

THE VOICE OF BROADBAND

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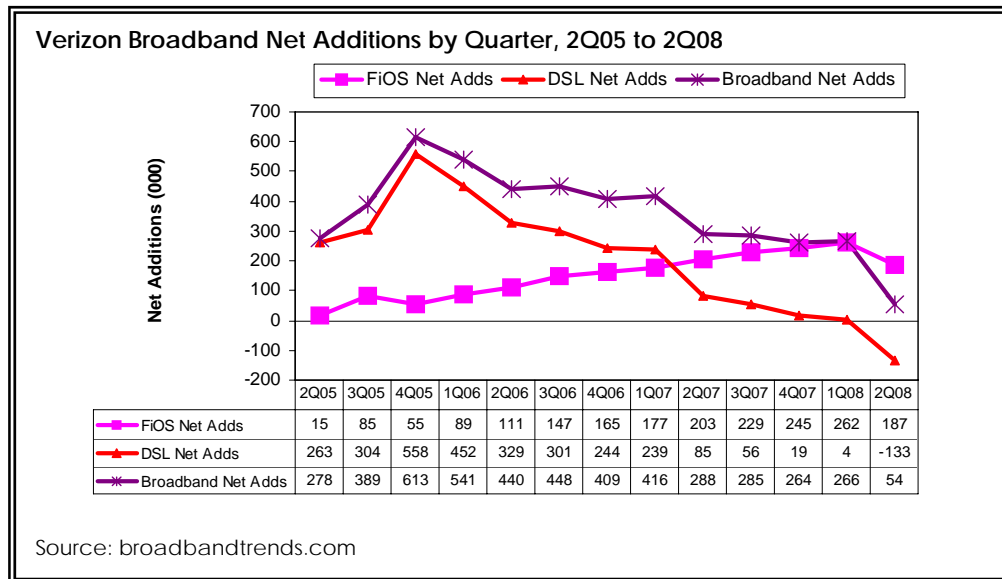
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Editor: Teresa Mastrangelo

Industry News

How the Mighty Fall: North America DSL Net Additions Nose Dive; Cable Appears Steady; FTTH Flat

Although only a handful of North America operators have reported subscriber data for 2Q08, all indications are that DSL will experience its worst quarter on record. AT&T started things off by adding only 46K broadband subscribers (down 90 percent from the previous quarter), followed by Verizon which added only 54K broadband subscribers. Verizon magnified the problem, but indicating that they actually experienced an overall decline in DSL subscribers (by 133,000), even with numbers adjusted for the New England property divestiture. On the other hand, cable operators appear to be weathering the crisis in much better shape. Although cable modem net additions are down from previous quarters, their decline is far less dramatic than that experienced by DSL operators. Final North America broadband numbers will be published around August 15, 2008.



Sprint to launch AIRAVE Femtocell product nationwide

Sprint announced the commercial availability of its AIRAVE service. The service requires both a broadband connection as well as a Sprint CDMA phone. The service will support up to 3 simultaneous users, but will allow up to 50 users to register to the base station and will provide coverage over a 5,000 sq ft area.

Any Sprint CDMA handset can use the AIRAVE device. However, the customer must have the unlimited calling plan on their account in order to take advantage of the unlimited calling plan.



Calls initiated on the AIRAVE will transfer automatically to the Nationwide Sprint Network when leaving the AIRAVE coverage area, but Calls made outside the AIRAVE coverage area are not transferred to the AIRAVE device. The device will sell for \$99.99 and customers are required to subscribe to the AIRAVE enhanced coverage plan for \$4.99/month in addition to the customer's regular wireless voice plan.

Verizon Launches FiOS TV in NYC – after getting final Franchise Approval

On Monday July 28, Verizon officially launched its FiOS TV service to 300,000 residences across all five boroughs of New York City. By the end of the year, Verizon expects to have FiOS TV available to 500,000 residences, or about 15 percent of the total market. This launch follows Verizon's commitment to an aggressive build out schedule to pass 100 percent of both single family and multi-dwelling units across the five Boroughs with its FiOS network by June 30, 2014. Verizon faces competition from Time Warner Cable and Cablevision across the New York City franchise area.

As shown, 29 percent of the City will be passed by the end of 2008, 54 percent will be passed by the end of 2010, and 100 percent is targeted by 2014. Staten Island, which began FiOS deployments in 2005, will be the first borough to be completely built out – it also has the largest concentration of Single Family Units and is also the smallest of the five boroughs.

Percentage of Cumulative Premises Passed by Borough

Borough	Type	2008	2009	2010	2011	2012	2013	2014
Manhattan	SFU	98%	100%	100%	100%	100%	100%	100%
	MDU	57%	62%	66%	73%	82%	91%	100%
	Total	57%	62%	67%	73%	82%	91%	100%
Bronx	SFU	30%	46%	59%	69%	84%	96%	100%
	MDU	6%	23%	39%	58%	75%	92%	100%
	Total	13%	29%	45%	61%	77%	93%	100%
Queens	SFU	23%	39%	55%	69%	82%	95%	100%
	MDU	7%	21%	37%	54%	72%	93%	100%
	Total	15%	30%	46%	61%	77%	94%	100%
Staten Island	SFU	98%	100%	100%	100%	100%	100%	100%
	MDU	100%	100%	100%	100%	100%	100%	100%
	Total	98%	100%	100%	100%	100%	100%	100%
Brooklyn	SFU	17%	33%	47%	63%	77%	92%	100%
	MDU	8%	27%	42%	57%	76%	93%	100%
	Total	12%	30%	45%	60%	76%	93%	100%
New York City	SFU	32%	46%	59%	71%	83%	95%	100%
	MDU	27%	40%	51%	63%	78%	92%	100%
	Total	29%	42%	54%	66%	79%	93%	100%

Source: broadbandtrends

As part of its promotion for the launch, Verizon is offering a triple-play package of voice, video and data for \$95 per month. This includes 20Mbps/5Mbps FiOS Internet service, Verizon Freedom Essentials telephone service with unlimited local and long-distance calling and FiOS TV service with 54 free HD channels.

BT Announces £1.5 billion investment in Super Fast Broadband

BT today announced plans to roll out fiber-based, super-fast broadband to as many as 10 million homes (about 40 percent of the total) by 2012. However, BT noted that "a supportive and enduring regulatory environment is essential if this investment is to take place". This would include the removal of current barriers to investment (such as unbundling the local loop) and making sure that anyone who chooses to invest in fiber can earn a fair rate of return for their shareholders. FTTH deployment will be focused primarily on new build sites such as Ebbsfleet and the Olympic Village while FTTC will likely be deployed everywhere else. FTTH will offer speeds of up to 100Mbps, while FTTC will be 40Mbps, but possibly up to 60Mbps.

In short, a big announcement with no real substance behind it. I'll believe it when I see it.

Mergers, Acquisitions, Funding

- BT Acquires Ribbit (29 July 2008)
- Cisco to acquire Pure Networks (23 July 2008)
- Verimatrix gets Series C Round (23 July 2008)
- SOMA Networks raises \$51 million (18 July 2008)
- TranSwitch acquires Centillium (9 July 2008)
- PacketFront Raises €26M for growth (2 July 2008)

Food for Thought.....i-Phone 3G

I owned a 3G i-Phone for exactly 4 hours.

I live in a relatively small community, served by only two AT&T stores. So on Friday July 11, I decided I would drive to my local AT&T store to see about buying an i-Phone. To my surprise, there were only 5 people in line, so I decided it was an omen that I must get an i-Phone. After about a 30 minute wait, it was my turn. I find myself being insulted by the salesperson regarding my apparently outdated (2-year old) Motorola phone ("how old is this phone? I haven't seen a phone like this in years!"), but nonetheless, I buy myself an 8Gbp black i-Phone. After paying my \$199 and committing another 2-years to AT&T, I am told that in order to complete my activation, I will need to hook my phone up to my computer and i-Tunes will complete the activation in about 15 minutes.

Get home, plug in the phone and.....NOTHING, except finding out that I needed to update my i-Tunes software for only the 7th time in the last 12 months. That process took over an hour. Still nothing. Reboot computer. Nothing again. Check USB ports. Reboot. Nothing. My computer is not even recognizing that the device is connected. Call AT&T customer support and am told that there is a problem with the servers, but everything should be working soon. 2 hours later, nothing is happening. Call AT&T customer support again, but this time they talk to Apple. Find out that not only are the activation servers down, but so are the i-Tunes servers. I am told not to unplug the phone or it will "reset" my place in the activation queue. Great. I've only unplugged the device about 10 times. It isn't until I do a search on i-Phone activation problems did I find out the extent of the issues. I have now committed nearly six hours to my i-Phone that is still not working, meanwhile they have deactivated my other phone. I am so frustrated and beyond mad at this point, so I take it back to the AT&T store. I am insulted again by the same salesperson who tells me that apparently "I just can't hang with the big boys". I say that I have been without phone service for 5 hours and I've had enough. I get charged a 10% restocking fee for a phone that was never activated and I am sure resold within minutes.

In short, if I had simply been told from the beginning that I might not have a working phone that day, I would have accepted that. At no time during the wait in line, or in the store, were any of us told that there were problems with the activation servers, even when they knew about the problems before the phones were even on sale in the United States.

In hindsight, I can't believe I wasted the better part of an entire day over a phone – even a pretty cool one. The end result – AT&T is mostly likely going to lose me as a mobile customer.

New Reports

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<http://www.broadbandtrends.com/services.htm>

Recently published research includes the following:

► **Industry Perspective "Next-Gen PON – All Roads Currently Lead to 10G,"**

Published 29 July 2008

► **Research Note: "NSN's GPON Exit Highlights Challenges of FTTH Market"**

Published 18 July 2008

Selected News Highlights (July 2, 2008 to July 31, 2008)

- DISH Takes HD to 1080p (3 July 2008)
- Hitachi & Airvana partner on Femtocells (30 July 2008)
- BT Acquires Ribbit (29 July 2008)
- Alcatel-Lucent & Airvana partner on Femtocells (29 July 2008)
- Comcast Offers Wii™ Systems to New Triple Play Customers (29 July 2008)
- Verizon intros next-gen FiOS Gateway (23 July 2008)
- UTStarcom Debuts IPTV-Based Video Advertising Network (21 July 2008)
- Femto Forum selects TR-69 for femtocell management (16 July 2008)
- Alvarion Earns First USDA RUS Acceptance for WiMAX (9 July 2008)
- DIRECTV Launches On Demand Service (1 July 2008)

Next Issue: August 25, 2008

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