



Building Owners: Capitalize On This New Telecom Shift

By Jason Marcheck ■ *Confluence Research Group*

Two events in mid-2004 confirmed an important shift in strategy on the part of large local telecom companies. As some of my analyst colleagues have been pointing out, the events are key to the survival of these giant firms as staples in the American marketplace. In what is, in many ways, a fundamental strategic realignment, it is becoming clear that RBOCs are recognizing that in order to remain viable in the modern world of On Demand programming and UNE-P (unbundled network element) competition, the spread that butters their bread will be found less in the realm of providing services to businesses, and more in competing for every last dollar to be garnered from residential customers. While it is obvious the residential market has always been important to RBOCs (and indeed to any ILEC), providing high dollar services to enterprise customers has been the coal in the fire. However, the rise of IP-telephony, and UNE-P requirements has created a situation where business services no longer offer the safe, windfall revenues that were once as dependable as flowers in springtime.

Evidence of this shift can be seen in the recent capex allocations of both Verizon and SBC. At SuperComm, SBC announced that it would be embarking on a \$4 to \$6 billion program of deploying Fiber-to-the-Node networking in order to facilitate the delivery of video services. (Its second \$6 billion initiative in the past 3 years aimed primarily at enabling advanced telecom services in the residential market.) Then, shortly after the dust settled from SuperComm, Verizon announced that it will spend \$5 bil-

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lion upgrading its wireless infrastructure with Lucent gear over the next several years. These announcements give an indication that both carriers are spending big on putting in place the requisite equipment to deliver the latest and greatest services, and also are making the delivery of those goodies to residential customers a high priority.

At the risk of stating the obvious, these actions make a lot of sense. The opportunity to grow revenues from business customers no longer holds the potential for an RBOC that the residential market offers. Furthermore, with wireless and video becoming the two prime areas in which customers are willing to spend increasingly larger amounts of money for additional services, telephone companies could be in the position to offer bundles that might just trump the packages that cable companies can offer. (Assuming that the phone companies can actually do video.) Indeed, if the remnants of Ma Bell are to survive in the long term, they will have to continue cultivating this newfound *amour* for home users.

These developments should be greeted by the readers of this magazine with nothing less than jubilation. First, the multi-housing unit market remains the best place for any telco to begin the rollout of video services. Scale, loop lengths (especially now that SBCs announcement has re-

fueled interest in VoDSL solutions) and customer concentration make the economics attractive. Second, even if doing business with an RBOC is not your cup of tea, these developments will undoubtedly stoke the creative fires of equipment vendors. As such, network entrepreneurs like Philadelphia's Campus Technologies (See: *Delivering integrated services in University City, Philadelphia* by Andrew Marshall in the April 2004 issue) should certainly benefit from an increase of products designed to enable such network configurations.

The MDU Proving Ground

Lost in the pile of greenbacks that SBC seems willing to devote to FTTN is a potential market reversion that could have a major impact on the FTTP movement that has seemed to gain traction over the past 18 months. Prior to the RFP jointly issued by BellSouth, SBC and Verizon in June 2003, companies such as NextLevel Communications, with its VoDSL-friendly equipment, were making measurable inroads into the broadband access market. However, as this RFP made fiber to your front porch seem like a near-term strategy for three quarters of the country's RBOCs, anything DSL began to appear almost passé. Nevertheless, as DSL adoption rates continued to explode, and SBC and BellSouth back-pedaled from committing to an



FTTP rollout, suddenly DSL started to appear less like an interim technology, and regained some of the luster that it enjoyed as a tradeshow darling during the heyday of the DSLcon and ISPcon gatherings from 1999 through mid-2001. Now, even FTTP torch-bearer Verizon is telling us that it is reinforcing efforts to deploy remote DSLAMs for the primary purpose of providing rural customers with plain old DSL service. (Shall we alert industry-watcher Harry Newton that a

new acronym—PODSL—might have been born in the pages of *Broadband Properties Magazine*?)

The impact of these episodes has VoDSL back in play as more than a niche novelty. And, as readers of this magazine remember well, VoDSL and MDUs go together like fireworks and the Fourth of July. In fact, while SBC still has some requisite foot shuffling to engage in before it moves ahead with this latest fiber plan, I expect that sometime during either fourth quarter of 2004, or first quarter of 2005, the company will announce a VoDSL pilot project in some posh conglomeration of housing units in a high-profile location. I further expect to see some new equipment announcements aimed at fitting MDUs with VoDSL to take shape during a similar timeframe. (I know this is not the Crystal Ball issue, but the newly formed family of products resulting from Motorola's acquisitions

of NextLevel and Quantum Bridge could yield an interesting end-to-end VoDSL solution.)

In closing, let me reiterate that I believe we are on the cusp of a truly exciting period of activity concerning the residential telecom market. Initiatives aimed at deploying the wireless, and fiber-driven wireline applications that were relentlessly hyped prior to 2001 are beginning to coalesce in a way that could produce yet another fundamental change in the way we view telecommunications and entertainment. MDUs are set up to be a staging ground for much of this change. As a building owner, you must see to it that your building is at the center of the action. ■

About the Author

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