

Good Prospects for 2014

The FTTH deployment business is beginning to look normal again, even considering the fact that much of this year's fiber deployment in the U.S. was powered by the last of the 2009 stimulus funds.

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A lot of people have been talking about how badly the fiber-to-the-home industry is doing. But that's old news, and it's no longer true.

Part of my job, as you might expect, is to take the pulse of the industry I write about. That means going to a lot of conferences, Wall Street seminars and private meetings. After 2008, I saw that the worldwide recession, along with predatory pricing by Chinese suppliers, dampened enthusiasm for FTTH in many quarters. However, the pulse quickened substantially in the past year. The last of the federal stimulus funds, combined with the first stirrings of a housing recovery, produced the best year for fiber to the home since the 12 months ending in March 2009. In some ways, the 12 months that ended in September 2013 were the industry's best yet. According to market research by Michael Render of RVA LLC,

- Net new FTTH customer connections in North America totaled 1.04 million from March to September and 1.7 million from September to September, both records.
- New homes marketed totaled 4.2 million over 12 months – just shy of the 2008 record – and reached 2.8 million in March–September 2013, a record for any six-month period.
- New homes passed with fiber totaled 3.4 million, the most since 2009.
- There were 665,000 new video customers for the year, hardly a record, but fiber was the only transmission medium to gain video customers for the past two years.

You can read all the details in “FTTH Expands at a Record-Setting Pace” on p. 32.

Fewer suppliers now share the business, as many vendors have merged or fallen by the wayside. Under strong pressure from the U.S. government, Chinese vendor Huawei is abandoning the American market. I have mixed feelings about that. Huawei is accused of posing a security risk, but many U.S. vendors manufacture equipment in China. Lower equipment prices make FTTH more affordable, and that means FTTH networks are more likely to be built. Still, the initial purchase cost of equipment is only a small part of the overall cost of building a fiber network, and American vendors, though unable to routinely match Huawei's pricing, compensate with more flexible financing and invoicing.

Two trends power FTTH deployments right now. The first is the push toward gigabit-per-second bandwidth pioneered by Google and several smaller players. New network capabilities

beget more network services – a virtuous feedback loop. Only fiber can handle new revenue-generating products and services designed for high-bandwidth environments. It is little wonder that FTTH customers pay, on average, a monthly bill of more than \$150, half again as much as the average cable or DSL bill for customers surveyed by Render.

The second trend is a sharp increase in housing starts concentrated in the MDU rental market. MDU fiber systems are easier to finance than communitywide systems (I'll discuss that in depth during a free preconference workshop at the **BROADBAND COMMUNITIES** Summit this April in Austin), and highly mobile tenants, a young demographic, had great bandwidth in college and want it where they live now.

In a primer **BROADBAND COMMUNITIES** published last summer for the Australian market (www.bbcmag.com/Primers/ftthprimerAUS_Aug13_webFINAL.pdf), we pointed out that full FTTH for Australia would be slightly more expensive than the FTTN plan favored by the winning Liberal Party Coalition but had a far stronger business case because of the higher revenue potential. That view has since been ratified by Australian government officials, even though they opted for the FTTN plan anyway.

New fiber-enabled services also spur economic development, help care for the aged and invalid and even obviate the need to issue new FCC regulations – the call for à la carte cable pricing, for instance, has been muted by the existence of over-the-top video service providers.

In fact, looking toward 2014, perhaps the biggest regulatory threat to new FTTH deployments is a push by politicians in many states to restrict municipalities and other public entities or public/private partnerships that want to build their own networks where incumbent providers (typically milking old, obsolete systems) refuse to do so.

As I said at the start of this column, we go to a lot of meetings. But you don't have to go to many at all. Get all the information you need at **BROADBAND COMMUNITIES'** regional economic development conferences and at the annual **BROADBAND COMMUNITIES** Summit, April 8–10 in Austin. Come a day early for the workshops, which are free to conference registrants. ❖

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