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## **Results from Holliday's Holiday Horoscope — 2008**

### **A Grading of Last Year's (2008) Forecast**

Every year I prepare my forecasts for the following year as a gift to IGI's customers. My latest effort is the forecast for 2009, an outline of which will be published elsewhere on the IGI Web site in early 2009. Before thinking about this year's new forecasts, I invite you go back and see how we did in 2008 and in past years.

For the year 2003, I was slightly over half right — a fairly respectable batting average. In 2004, we exceeded that mark, achieving a grade of 72.5 percent. Last year, we did even better, with a mark of about 85 percent! In 2006 and 2007, we did very well again, achieving a grade of 77.5 percent in each year. Review the following for my original forecasts for 2008 and my grading of each.

**We invite you to grade the forecasts yourself and to let Dr. Polishuk ([ppolishuk@igigroup.com](mailto:ppolishuk@igigroup.com)) or me ([c.holliday@ieee.org](mailto:c.holliday@ieee.org)) know what you think about the forecasts and/or grading. We may publish the most interesting of these comments in my quarterly newsletter — [High Speed Access Reports](#).**

**1 Capital Expenditures** — We are therefore forecasting a 15 percent increase (2008 over 2007) in capital expenditures by the major telcos, cable companies, and IXCs. Most of this will be from the RBOCs.

**RESULT:** Although year-end results will not be in for another couple of months, it is clear that I was too optimistic with this forecast. The major telcos and cable companies appear to be on track to spend about 5 percent more capital in 2008 than they did in 2007. AT&T lived up to my expectations and was up in capital expenditures by almost \$2 billion. However, Verizon stayed almost exactly flat, leading to an overall increase of only about 5 percent. It does not appear that the telcos are yet being affected by the recession, as the last quarter (4Q 08) was stronger than any other quarter. **Grade: 0 percent!**

**2 High-speed Access** — In 2008, we predict a somewhat slower growth, with the telcos held back by emphasis on advanced high-speed products (FiOS) and the attendant greater cutover requirements. In this case, we believe the demand is there, but the supply problems — the harder cutovers — will hold down actual growth. Our forecast for 2008 is for high-speed access achieving 60 percent-65 percent penetration by year's end as measured by U.S. households.

**RESULT:** The actual results appear to be (again, we have to interpolate from third-quarter numbers and some fourth-quarter numbers) a penetration rate of about 60 percent-61 percent, right on the bottom end of our forecast. The slowdown in growth that we predicted actually happened! **Grade: 100 percent.**

**3 High-speed Access, Part II** — A major battle is in progress between the cable companies and the telcos for dominance in the high-speed access arena. The cable companies achieved a two-to-one lead over the telcos that stood up through 2003. However, in 2004 (exactly as we forecast), the RBOCs began a massive effort to correct this situation, and the two-to-one lead melted to about 53.5 percent-46.5 percent, still in favor of the cable companies. In 2006, we predicted that the telcos would cut this led to 50 percent-50 percent, but it only reached 53.5 percent-46.5 percent.

For 2008, we predict that this trend will continue, but very slowly with the telcos reaching 47 percent to 47.5 percent by year-end.

**RESULT:** The actual result here was disappointing. The telcos had a very bad third quarter (before that they were right on target for this forecast) and as a result they are going to achieve only about 46 percent when all the 2008 year-end figures are in.

We also predict that before 2008 is over at least one major U.S. MSO will be seriously working with a version of FTTP!!

**RESULT:** Several of the cable companies are reported to be considering various types of FTTP or other advanced access architectures. Our comprehensive series of [Advanced Access Architecture Reports](#) includes [Cost](#), [Equipment](#), [Overbuild Strategies](#), and [Bandwidth Requirements](#). **Overall Grade: 50 percent.**

**4 Network Traffic** — For 2008, we predict that network traffic will continue to be influenced by IPTV traffic, even though IPTV will be on its own networks. However, we think overall growth will be between 45 percent and 50 percent.

**RESULT:** While it cannot be proven, we feel that this is an accurate statement of the changes in the network traffic composition in 2008. IPTV grows in this country as AT&T nears a million subscribers of U-verse TV, and traffic is growing from the many ways that video is now being delivered. Our recent reports suggest that the growth of backbone traffic in 2008 was about 40 percent-50 percent. **Grade: 100 percent.**

**5 Mergers** — We predict that, again, one or more of the large, traditional telecom vendors will be involved in a major merger or will leave the U.S. market.

**RESULT:** This is one we would have rather gotten a “0 percent” on! Although it happened shortly after the beginning of 2009, Nortel’s bankruptcy makes this a prediction that is right on. **Grade: 100 percent.**

**6 Mergers Part II** — This year, we are predicting that one or more of these companies will make an even more dramatic move toward direct, active participation in the telecom marketplace. Our report, “[The Next Generation Network — Will the RBOCs Get Googled Up?](#)”, deals with this in detail.

**RESULT:** In fact, Google continues even more participation in the telecommunications business. It set up an Internet Measurement Lab to find carriers that were choking down the Internet. It has also introduced its own competitor to Internet Explorer — Chrome. **Grade: 100 percent.**

**7 Regulation** — The 2007 trend towards lighter regulation will continue. With that in mind, we make the same prediction as last year: the network access sharing rules will continue favoring the incumbent carriers; the Internet will continue untaxed; and any prospective telecom vendor merger will be allowed. What future years will hold will likely depend on the 2008 elections.

**RESULTS:** No major mergers came along, but the other items are as forecast. — **Grade: 100 percent.**

**8 Network Modernization** — We predicted a definitive movement towards an NGN in 2008. This program will be based on elements like ROADMs, next-generation DWDM, next-generation SONET, and optical switches.

**RESULTS:** This has taken place with a number of new networks and network upgrades well underway. — **Grade: 100 percent.**

**9 ROADMs** — We predict that there will be a continual effort towards strong deployment of ROADMs in 2008. Again, this is similar to our 2007 prediction. Our reports “[ROADMs from the Core to the Edge](#)” and “[Edge R-OADM Revolution](#),” detail this.

**RESULTS:** ROADMs (or as we say in Texas, “Rode’ems”) have become a standard requirement in every RFP and are rapidly becoming a staple of our networks. — **Grade: 100 percent.**

**10 FTTP** — For 2008, we predict that AT&T will enter the FTTP arena (changing from FTTN to FTTP — perhaps without an announcement) and will be pursuing a strong deployment of GPONs by the end of the year.

**RESULTS:** AT&T (SBC) has moved to strongly implement their Project Lightspeed, or U-verse, as it is now called, and it is now a major program with over 1 million customers on its IPTV U-verse. This program has been extended to the old BellSouth territories, but with modifications. It appears that AT&T is using a hybrid version of U-verse to take advantage of the existing BellSouth fiber-to-the-curb architecture. They are using GPON architecture in Greenfield situations (about 10 percent of their total program). Our report, “[Advanced Access Architecture](#),” provides full forecasts by company on individual items needed for the advanced high-speed access programs. — **Grade: 100 percent.**

**Total grade 85 percent! What did you grade them?**

**Feel free to email me ([c.holliday@ieee.org](mailto:c.holliday@ieee.org)) your results, disagreements, or even — unlikely as it may be — your compliments.**

**Happy Holidays to All from the Hollidays!**