

3.9 CARRIERS FAILURE TO ADDRESS NGB INFRASTRUCTURE REQUIREMENTS

Most of the incumbent carriers and cable companies in OECD countries believe that advances in DSL and cable modem technologies should provide the necessary bandwidth to support NGB services. As a result, with the exception of Japan, Korea, and at least one RBOC (Regional Bell Operating Company) in the US, there is little interest in investing in new FTTH facilities and their current business model is to upgrade the existing broadband platform as required to offer NGB services. In that respect, their argument is that they are fully positioned to address these requirements.

In a study conducted for the FTTH Europe Council on FTTH deployment in Europe (EU 25, Norway and Iceland) in 2004[xix], IDATE identified 167 locations where FTTH initiatives had been launched by 103 public or private organisations. Of those initiatives, incumbent operators were involved in only 7.8%. The reasons cited in the report for the relative lack of investment in FTTH, was that the incumbent and alternative operators were focussing most of their resources on DSL rollouts. Although there have been some FTTH rollouts by competitive operators, such as Bredbandsbolaget (Sweden), Fastweb (Italy) and Cité Fibre (France), it amounts to less than 10%.

In a 2004 report prepared by the Yankee Group on the European FTTH market[xx], it noted that over the medium term, there is likely to be very little FTTH investment by incumbents and alternative operators in Europe. It cited as reasons the high cost of fibre deployment relative to that of deploying the newer higher-speed DSL technologies over the existing networks. Yankee Group noted that in general, the European networks had the advantage of newer copper, distributed central offices, and shorter average loop lengths, which are all advantages for providing newer DSL technologies. The report found that of all the European PTTs, only TeliaSonera (Sweden and Finland) and KPN (Netherlands) have demonstrated any interest in commercial FTTH deployment.

Up until 2003, there had been reluctance on the part of the larger US incumbent carriers (RBOCs) to deploy FTTH. In a study undertaken on US FTTH deployment in 2003, it was estimated that the RBOCs accounted for only about 3% of the total. One of the major concerns cited by the RBOCs in building FTTH networks was concern over having to allow competitive access to them. In February 2003, the Federal Communications Commission (FCC) released its decision that it would not require the RBOCs to provide access and discounted rates to competitors for new broadband facilities such as fibre-optic networks. In May 2003, the three largest RBOCs (BellSouth, SBC, and Verizon) announced that had reached agreement on a common set of technical specifications for the deployment of FTTH. These three RBOCs account for 136 million of the 187 million access lines (73%) in the US.

In January 2004, Verizon announced that it would begin widespread deployment of fibre to businesses and residences with the target of reaching 1 million subscribers by the end of the year. Its main service offering is the FIOS Internet Service, which provides customers with broadband speeds ranging from 5 Mbps to 30 Mbps. Verizon intends to have 3 million homes passed by the end of 2005 and by 2010 to pass 20 million homes amounting to about 60 percent of its customer base[xxi].

REFERENCES

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