2008)
- HomeGrid Forum formed for multimedia home networking (April 29, 2008)
- Qwest Launches 20Mbps DSL Service (April 24, 2008)

Next Issue: June 23, 2008

For previous issues, please visit: http://www.broadbandtrends.com/Newsletter.htm. Pass it along! To subscribe, please send an email with "subscribe" in the subject to editor@broadbandtrends.com. To unsubscribe, please send an email with "unsubscribe" in the subject to editor@broadbandtrends.com.

THE WINDSOR OAKS GROUP

The Windsor Oaks Group LLC is an independent market research and consulting firm specializing in the coverage of network transformation activity related to broadband infrastructure and services, including IP-TV, VoIP and NGN.