

FTTH Customer Base Continues Strong Expansion

Canadian and Mexican deployers helped buoy North American fiber-to-the-home deployments, and growth in video use has buoyed revenues. Will Wall Street take notice?

By Steven S. Ross / *Broadband Communities*

With almost 1.4 million homes newly passed by fiber in the six months ending March 2013, the pace of fiber-to-the-home deployment in North America is exceeding long-term trends, even though it could not match the torrid pace of the prior six-month period.

The data comes from market researcher Michael Render of RVA LLC, who released his latest census of deployments as May drew to a close. His data gathering is funded in part by the Fiber to the Home Council Americas.

The slowdown from the prior six months, long predicted by Render, is due almost entirely to the windup of the U.S. stimulus program, which poured almost \$7 billion into broadband projects starting in 2009. Fiber projects, both FTTH and middle-mile, dominated stimulus spending. Although the stimulus spending was dwarfed by Verizon and AT&T capital investment involving fiber in the same period, the needs of diverse stimulus-funded deployers (more than 400 local exchange carriers and municipalities) helped keep the industry's North American vendors afloat.

New stimulus-funded middle-mile fiber infrastructure, by reducing interconnection costs, also improved business cases for small deployers seeking to give their communities and themselves a business edge.

As U.S. deployments have slowed, other North American network builders, most

notably in Canada and Mexico, have picked up much of the slack.

CONTINUED GROWTH

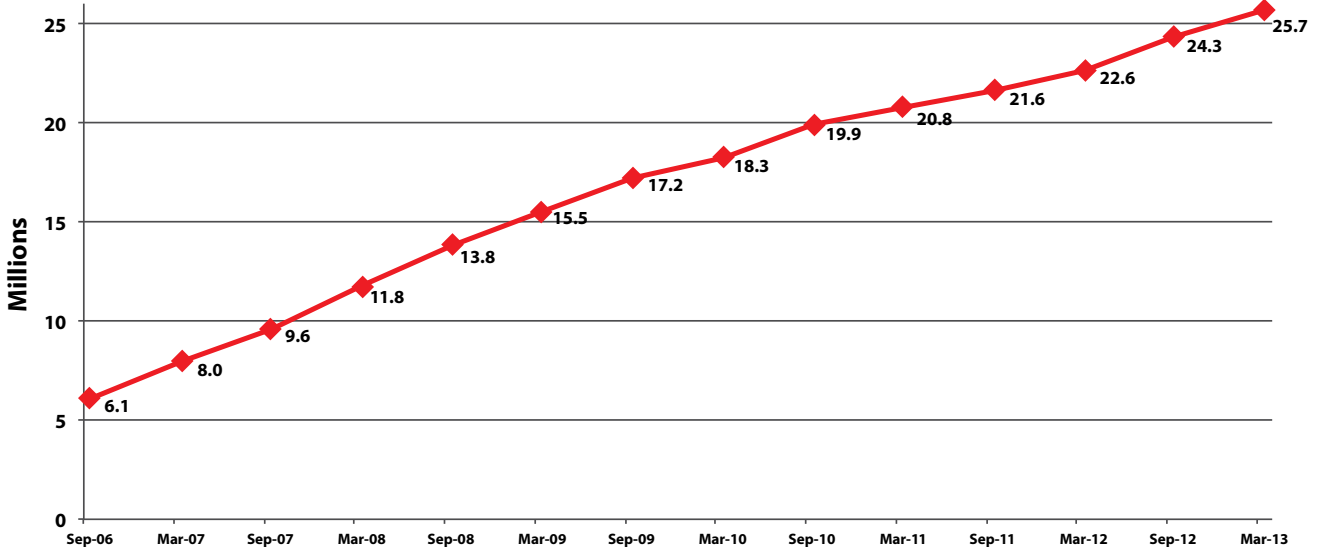
The number of homes passed by fiber in North America – that is, homes that can readily be connected to fiber – increased by 1.4 million to reach 25.7 million in March, Render says. The number of FTTH homes actually being marketed to customers rose 1.5 million to 22.8 million. That's an increase of about 120,000 more than the increase in homes passed, reflecting the fact that deployers are working off the backlog their summer 2012 construction boom caused.

The result was healthy growth in the number of North American FTTH customers, which rose by 690,000 to a total of 9.7 million. The increase in the number of FTTH connections was below that of the March–September 2012 period but higher than in any other six-month period since September 2009.

However, some of that growth was from outside the United States. The U.S., with about 8.8 million homes connected, has 91 percent of the connected homes in North America, down slightly from 92 percent at this time last year. Elsewhere in North America, fiber deployment has increased faster than in the U.S.

Nevertheless, U.S. deployers have been more successful than those in other North American countries at turning homes passed into paying

FTTH Homes Passed, March 2013 (Cumulative, North America)



Source: RVA LLC

In the six months between September 2012 and March 2013, 1.4 million more homes were passed by fiber as stimulus projects ended in the U.S. and Canadian FTTH construction ramped up. That's well above the corresponding year-earlier six-month period but well below the previous six months, when construction under stimulus spending peaked.

customers. The FTTH take rate for the U.S. is now 44.8 percent. For all of North America, it is 42.5 percent.

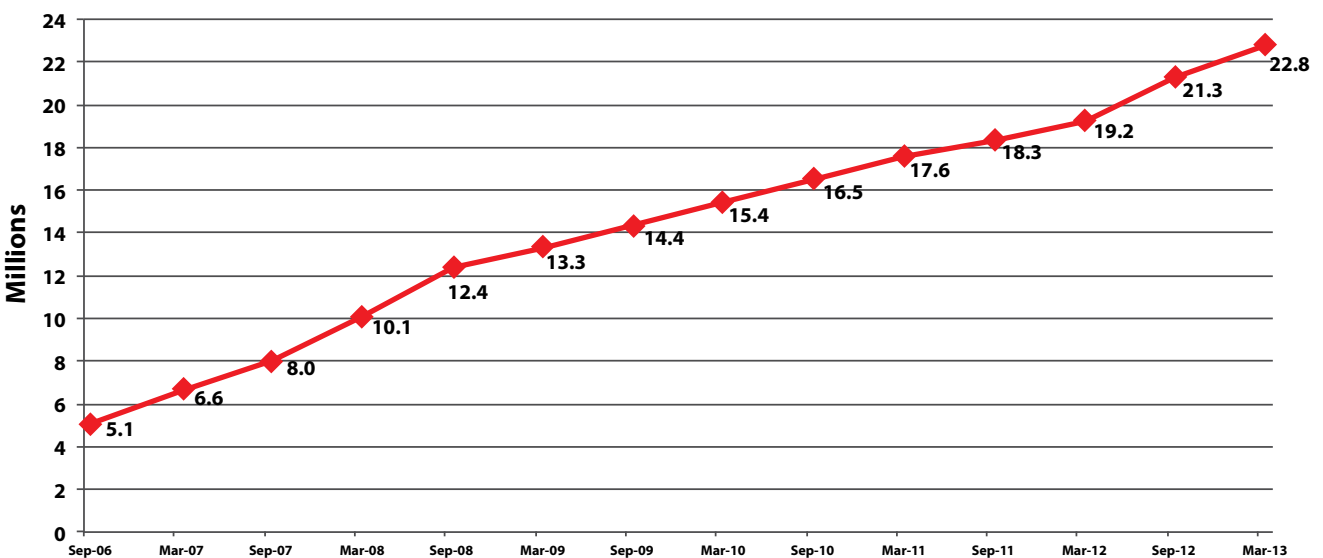
The rise in FTTH customers is well above the long-term trend. In part, this is because new builds have tended to be

in rural areas and in multiple-dwelling-unit (MDU) buildings. These types of deployments have had historically better take rates than competitive overbuilds in areas with mainly single-family homes.

VIDEO IS A BRIGHT SPOT

More than 6.2 million customers now receive video over FTTH in North America – about two-thirds of all FTTH customers, even though FTTH deployers do not offer video services

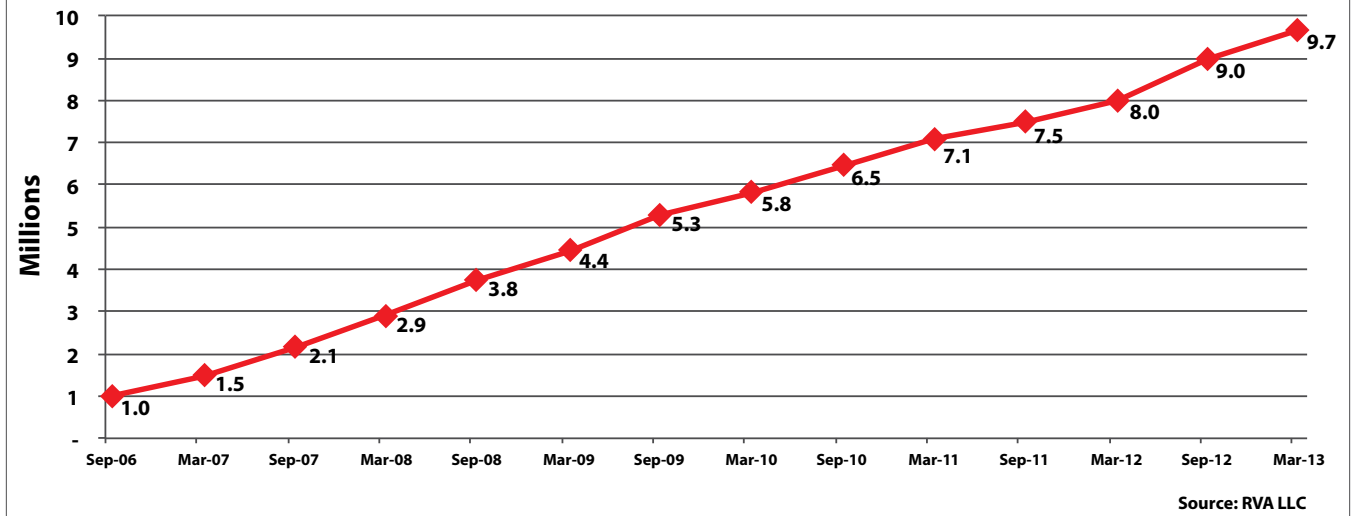
FTTH Homes Marketed, March 2013 (Cumulative, North America)



Source: RVA LLC

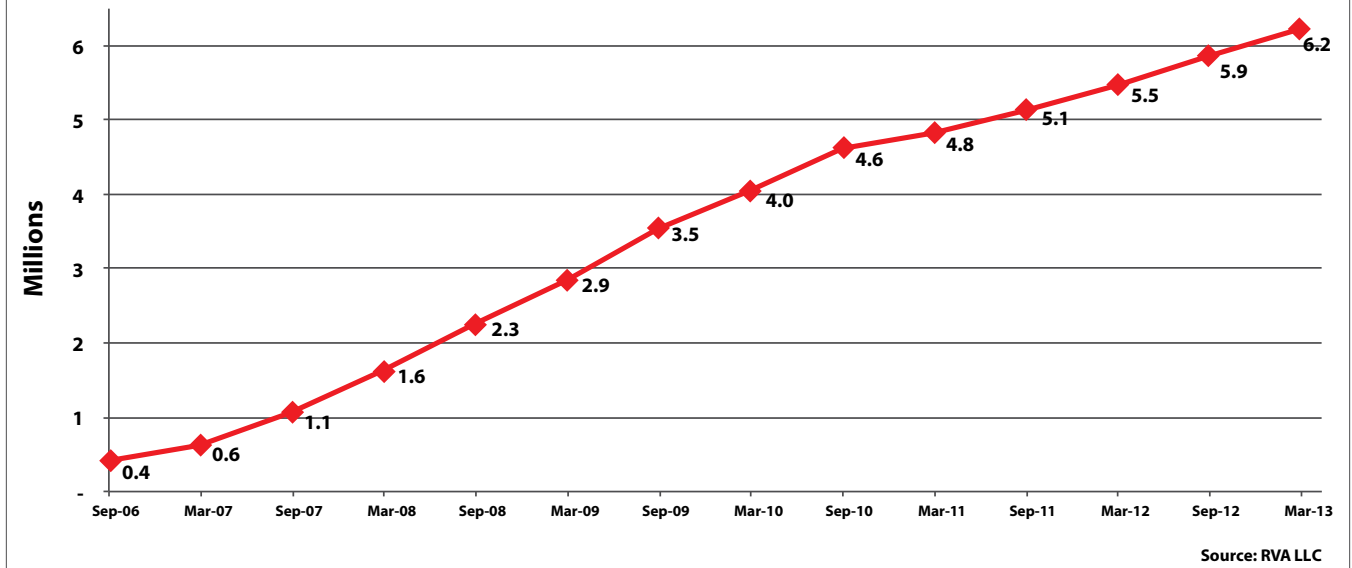
The increase in homes marketed for FTTH rose by a healthy 1.5 million for the September-March period, the second-highest increase since 2008.

FTTH Homes Connected, March 2013 (Cumulative, North America)



FTTH connections rose at a pace below that of the March-September 2012 period but still faster than during any other period since September 2009. The number of homes connected rose by 690,000 in the six months ending last March.

FTTH Video Homes Connected, March 2013 (Cumulative, North America)



The great news for FTTH deployers is that customer take-up of video turned healthy in 2012 after a poor year in 2011. Growth continued in the past six months as 372,000 new households subscribed to FTTH video services in the six months ending last March.

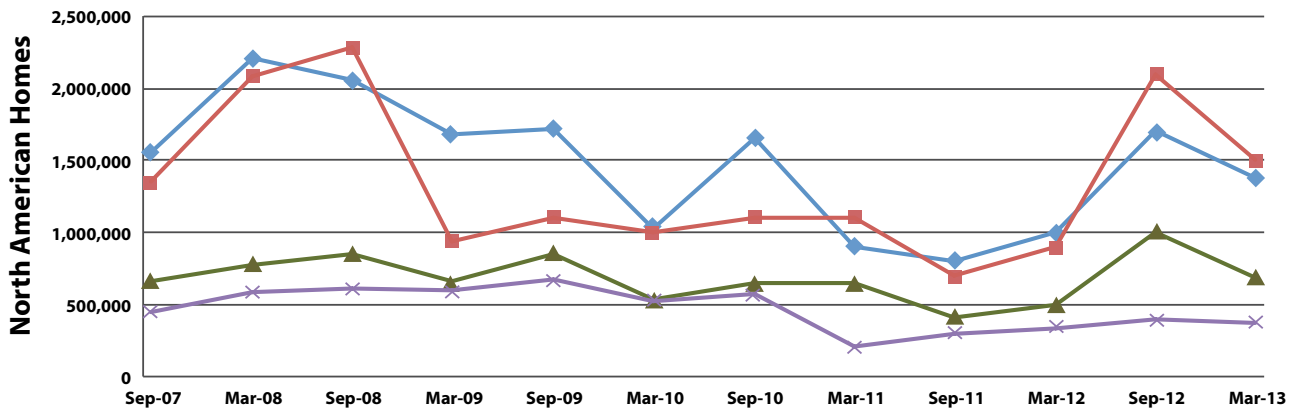
everywhere. Video is a particularly bright spot in the latest customer figures – up 372,000 in the six months ending March 2013. That’s close to the 399,000 increase recorded in the previous six months and more than in

any other period since September 2010.

In terms of jobs saved directly and the economic benefits of the infrastructure created, the FTTH segment of the stimulus program – less than 1 percent of all stimulus spending

in the United States – must be ranked among the most successful of all the federally funded initiatives. Judging by the number and quality of project applications that poured in, three or four times as much money could have

FTTH Homes Passed, Marketed and Connected in Each Six-Month Period Since September 2007 (Calculated by BBC from RVA Data)



	Sep-07	Mar-08	Sep-08	Mar-09	Sep-09	Mar-10	Sep-10	Mar-11	Sep-11	Mar-12	Sep-12	Mar-13
Passed	1,549,300	2,210,700	2,062,000	1,680,000	1,720,000	1,030,000	1,650,000	900,000	800,000	1,000,000	1,700,000	1,380,000
Marketed	1,353,400	2,085,665	2,286,935	940,000	1,100,000	1,000,000	1,100,000	1,100,000	700,000	900,000	2,100,000	1,500,000
Connected	663,403	770,500	847,500	662,000	853,000	529,800	647,500	642,500	405,200	500,000	1,000,000	690,000
Video Connected	442,600	587,000	609,367	599,633	679,700	518,900	569,200	207,840	301,360	338,870	399,080	372,050

The number of FTTH customers added was up sharply in the six months that ended in September 2012 and remained above the long-term trend in the following six months. Most new builds are in rural areas that have historically higher take rates.

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INDUSTRY ANALYSIS

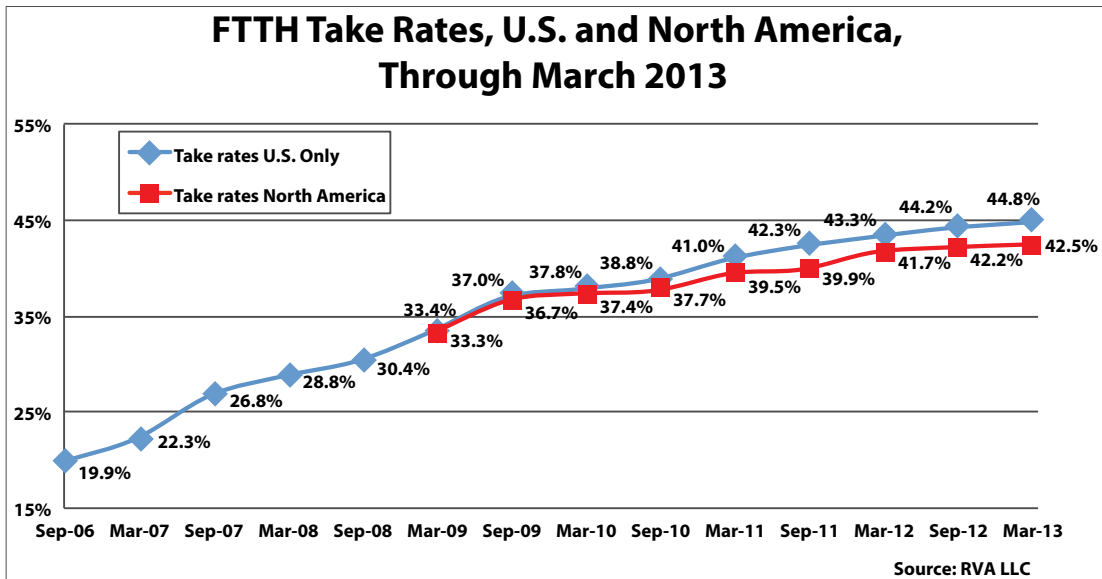
been efficiently spent on broadband. Not bad for a program decried (on the basis of essentially no information whatsoever) on the front page of the New York Times as a “cyberbridge

to nowhere” as the stimulus bill was being considered.

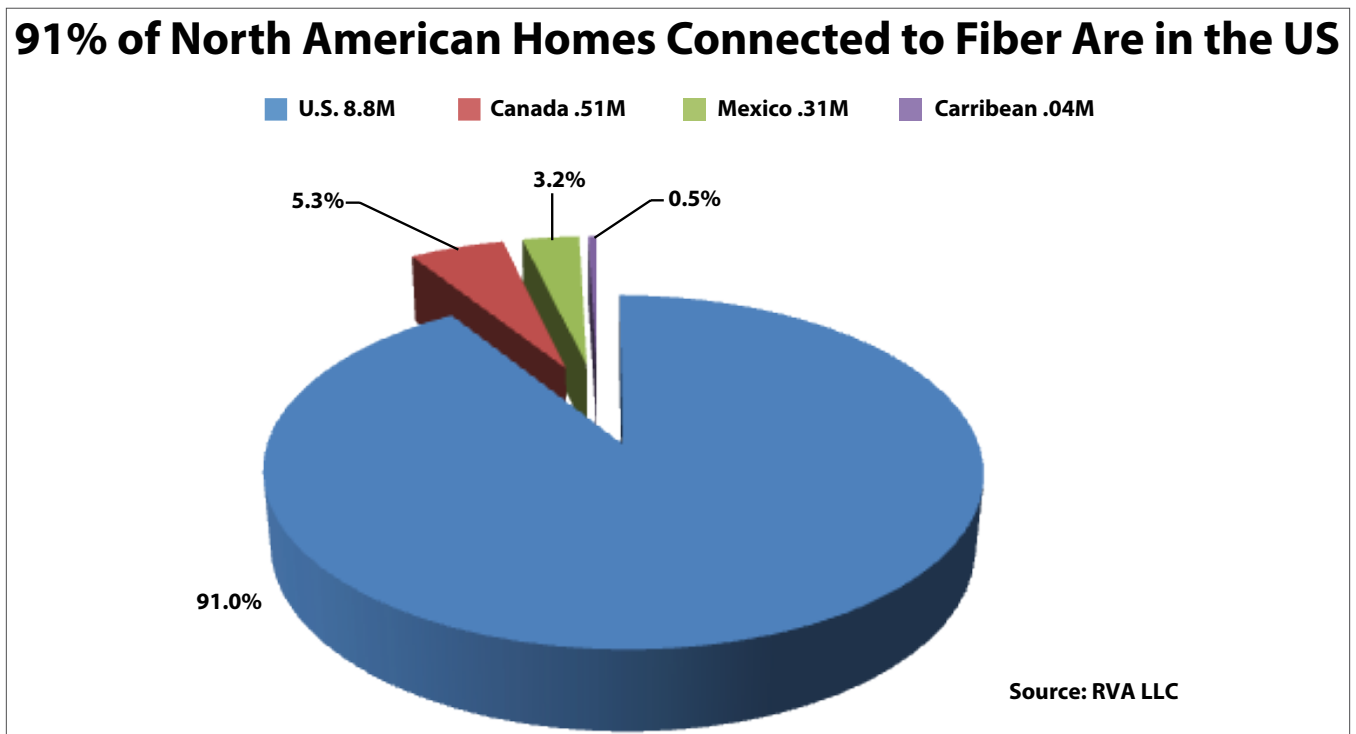
The Times is unlikely to ever correct its sloppy reporting. But will the ever-increasing take rates and the improving

economy entice Wall Street to fund more FTTH projects? ❖

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The U.S. take rate for FTTH reached a record 44.2 percent, but Mexico's low 17 percent take rate (FTTH is just getting started there) depressed the North American average.



Of the 9.6 million FTTH customers in North America, about 8.8 million are in the U.S.