

**focus:** Government and broadband access; dialup versus broadband access

## **In-Stat: DSLAM Market Reaches Maturity, Ultra-Mobile PCs Poised to Take Off**

SCOTTSDALE, AZ – With Internet users needing faster connections for multimedia applications, the global market for Digital Subscriber Line Access Multiplexer (DSLAMs) will grow to 89.1 million ports by the end of 2010, up from 76 million in 2005, according to research firm In-Stat ([www.in-stat.com](http://www.in-stat.com)). (The DSLAM is the device that links multiple Digital Subscriber Lines to the high-speed backbone.) Dial-up users moving to broadband and broadband users moving to higher-speed lines are creating growth in the DSLAM market, the high-tech market research firm says. However, because port growth is slowing and prices are falling, total market revenues will decline over the next five years.

In-Stat also predicts that users will continue to move from stand-alone DSLAMs to multi-service access platforms, and that IP DSLAMs will merge into full Ethernet service platforms.

Another In-Stat report predicts that sales of ultra-mobile PCs could reach 7.8 million units by 2011. These new handheld, low-power devices, backed by Microsoft and Intel, are being produced by several OEMs, including Samsung. They overcome many of the computing limitations of cell phones as well as the mobility limitations of laptop PCs. However, according to In-Stat, their success in the marketplace will depend on the emergence of high-speed wireless networks and easy access to music and video content.

## **Nets Worldwide Invest in Triple Play**

CAMPBELL, CA – Offering triple-play services has become a necessity for providers, not just a way to increase revenue, according to a new study by Infonetics Research ([www.infonetics.com](http://www.infonetics.com)). Network operators are redefining and realigning themselves as one-stop shops for all things digital, and they believe triple-play services will give them the competitive edge they need to succeed.

While VoIP is a big draw for triple-play providers, video is the newest, most exciting, and most technically challenging service, and IPTV is where the action is. The fastest-growing video service is iTV (interactive TV), which includes TV-based instant messaging, shop-at-home, click-to-call and click-to-purchase capabilities, and, most significantly, online gaming services.

North American, European, and Asia Pacific service providers participating in the study (Service Provider Plans for IP Triple Play) report spending nearly 40 percent of their 2005 capital expenditures on triple play network equipment and receiving more than 40 percent of their revenues from triple-play services. The percentage is much higher for smaller providers than for large incumbents.

The majority of them plan to increase capex spending in the next 12 months on IPTV equipment, broadband CPE, broadband aggregation equipment, and voice over broadband equipment, and they expect revenue growth in all areas of triple-play services.

## **IPTV Equipment Sales to Boom, Says Infonetics**

CAMPBELL, CA – The fanfare around IPTV is more than just hype, says a new report by Infonetics Research ([www.infonetics.com](http://www.infonetics.com)). According to the report, equipment sales, service revenue, subscribers, and service provider capex all increased dramatically between 2004 and 2005, and are expected to explode by 2009.

With worldwide IPTV subscribers expected to swell to 53 million by 2009, service providers are busy investing in IPTV equipment. In 2009, \$26 billion of worldwide service provider capital cost will be spent on IPTV infrastructure. Today, carriers' IPTV investments focus on transport infrastructure – higher-bandwidth platforms for ADSL2+, VDSL2, and FTTH. Over the next four years, according to Infonetics, their investments will shift toward content infrastructure, so they'll spend more on video-on-demand servers, encoders, content security platforms, and headend equipment.

Meanwhile, worldwide IPTV equipment revenue will surge to \$6 billion, and service revenue will jump to \$38 billion. Broadband service providers with DSL and FTTH services account for the bulk of IPTV service revenue today, but cable broadband providers will also migrate to all-IP triple-play services in the next few years, and offer wireless services as well.

## RBOCs Have a Strong Quarter for Broadband: Ovum

**BOSTON** – According to research firm Ovum ([www.ovum.com](http://www.ovum.com)), all four RBOCs reported strong demand for DSL and FTTH in the first quarter of 2006, with broadband additions up 9.2 percent over the first quarter of 2005. AT&T leads in broadband subscribers at 7.4 million, while Verizon has 5.7 million, BellSouth has 3.1 million and Qwest added a record-breaking 198,000 broadband subscribers for a total of 1.7 million.

According to Ovum's research, in order of importance, consumers make their broadband purchasing decisions based on price of the service, download speeds and the type of bundle offered.

The need for speed is growing in importance, Ovum says. At Qwest, for example, 90 percent of new subscribers opt for speeds of 1.5Mbps or higher, and the company is working to offer new service levels of 7Mbps and above. Higher speeds allow the RBOCs to compete against cable and to offer triple-play services like IPTV.

As popular as high-speed service is, there is still a demand for low-priced services. Verizon and AT&T continue to lure dial-up users to broadband with sub-\$15.00 offerings. Qwest and BellSouth also enjoyed strong growth from dial-up users. In some markets, Verizon and AT&T increased download speeds without raising prices – a tactic pioneered by the major cable operators.

Qwest and Verizon noted the growing importance of the bundle to the bottom line and to the reduction of churn. As consumers learn to think in terms of bundles, they will purchase bundled voice, video and data services in record amounts in 2006, Ovum says. AT&T and Verizon continue to invest in upgrading their infrastructures to support triple-play, while Qwest continues to improve its broadband infrastructure as it looks to offer IPTV in three markets in the near future.

At the same time that RBOCs are adding broadband subscribers, they are losing voice subscribers to cable, VoIP, and wireless. Ovum expects this trend to intensify as Charter, Comcast, Cablevision and others become more aggressive in deploying VoIP services.

## Verizon Concerned with Fiber-to-the-Business: Report

**CHANTILLY, VA** – According to a recent report by BIA Financial Network ([www.bia.com](http://www.bia.com)) and Telecom Pragmatics ([www.telecompragmatics.com](http://www.telecompragmatics.com)), Verizon's access strategy is based not on delivering fiber to residential customers, but on deploying high-speed bandwidth links to as many large enterprise customers as possible.

Just as in the old days of Ma Bell, when higher margins from long-distance subsidized the costs of local service, Verizon appears to be counting on high profitability from FTTB to make up for expected shortfalls with FTTH installations. The vast majority of Verizon's fiber installations are along the Interstate-95 highway corridor, and most of the large businesses in its territory are located within 20 miles of I-95.

"Verizon's primary concern is in becoming the leading managed service provider to the enterprise space in the nation," says the report's author. "Providing services to residential subscribers is truly a secondary concern."

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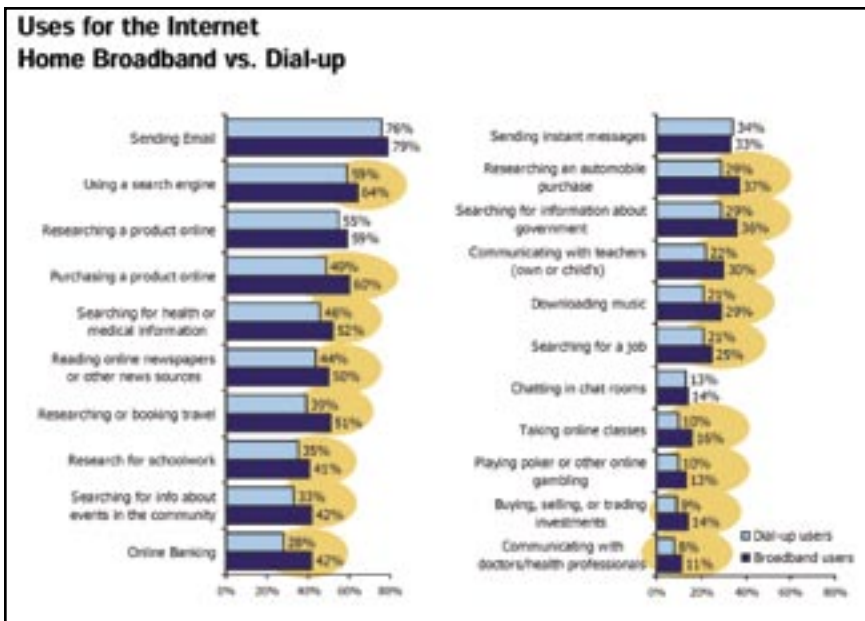
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## Broadband Use Climbs in Kentucky; Uses Increase Across the Board

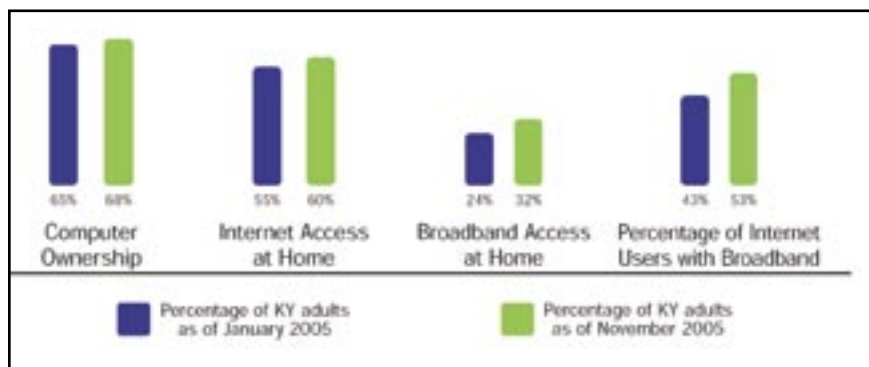
LEXINGTON, KY – The growth rate in the number of Kentuckians who subscribe to broadband services was dramatic last year, the ConnectKY project reports. “In January 2005, only 24 percent of Kentucky adults subscribed to broadband. By November, this number had increased to 32 percent, pulling within one percentage point of the national average of 33 percent.” The state had lagged the nation but is catching up.

“The growing availability of broadband Internet across the Commonwealth is having another effect.... The increased adoption of popular Internet applications helps create opportunity for developers of applications and providers of Internet service. In turn, Kentuckians benefit from a wider variety of applications, making the Internet more relevant. For example, many people interact with teachers using broadband (see chart).”

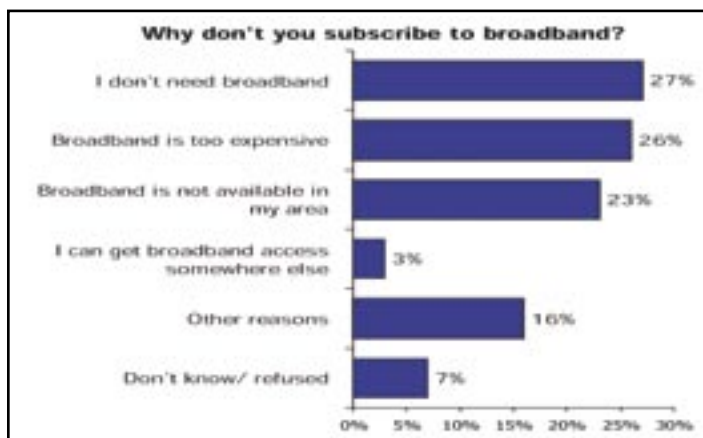
Even so, county-by-county data in Kentucky shows that more than 77 percent of Kentucky households can now subscribe to broadband, but only 32 percent of Kentucky adults actually do so.




Adult broadband users use the Internet more than dialup users. Results from one of the largest studies of its type, conducted in Kentucky by the ConnectKY Technology Assessment Study last year and recently released. Includes results from 3,179 adults with dialup access and 2,599 adults with broadband access from home.



Internet users who have switched from dial-up service to broadband. As work began on the Prescription for Innovation [project in January 2005], 43 percent of Internet users in Kentucky were broadband subscribers. By November 2005, the number was 53 percent.



Cost does count. A quarter of Kentucky adults who already use dialup say broadband is too expensive to subscribe. Source: 2005 ConnectKY Technology Assessment Study, n=3,179 adults with dialup access at home.

Government		Mercer County		
<p>● Mercer County's Benchmark Assessment Results are presented in red.</p> <p>■ Mercer County's Vision for this Sector is presented in blue.</p>				
<p>Least Connected</p>  <p>Most Connected</p>	Stage	Networked Places	Applications & Services	Leadership
	0	Not using the Internet.	No Website.	There is no technology or telecom plan.
	1	Select employees have access to the Internet through a dial-up connection.	Some employees use the Internet for e-mail purposes.	The Internet is seen as a possible way to enhance the basic daily operations.
	2	Some employees have e-mail accounts.	<p>● Most public agency Websites offer informational features such as community calendar, staff directory, and downloadable forms.</p> <p>Customers rely mostly on postal mail and telephone to conduct business.</p>	<p>● Public agencies do not have a strategy for how best to use e-government.</p> <p>Minimal telecommunications planning has occurred.</p> <p>Elected officials are not involved in telecommunications issues.</p>
	3	<p>● Many employees have e-mail accounts.</p> <p>Some field workers are collecting data on laptop computers or palmtops.</p> <p>Webcams are starting to be deployed.</p>	<p>Some e-government applications are available, such as simple building permit applications, e-mail listserv and some downloadable forms.</p> <p>E-mail from residents is manually routed to the appropriate departments.</p> <p>Some agencies routinely use the network to share data.</p>	<p>Government staff is actively involved in framing technology and telecommunications issues.</p> <p>Processes are underway for enhancing connectivity, rights-of-way management, and IT innovation.</p> <p>Employees are trained and knowledgeable on basic applications.</p>
	4	<p>■ Some field workers use wireless networks to upload and download data in the field.</p> <p>Some employees are using desktop videoconferencing.</p> <p>Sensors and webcams monitor locations, such as rivers, that may be a threat to public safety.</p>	<p>Customers can make routine payments, such as parking fines, online using credit cards or EFT.</p> <p>Parks and recreation classes can be registered for online.</p> <p>Building inspections and violations can be entered from the field.</p>	<p>■ Some agencies have a formal policy that allows some employees to work at home at least one day a week.</p> <p>Rights-of-way and tower siting policies are in place.</p> <p>Elected officials understand the importance of the network for economic development and quality of life.</p>
5	<p>The telephone system is being converted to VoIP to save money.</p> <p>Many field workers use wireless networks to upload and download data in the field.</p> <p>Critical traffic signals are connected.</p> <p>Desktop videoconferencing is widely available.</p>	<p>■ Interactive applications, such as customer relationship management, online GIS, and video streaming are in regular use.</p> <p>Employees manage benefits programs on an intranet.</p> <p>Emergency response teams can reliably communicate across jurisdictions.</p> <p>Council meetings are indexed and available for searching and retrieval online.</p>	<p>The government has telecommunications, e-government and IT master plans in place to guide its efforts.</p> <p>Innovative processes are used to collaborate with the private sector.</p>	

What governments have to do to leverage broadband for their own uses. Example is a benchmarking assessment for Mercer County, Kentucky.