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## Counting chickens

by Stephen M. Hardy

My conversation with Steve Rago, principal analyst, IPTV, broadband, and digital home research, iSuppli Corp. not only provided me with the raw material for this month's "Analyst Corner" department (see page 31), it also reminded me of a couple of things.

First is that one of the perks of my job is to be in a position to hear a lot of opinions about a lot of different things. It's particularly interesting when I hear conflicting opinions-which is not a particularly frequent occurrence when it comes to conversations with market researchers. Sure, their numbers never match exactly, but generally speaking, the analytical community tends to be in agreement on major market trends, most recently such things as the rise of Ethernet, the growing market for PON equipment and ROADMs, etc. This isn't surprising when you consider that they're all covering the same thing and mostly talking to the same people.

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That's why I was interested to hear Rago say that the European market for FTTH, at least in the near term, would likely be stronger than its North American counterpart. Rago's statements came just a few days after Vince Chook of Point Topic suggested that the European market was falling behind Asia and the U.S. when it comes to fiber in the access. Pointing to the fact that BT's 21st Century Network initiative will focus mainly on xDSL technology while NTT has already sunk the GNP of a small country into FTTH, Chook was quoted in a press release as stating, "Without fiber Europe will rapidly become the digital slowcoach on the 'information super-highway.'"

Such lamentations about the allegedly sorry state of European FTTH efforts are pretty typical within Europe, judging by the information flowing through my office in connection with our *Lightwave Europe* quarterly publication. For example, the majority viewpoint among speakers at the FTTH Council Europe's event in Barcelona this past February appeared to be that while more was happening in Europe this year than last, the carriers on the continent needed to step up their efforts to match those of NTT, KT in Korea, and Verizon in the US. If they didn't, Europe would be put at a competitive disadvantage.

Meanwhile, back here in the States, Rago's opinion echoes that of KMI Research, which estimated last year that by 2010, Europe's Big 5 carriers will have more FTTP subscribers than will U.S. carriers. That will translate into an overall European market for various flavors of FTTX equipment that will be twice the size of the U.S. opportunity, according to KMI.

What are we to make of these conflicts of opinion? I'm not sure which is more telling: the fact that

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there isn't a consensus about U.S. and European FTTH market directions or that the U.S. analysts have Europe in the lead while their Continental counterparts predict the opposite. Perhaps the obstacles to full-scale deployment of FTTH (which differ in some cases between Europe and the US) appear more dauntingly large the closer you stand next to them, which makes the prospects on the other side of the Atlantic look more appealing. Or maybe the situation in both markets is in such a state of flux that counting market chickens before they've hatched in this instance is more difficult than usual.

Meanwhile, the other-but related-thing my conversation with Rago reminded me of is the danger of extrapolating too far when the analysts do agree. As I've mentioned, we've all seen the numbers (including those published in this humble publication) that indicate the growth rates for various segments of the FTTH marketplace. It's easy to get excited-even when you're an editor-by what you read and hear. Thus, it was a useful reality check when Rago said that of the \$14 billion that iSuppli predicts will be spent worldwide in access networks this year, only 6% or 7% will go to optical technology-and most of that will go to things like DSLAM backhaul.

Yes, fiber to the home and business should be the future architecture of choice when it comes to the delivery of broadband services. The activity in Asia, within Verizon's footprint and among many smaller carriers and municipalities here in the US, and of municipalities, utilities, and telcos in Europe indicate that the right steps are being taken toward that future. But the future isn't here yet. And, as the disagreements among the analysts illustrate, not only do we not know when the FTTH future will arrive, we're not even sure where it will appear (besides Asia). As always, optimism must remain tempered by realism if the optical communications industry is to maintain a path that is both positive and stable.

#### Clarification

In our April Product Profile, the interviewee's name was misspelled. Dawn Hogh is the vice president of marketing and development at OpVista. Lightwave regrets the error.

Lightwave May, 2007

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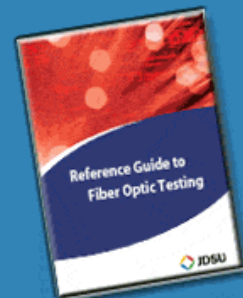
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