
Communications Daily

Copyright (C) 2004.
Warren Communications News, Inc.
All Rights Reserved.

Copied with permission

Communications Daily is published by Warren Communications News, Inc., 2115 Ward Court, NW, Washington, DC 20037. Subscriptions to Communications Daily are available by calling 1-800-771-9202 or e-mail: info@warren-news.com

WEDNESDAY, OCTOBER 13, 2004

VOL. 24, NO. 197

'Leapfrog' Cable

TV Companies Said Underestimating Threat of Video Over IP

LAS VEGAS -- Cable and satellite companies are “really underestimating how easy” it will be for telcos to enter the TV business with a fully interactive or video on demand, IP-based TV product, Qwest CTO Balan Nair said at an ATIS-sponsored forum at the USTA convention here Tues. Responding to a recent Rupert Murdoch prediction that serious competition from telco TV is 10 years in the future, he and other RBOC CTOs said it will start within months.

Verizon will begin offering video by the end of the year in some towns, said Paul Lacouture, pres.-Verizon Network Services Group. Verizon will roll it out on a town-by-town basis, and it will “take a while” for it to be available throughout the Verizon area, he said, but “we will get very competitive” in many towns in the first half of 2005: “That will be a real competitive concern for cable companies and satellite companies.”

SBC will begin offering IP video services as early as the 3rd or 4th quarter of 2005, said CTO Chris Rice. If there’s “regulatory clarity,” the rollout could be completed in 2 to 2-1/2 years, he said. Murdoch’s prediction of 10 years clearly was based on an assumption that telcos would launch old-fashioned cable-type networks, Rice said.

BellSouth has made no specific announcements about video rollouts, but CTO Bill Smith said the firm has a “fairly detailed plan” to start video trials, and “early returns” on video services are “promising.” Video over IP and interactive TV is “our opportunity to leapfrog cable,” Smith said: “It is up to us to prove Rupert wrong.”

Potential regulatory roadblocks remain, particularly including local cable franchising, the RBOC officials said. Smith said franchise requirements in some markets are “very onerous,” making telco video services “almost impracticable.” The good news, he said, is that some FCC commissioners’ offices appear very receptive to preempting local franchise regulations: “If you really want competition, you really ought to give us federal preemption.”

Regulatory uncertainty also remains an issue, the officials said, particularly following the Cal. PUC decision to require unbundling of packet switches. The FCC had said earlier it’s not necessary to unbundled packet switches, and Lacouture said it’s probably not technically possible anyway. As a result, Verizon completely stopped a packet switch deployment following the Cal. decision. “This is the kind of thing that really limits investment,” Lacouture said.

Making investment decisions is like gambling money in a casino, given “all the changing rules and all the moving parts,” Smith said: “It has a horrible dampening effect.” Nair agreed the Cal. decision is “extremely unsettling” for Qwest.

Century Telephone believes it can provide video over IP for less than \$1,000 per subscriber, said Wayne Davis, vp-strategic planning. Using its fiber-to-the-node then ADSL network, his figures include \$275-\$350 for the requisite home network, \$225-\$275 for a video gateway, \$75-\$100 per home for a headend, \$50-\$75 for network transport, and \$28-\$33 for content. Davis refused to answer a question about how much monthly revenue would be needed to support that investment. Cable MSOs typically invest several times that much per household for their networks.

There is a question about whether DSL delivery is adequate, particularly for HDTV. Given current MPEG-2 compression, some telcos are estimating a need for 20-40 Mbps data rates to each home in order to support multiple TV sets, said Kevin Schneider, CTO of Adtran. Paired ADSL can deliver about 15 Mbps at 5,000 ft. from the central switch, given heavy traffic and interference, he said, but telcos are working on multiple pairs. “You need to plan for HDTV,” Schneider said, and slower-than-promised data rates are unacceptable for video, unlike Internet access.

“Everyone is underestimating the complexity and system integration” issues for video over IP, said Harald Braun, pres. of Siemens’ Carrier Network Div.: “The boxes have to work together.” Earlier, Lacouture had also said the “toughest challenge” for video over IP will be “systems integration of all the new services.” Braun also said video over IP must be more than competitive TV in order to be successful. He said it has to include new services such as video messaging, gaming, video telephony and Internet access. -- *Michael Feazel*