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Holliday's Holiday Horoscope — 2009

Top Ten Telecommunications Forecasts for the New Year

This is an annual collection of predictions for the New Year by Clifford Holliday, an IGI analyst and author of the Lightwave Series. It is intended for your information and, in some cases, amusement.

We have delayed announcing these forecasts to see exactly what the Stimulus Bill was going to contain for broadband extension. That bill was just signed by President Obama, so here are our forecasts. This year we are offering the forecast as a service to our clients and readers, available as a complimentary download from our Web site, www.igigroup.com.

Many additional details of these forecasts are available from the author's latest [Advanced Access Architecture Reports](#), including [Cost](#), [Equipment](#), [Overbuild Strategies](#), and [Bandwidth Requirements](#). In addition, many details are in our ROADM series of reports, including "[ROADMs from the Core to the Edge](#)" and "[Edge R-OADM Revolution](#),"

Could it be that another year has gone and we are nearing the end of the first *decade* of the 21st century? It seems just a few days ago, no more than a week

or two, that I was thinking about the likely events in 2000 and the problems it may bring. Now here it is time to talk about 2009! If you want to see how I did with my 2008 forecasts, go to the Information Gatekeepers Web site, www.igigroup.com, for a review. My grading of last year was an 85 percent. If you like, go to the Web site and send us your grade.

The following is a continuation of our series of annual forecasts for wireline telecommunications (a strange term now that almost no new stuff is wire). Before we go into our predictions for 2009, we feel compelled to cite our results for the last few years. (If we had not done well, we probably would not feel so compelled.) Our Horoscope for 2003 was only slightly over half right — but batting .500 pays big money in the major leagues! In 2004 we outdid ourselves by achieving a better than 70 percent result. The 2005 result was even better at about 85 percent. For 2006, we did very well, also, achieving a 77.5 percent grade. We also hit 77.5 percent in 2007, and, as noted above, we achieved 85 percent in 2008.

Let us look now at our predictions for 2009. To help those wanting to get a quick look at the actual predictions, and not to be bothered with my reasoning or lack thereof, go immediately to the list of 10 forecasts at the end of this piece.

We invite you to review the forecasts and let Dr. Polishuk (ppolishuk@igigroup.com) or me (c.holliday@ieee.org) know what you think about the forecasts. We may publish the most interesting (or amusing, or both) responses in the Reader's Corner of the upcoming High Speed Access Report.

Background for these forecasts

Because the recession is such an overriding issue, we felt it necessary this year to put in some of our thoughts on the economic background as it relates to telephony before we provide our forecasts. Given this background, we are changing the format of the forecasts themselves. They are now much more concise and appear right after the background material.

■ General Economic Background

- ☐ The U.S. is expected to continue in recession at least through mid-2009.

- ❑ This will be the second year for the recession, which began in late 2007.
- ❑ The Economic Stimulus Bill of 2009 will likely have a major impact on the economy, although the timing and extent of that impact are yet to be seen.
- ❑ Major economic groups will do poorly all year
 - Automotive
 - Housing
 - Energy and energy services
 - Finance
 - Defense spending in question with new president
- Telecom Economic Background
 - ❑ Major telcos continue to lose wireline customers.
 - ❑ Traditional high-speed growth has slowed or is negative.
 - ❑ Data revenue from advanced high-speed access and data networks is growing — but not fast enough.
 - ❑ Total revenue growth is stagnant at best.
 - ❑ Major telcos are nearing end of deployment of advanced access networks; AT&T, Verizon, and Qwest will complete announced build-outs this year or next. (AT&T has just announced that they are delaying the completion of their build-out to 2011, but that will have little overall impact.)
- Revenue from data networking and advanced access is increasing, but basic line loss continues at a high rate (2.5 percent-3 percent a year).
- The wireline telcos are becoming wireless telcos.

- We have already seen bankruptcies of major telecom companies (Nortel, Charter Cable), and we will likely see more.
- Possible Positives for Telecom in 2009
 - Critical mass reached by advanced access architectures (FiOS, U-verse), causing accelerated customer growth.
 - Industries' search for cost savings leads to greater telecommunications reliance.
 - New president's infrastructure stimulus package includes \$7.2 billion to increase nationwide high-speed access, largely in broadband for rural and underserved areas.
 - Increased use of fiber optics in infrastructure projects associated with the Stimulus Bill, including
 - Monitoring of "smart grids" (electrical grids)
 - Monitoring Intelligent Highways and bridges for structural health
 - Internet wiring of more schools
 - Health and health services storage of patient information and patient monitoring.
 - Overbuilds by major telcos could lead to new competitive market with expanded investment.
 - Reasons for Verizon overbuild
 - Gives Verizon access to more customers.
 - Broadens Verizon's base for video programming.
 - Expands its footprint for Enterprise Services.
 - Uses existing higher-level infrastructure.
 - Takes advantage of already-trained personnel

- Should improve bottom line results.

□ **Forecasts (As noted, this is a slightly different format than before.)**

- 1 Wireline loss will continue at 2 percent-4 percent for the major RBOCs.
- 2 Growth of advanced high-speed access will remain slow (new customers). We expect high-speed penetration to reach 63 percent of US households (about a 3 percent increase).
- 3 We forecast that the high-speed access between telcos and cable companies will be about 47 percent by year-end – very little change.
- 4 Enterprise Revenue of the major telcos will be hurt by recession.
- 5 Capital spending will be lower than 2008. We expect to see a 1 percent-3 percent decrease in capital spending year-over-year. This is really a very small decrease, given the recession, but the telcos seem to be planning to continue with their major programs.
- 6 Overbuild will become a basic strategy of major telcos. Verizon will move this from the test case in North Texas to California and then other places around the country. By year-end, there will be a visible “Big City” plan by Verizon that encompasses most of the major metro areas in the U.S. In addition, by year’s end, we will see other major telcos (aside from Verizon) involved in overbuilding. Our [“Overbuild – the New RBOC Advanced Architecture Strategy”](#) report details this.
- 7 AT&T will also become an overbuilder by the end of the year, or at least will have plans to do so.
- 8 AT&T will alter U-verse to compete with the FiOS overbuild.

- **9 We forecast network traffic to continue growing at about 55 percent.**
- **10 Mergers — We think another major telco equipment manufacture will either go into bankruptcy, be merged into another one, or leave the U.S. market.**

So, there are our predictions for 2009. We hope they will be useful to you, or at least have offered you a laugh or two. In a recession, every laugh counts!

We wish you a great New Year!

Notes to the media:

For interviews with Dr. Polishuk or Clif Holliday (author of the Lightwave Reports) please contact Dr. Polishuk at 617-782-5033 or at marketing@igigroup.com

Charts and graphs from the latest IGI telecom reports, noted above, can be made available to media outlets as needed, as can information from our latest reports on Advanced Access Architecture, FTTP, NGNs, and ROADMs.