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European trends favour FTTX

by Kurt Ruderman

Record attendance at the FTTH Council Europe's annual conference and a recent wave of major announcements across the continent clearly show that FTTX has gone mainstream in Europe. More than 1,300 people arrived in Barcelona to attend the FTTH Council's event in February, including speakers from incumbent carriers such as France Telecom and national regulatory authorities such as France's ARCEP and OFCOM of the UK.

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"In Barcelona, we had the feeling that FTTH is taking off in Europe. This was not the case in past years. In Barcelona, there were a lot of real case studies," says FTTH Council president Hartwig Tauber.

Roland Montagne, an analyst at the French consultancy IDATE and a speaker at the conference, says the FTTX announcements by incumbents and big alternative carriers have not changed his forecast but have given him more confidence in the higher of his two forecasts for the next five years. (Like many analysts, Montagne works with two sets of forecasts that each take into account whether important market catalysts do or don't materialize.) Montagne expects Europe to have 4.1 million FTTH subscribers by 2012.

but now that is changing with players like France Telecom and Free in France and Deutsche Telekom," says Montagne.

Looking ahead, Montagne says 2007 "will be a year of adjustment. But European trends favour FTTX with new regulations, 2008 will be the year of massive deployments in Europe."

For now, Montagne says, "there has still been no clear positioning of Telecom Italia and Telefonica (companies that have expressed interest in FTTH). But Swisscom is buying Fastweb (Italy's alternative FTTX carrier). Swisscom's acquisition will be a test field. It could change what they do in Switzerland. Swisscom now uses VDSL." Fastweb started with a 100% FTTH strategy but now uses FTTH in select areas and ADSL2+ in others.

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Market catalysts emerge

The council, Europe's leading FTTH trade association, appears to have reached its main goal of convincing Europe that FTTH is the futureproof answer for broadband demand. In three years, the conference has grown from a gathering of a couple hundred people to a major event. Speakers at the first conference said Europe's FTTH market would take off when incumbents began deploying fibre access networks and European regulators put together a clear regulatory framework. France Telecom has begun building commercial FTTH networks in France and Slovakia. The European Union and its member states have not yet drafted a new framework, but ARCEP is working on a plan to facilitate more FTTH projects in France, which has met with a favourable response from operators.

The dramatic turn of events in Europe's FTTH market can be attributed in part to the efforts of the council and other industry groups. But competition and government action aimed at stimulating FTTH and broadband coverage have also been important catalysts. In France, the incumbent carrier, France Telecom, is rolling out FTTH networks because despite its threats last year to halt deployments without a clear regulatory framework in France. France Telecom has even agreed to share infrastructure with its competitors. In the Netherlands and in Sweden, local and regional governments have accelerated the construction of carrier-neutral FTTH networks to stimulate competition among service providers.

"There has been a shift of interests over the past year," says Tauber. "Focus has shifted from regulatory issues for many operators. In France, alternative carriers are starting to deploy fibre. So France Telecom was forced to go ahead with its project."

The FTTH Council, which does not take a position on access technologies or business models, was planning its strategy for 2007 at press time. Tauber declines to comment on the planning session and technology debates that have popped up over the past year. But he concedes that developments have created a "positive but complex situation" in Europe.

Next steps

So what's next? Talks at the conference revealed different FTTH market situations in Europe. In Scandinavia, where governments have traditionally provided cradle-to-grave social benefits, FTTH has become another government-supported service. Municipalities and municipally owned utilities continue to build FTTH networks without regulatory or technical hurdles. As part of a new trend, Swedish municipalities are interconnecting their FTTH networks to create regional markets that will attract service providers.

While regulatory concerns are not a problem in the Nordic countries and have become less of an issue in France because of pressure from competition, regulation remains a thorny issue in Germany, where the market is less competitive than the rest of Europe. In 2006, the German government passed a law that relieves Deutsche Telekom of the obligation to open its new fibre and VDSL networks to competitors. The European Commission has threatened legal action unless Germany rescinds the law.

In France, building access has become important since France Telecom and its competitors unveiled FTTH plans last year. France Telecom's choice of GPON for its FTTH deployment unexpectedly set off a major debate on whether point-to-point Ethernet or GPON infrastructure is more futureproof and easier to share and unbundle. (For viewpoints on this question, see "FTTH Architecture Choice Requires Long-term View" and "Why Europe Is Choosing Point-to-Point".) Cost had been the main argument when comparing the two technologies until last year, when France's ARCEP questioned the practicality of unbundling PON architecture.

At the Barcelona FTTH conference and in more recent meetings, Gabrielle Gauthey, a member of ARCEP's administrative board, again raised the question of PON in her presentations on infrastructure sharing. This year ARCEP plans to publish recommendations for ways to share access fibre and fibre infrastructure and building fibre networks. In the meantime, France Telecom and its competitors have been making concessions regarding infrastructure sharing. For now, they say they are willing to share. However, the companies have not yet said how they will decide who cables which buildings or how they will share the internal fibre cabling. Paris syndics (building management companies) have made it clear that they will not let more than one company cable their apartment buildings.

Commenting on FTTH developments in France and the regulatory situation there, Montagne says, "With competition there is no time to worry about regulatory problems. Everybody must move. They can't wait. But France Telecom still says that they do not want to be regulated."

Montagne notes that France Telecom is moving forward with its commercial rollout but not at full speed. "FT is investing €270 million--10% of their annual fixed network capex--so it's not a massive



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deployment," says Montagne. "So they could slow this later. Their goal is 150,000 to 200,000 subs and 1 million homes passed by end of 2008."

Free, which set off the FTTH deployment race last year, has slowed down. The carrier, owned by Groupe Iliad, had said it would invest €300 million in 2006--2007 and that it would cover Paris in two years. The company recently announced it would reduce its 2006--2007 deployment to €160 million and target 30,000 subscribers by the end of 2007. During this period, Free will focus on the southeast part of Paris and not the whole city.

France Telecom and Free face competition from Neuf Cegetel, which recently announced its goal to pass 1 million households with FTTX by the end of 2009 and to connect 250,000 subscribers. Neuf Cegetel has not yet selected its access technology. The company recently bought Erenis, an alternative carrier, which has 10,000 FTTX/VDSL subscribers in Paris and its suburbs, and another alternative carrier, Mediafibre, which operates an FTTH network in the city of Pau in southern France.

Numericable--Noos, the merged cable television company, has also announced aggressive FTTX plans. The cable operator is adding fibre in Paris and says it will be able to sell 100 Mbit/s connections to half the city's residents by the end of 2007 and to the entire city by the end of 2008.

While the French work to coordinate FTTX initiatives, the Dutch say they have solved the problem of creating ubiquitous FTTH networks. In Amsterdam, the city government has invested in a citywide FTTH project that began connecting households in February as part of a first phase that will provide free fibre connections to 40,000 addresses. People only pay for customer premises equipment and services. The long-term plan is to connect Amsterdam's more than 450,000 households.

The City of Amsterdam wanted to guarantee citywide coverage and decided this could only be done if it invested in the project, explains Dirk van der Woude, the City of Amsterdam's broadband program manager.

Under its plan, Amsterdam shares the risk with business partners, mainly housing corporations, who also facilitate building access and building cabling. The partners have awarded an eight-year exclusive contract to BBned to manage the network, which is operated on an open access basis. BBned is using point-to-point Ethernet to connect customers. After eight years, other operators will be able to install their own active equipment in the network.

Amsterdam's choice of point-to-point Ethernet has further fueled the access technology debate. Van der Woude says that point-to-point Ethernet will allow the city to futureproof its network. PON advocates, including Alcatel-Lucent, have fired back that PON is more cost-effective, requires less space to deploy, and that citywide point-to-point Ethernet networks involve quantities of fibre that are difficult to manage and field equipment that is difficult and cumbersome to house.

But van der Woude argues, "With PON, you might have to dig again. With point-to-point, you do not. You save on fibre with PON. But in Amsterdam distances are not big."



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