

In the early days of broadband cable deployment and telecom liberalisation in Europe, the corridors of national and community-wide parliaments, government departments and regulatory bodies were frequented by lobbyists from both sides. Cable wanted quicker and more favourable access to telephony and data customers to add to their entertainment TV subscribers, while telcos – often just released from the shackles of state ownership – wanted further protection from the threat of cable to their traditional revenues, as well as the freedom to deliver TV over their own networks.

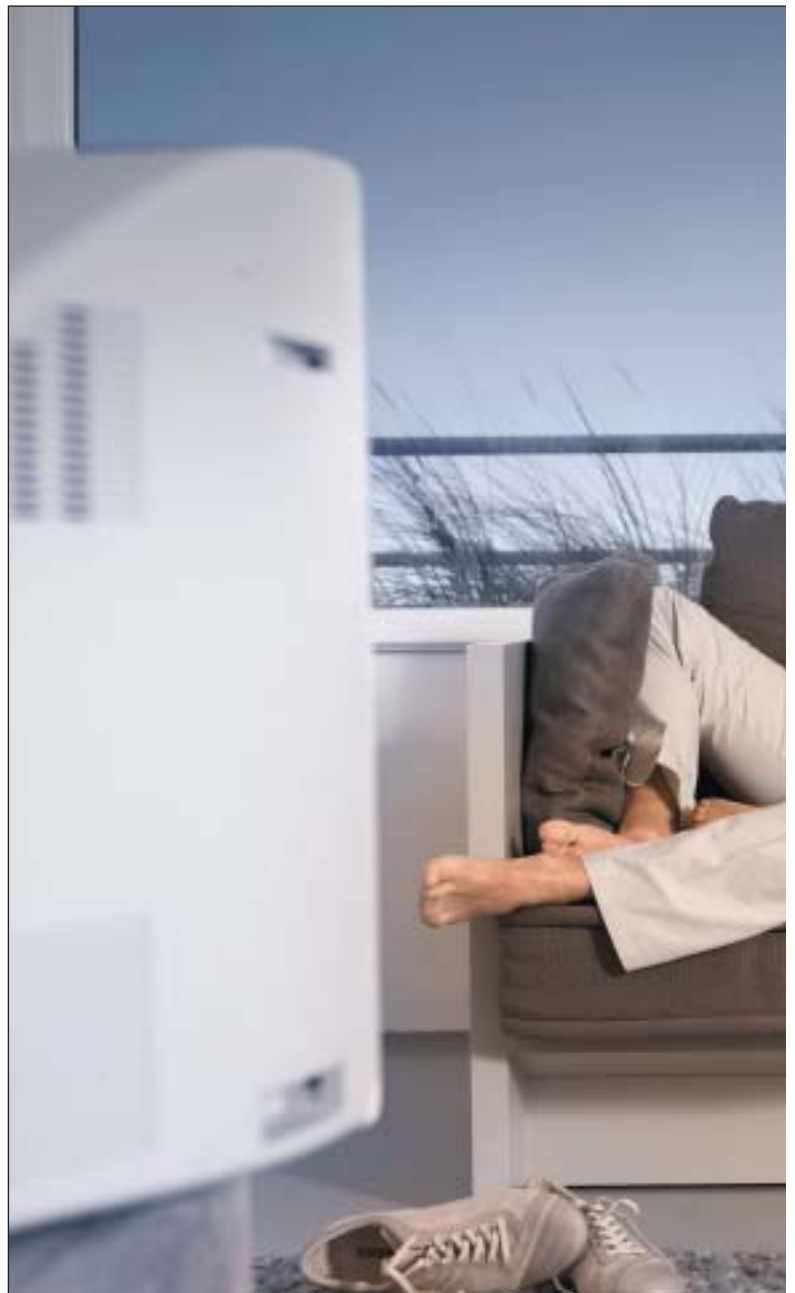
Add to the mix the fact that in some countries the dominant telco was also the only cable TV provider, and clearly the recipe for true competition was missing key ingredients. This was only remedied as the 1990s progressed, the European Commission removed state control of telcos, separated cable TV network ownership in a similar fashion, and issued Directives aimed at ensuring fair competition between networks.

Nevertheless the aspirations of telcos to become entertainment TV providers were unlikely to be realised all the time the options were either to build a separate broadband co-axial network – as was the case for UK telco BT – or invest hideously large sums of money in upgrading the existing copper ‘twisted pair’

network with fibre, in the hope that a more favourable regulatory regime would permit delivery over a telco’s core network. Equally, cable operators were forced to provide a separate telephony connection from the cable TV feed, and in many cases, interconnect with the dominant telco, without the ability to switch their own voice and data traffic.

BOARD ROOM. Now,

Given the high stakes in terms of customer retention, and the financial firepower of telcos, it is tempting to write off cable’s chances in the face of IPTV. Colin Mann



Cable confident for IPTV

discovers that the cable industry is confident for the fight ahead, and relishing the challenge of competition.

over 20 years on from broadband cable’s advent in Europe, the battle has moved on from the corridors of power, if not to the trenches of the continent’s streets, then at least to the board rooms of cable multiple systems operators (MSOs), as they assess the competitive threat from

telcos considering or actively deploying IPTV networks.

One man who is definitely backing cable is Manuel Kohnstamm, MD, public policy and communications, of Liberty Global Europe, and recently-elected Vice President of the European Cable Communications Association (ECCA). He is also a board member of VECAI (Dutch Association of Cable Operators). “We’re very confident about the battle,” he asserts, identifying three key areas. “High-speed Internet, VoIP and video.” The last named he sees as cable’s core business.

Plus points for cable include the “extremely robust architecture”



TV challenge

and the capacity for hundreds of channels, with dozens in HD. "Cable is generally able to transmit more channels; it's more of an issue for the DSL operator. He admits that Liberty Global's portfolio includes a large number of analogue cable TV subscribers. "The challenge is to digitise those customers. European audiences, with the exception of the UK and France, still have to be made interested in digital," he suggests. "Cable has tremendous potential, but momentum for change is needed."

LAUNCH PAD. Liberty Global is helping to provide that momentum, with a capital investment programme – market by market – starting



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– Manuel Kohnstamm, Liberty Global

with the MSO's Dutch operations. "It will trigger a new wave of digital content development," he predicts. "With the World Cup being shown in HD, the Dutch consumer definitely knows things are going digital."

Noting incumbent Dutch telco KPN's recent launch of its 'Mine' IPTV service, he predicts that it will have its challenges. "It's pretty much a soft launch," he notes. "There will be fair competition and we'll be able to meet that challenge. We're confident that in most of the countries where we're active we're in the strongest TV position." But he readily admits that country

variations have led Liberty Global to a rebalancing of its portfolio, with the MSO exiting any markets where for regulatory or other reasons their growth is constrained leaving them 'sub-scale', for the fight.

"Telcos are getting into video to protect their voice businesses," he declares. "The main reason to have a fixed connection is falling away. They have a desire to keep the fixed customer. In the future, customers will be presented with a fundamental choice of going to one provider or the other for a package of services. We're confident with our product line-up and what's in store." This included integrating services such as Caller Line Identification (CLI) on a TV set. "The new feature set will become appealing for customers," he claims. In terms of high-speed Internet, he points out that with EuroDOCSIS enhancements in 2007, speeds will go up considerably. "Players will need to invest to keep up. We have the advantage of national scale and footprint and will position ourselves as the quality provider of TV."

KEY QUESTIONS. Ovadia Cohen, VP marketing and co-founder, Scopus Network Systems, points out that the competition, at least for TV viewers, is not just between cable and IPTV providers, with digital satellite DTH operators and emergent digital terrestrial television providers all seeking viewers' attention. Nevertheless, telcos would appear to start with an advantage.

"The telcos have 100 years of technology," he notes, adding that with incumbency, they 'own' their customers. As a relative newcomer, cable now also has an infrastructure. For Cohen, questions of infrastructure are key to analysing how the respective service providers will fare, and questions whether telco infrastructures, upgraded to offer IPTV, are capable of competing with cable. "In fifteen years, a lot of telcos will have as good a switched infrastructure as cable



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operators,” he predicts. In the meanwhile, he anticipates “really fierce competition on services, value-adds, data, interactivity, everything.”

He notes that even with the increasing speed that DSL can offer, there are limitations on the amount of channels, 20Mbps is the minimum for competing with cable he suggests. According to Cohen telcos considering network upgrades need to think about the Return On Investment. He says they need to decide whether to go with copper or fibre for an IP network.

ARMS DEALERS. Nick Fielibert, VP, CTO and chief architect, Scientific Atlanta Europe and Asia, considers that there is a need to make cable companies aware of the competitive threat, and that

investment is needed to protect revenues and market share. “It’s good for companies like ours – we’re the ‘arms dealers’. We’ve got experience on both sides,” he admits, a position bolstered since the start of 2006, with the completion of Cisco’s acquisition of the digital broadband networking specialist.

Echoing Cohen’s comments, he says that “it’s not a case of who will win; some players will be dominant for certain services,” and, noting the external forces that have helped shape the market, suggests that the European Commission wants “two strong players” providing converged services in each national market. “That way, the consumer benefits,” he says. He rejects the theory that the battle for the triple play customer will be based on price. “The best price is not necessarily the lowest price. The best Value for Money is more likely to succeed.”

Given cable’s somewhat chequered history in terms of fragmented ownership, financial restructuring and reputation for poor Customer Service, he admits that it is “tempting” to write off cable, but suggests that is by no means the truth. “Where investment has taken place, such as where voice over IP (VoIP) is being offered, there’s now a real threat to telcos. They are the ones who need to fight back. You’re even seeing competition between DSL operators.” He also highlights the whole question of content as being an area where telcos have a great deal to learn. Other hurdles for telcos include the fact that IP multicast is a much more complex operation than broadcast.

CUSTOMER SERVICE. Suggesting that the customer service issue has been tuned round, he notes that in some markets, where economic liberalisation was less advanced, and telcos were still very much party of a state set-up, provisioning of telephony services had been reduced from three months to one week. “They’ve used the weakness of the incumbent to their advantage,” he notes, accepting that it has in-turn raised the performance of the incumbent.

Fielibert says that infrastructure costs are comparable between

cable and telcos, but that cable’s advantage is that it is inherently wide-band. “Telcos all have investment plans,” he observes, suggesting that they need to bring DSLAMs closer to the subscriber and put fibre deeper into the network. “Cable can be very competitive, but it shouldn’t fall asleep. There’s likely to be additional competition from CLECs, ISPs and over-builders. There’s nothing stopping cable from moving ahead, capital is available to them now – cable companies are becoming much bigger now, and have become a real force.” He points out that Liberty Global has moved its cable holdings closer to a footprint where it can make money.

“Higher ARPU is accepted in some countries such as the UK – sixty Euros, compared with Germany or Benelux where you’re talking about twenty Euros for cable TV. It’s only when they bundle data and voice that a higher price can be charged.” Picture quality will also become an increasingly important differentiator between service providers, Fielibert says. “Purchasers of new TV sets will be looking for a high quality digital service, and reliability will also be very important. The amount of ‘nines’ will be a factor. Viewers will only care about the service when they’re not connected.”

In summary, Fielibert suggests that cable has “much more of a chance” – perhaps even a stronger chance of succeeding than its IPTV competition. “The content’s better, and even the smaller guys are getting better at what they do.”

NETWORK UPGRADES. Ken Wright, CTO at C-COR, which offers solutions for cable operators, telcos and broadcasters, observes that the financial might of the telcos is not something that a cable operator will take lightly, but suggests that cable is in a “much better position” to compete than before. “Consolidation in the UK and Spain has helped in this respect. They’re amassing some good financial strength to throw at the competition. We’re seeing investment in network upgrades. They’re not going to sit back.”

He notes that in some territories, cable has had fragmented markets, where operators have been slow to deploy and implement. “We’ve seen more and more investment in operational support software, that enables them to better anticipate and rectify problems. That’s helped their competitive position. It’s up to IPTV to displace cable, rather than the other way round.”

Christopher Traggio, VP, sales and marketing, UPC France/Noos, is confident of his company’s competitive position. “We are the number one provider of pay-TV currently in our footprints in France, which includes Paris. We aim to maintain this leadership position. For high speed Internet we have grown our market share over the last year.” He points out that recent studies by the



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"IPTV, bring it on!"

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OECD on a European-wide basis and by IPSOS in France, have put the operator as the number one choice for consumers for pay-TV. "Le Point magazine named us the best digital telephony offer in France for 2006, and several Internet studies have applauded the stability and consistency of our connection. We are even currently testing a 100 meg connection," he reveals.

MULTI-PRODUCT. On the TV side, UPC France/Noos brings "an exciting EPG, a forty-hour double tuner PVR, pay per view, all the free DTT channels. But we are in a triple play world today and it's almost irrelevant to talk about a single product. Our technology allows multiple product use in the household at the

same time. IPTV providers have a hard time to do this."

He suggests that in today's households, family members want to surf, watch TV and telephone at the same time. "Cable is the only one who allows the consumer to do that comfortably. Subscribers can also

go to our web site for a panorama of films and documentaries in VoD for the PC." Half of Traggio's new high-speed Internet subscribers are coming from the competition "where they could have bought IPTV but decided to come to us instead."

According to Traggio, the operator has been working hard to upgrade its networks to bring even better service, and has been investing in training employees to keep up with the fast pace of its product development. "This year alone we have launched an international calling package, a 20 meg internet service and over 40 new digital TV channels. What's next ? HD and VoD for the TV. So, IPTV, bring it on!"

AWARD WINNERS. Jan de Grave, manager, internal and external communications at Belgian operator Telenet, is similarly bullish about his company's competitive position and prospects. "The strength of the incumbent hasn't prevented us gaining a broadband market share of more than fifty per cent in Flanders. Telenet is a strong brand with award-winning marketing campaigns and marketeers." With cable penetration of more than 97%, it is well placed to challenge the ubiquity of the telco.

He sets out areas where he suggests that cable technology has an advantage. "More bandwidth, for services such as HDTV; it's not a shared medium - IPTV shares the medium with Internet, so simultaneous use of PC and TV leads to congestion." In terms of digital upgrade, he notes that there is almost 10% penetration on the network in the nine months since launch. "Mobile and Internet took about seven years to have similar penetration in Belgium."

Liberty Global subscribers - 31.3.06

	Video									Internet	Telephone
	Homes Passed	Two-way Homes Passed	Customer Relationships	Total RGUs	Analogue Cable Subscribers	Digital Cable Subscribers	DTH Subs	MMDS Subs	Total Video	Subscribers	Subscribers
Netherlands	2,652,100	2,532,900	2,224,000	3,048,800	2,011,200	208,900	-	-	2,220,100	503,500	325,200
Switzerland	1,799,700	1,747,800	1,602,900	2,093,400	1,409,800	111,800	-	-	1,521,600	364,400	207,400
France	4,614,200	3,363,900	1,612,000	1,987,200	941,400	572,300	-	-	1,513,700	308,200	165,300
Austria	959,200	955,900	654,500	1,015,700	452,500	45,300	-	-	497,800	353,300	164,600
Ireland	895,100	238,700	592,600	624,100	313,200	162,000	-	115,900	591,100	32,700	300
Belgium	157,000	157,000	145,600	168,300	126,000	5,200	-	-	131,300	37,000	-
Total Western Europe	11,077,300	8,996,200	6,831,600	8,937,500	5,254,100	1,105,600	-	115,900	6,475,600	1,599,100	862,800
Poland	1,915,000	947,100	1,024,500	1,153,100	1,000,900	-	-	-	1,000,900	139,900	12,300
Hungary	1,044,200	908,900	1,013,000	1,186,900	732,700	-	179,600	-	912,300	156,300	118,300
Czech Rep.	745,200	408,600	441,000	501,600	298,300	-	119,400	-	417,700	83,900	-
Romania	1,918,100	967,800	1,328,500	1,425,100	1,325,000	3,400	-	-	1,328,400	69,000	27,700
Slovak Rep.	431,800	242,100	301,800	322,800	253,600	-	17,600	27,600	298,800	24,000	-
Slovenia	126,000	80,000	108,500	128,200	108,500	-	-	-	108,500	19,700	-
Total Central and Eastern Europe	6,180,300	3,554,500	4,217,300	4,717,700	3,719,000	3,400	316,600	27,600	4,066,600	492,800	158,300
Total Europe	17,257,600	12,550,700	11,048,900	13,655,200	8,973,100	1,109,000	316,600	143,500	10,542,200	2,091,900	1,021,100

Source: Liberty Global



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**– Ken Wright,
C-COR**



Telenet’s positioning is for convenience and added value. “Digital TV is included in the CATV offering. “We have contracts with almost all major studios and broadcasters. Our video on demand and broadcasting on demand library consists now of more than 1,400 hours of content.”

WORLD TOUR. Gil Katz, director, cable solutions marketing, Harmonic, observes that around the world, the cable operators that have survived where markets are highly competitive are strong. “In some areas, such as France and Italy, cable operators have not been able to effectively compete, particularly with DBS for video delivery and DSL for data, and thus were supplanted by these other service providers.”



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**- Gil Katz,
Harmonic**

According to Katz, cable companies in Europe that have been successful, have done so by establishing strong relationships with their customers; by provisioning a range of compelling services; and by deploying an efficient and cost effective infrastructure, particularly for delivering video services which is the area that operators find it most difficult to make money in. “The addition of VoIP and data services to cable’s repertoire has helped operators to generate revenues and increase profitability. With video services, cable has big advantages over other operators – the most important being it has the customer base for video services. When a cable operator buys content, it shares this cost across a greater

number of subscribers. It will take some time for telcos to see a return on their IPTV services investment.”

In terms of infrastructure, cable is built for delivering advanced video services such as VoD. “The level of investment is minimal as against what operators who are new to the market such as telcos, who are just beginning to deploy services and add subscribers, would have to invest.”

TV SETS. He points out that in Europe, cable and IPTV services are similar in terms of capabilities and there is enough bandwidth currently to provision both broadcast and narrowcast services like VoD in homes where the average number of televisions is less than two. “In the US, where the average number of TVs per home is significantly higher, cable wins out as they can support more bandwidth to the home for delivery of multiple HD channels and other services, while telcos have a limited bandwidth budget available.”

Katz suggests that cable has another advantage, in that it is an efficient infrastructure for video content. “There is very little encoding required as much of the broadcast content is fed directly from broadcasters and then turned around. Cable headend operations are generally very efficient, while in the IPTV headend the operator needs to ‘regenerate’ content, to encode it for delivery over DSL *et cetera*. Cable’s other advantage is that IPTV operators don’t necessarily have the same level of expertise in video, though telcos are aggressively introducing new services.”

“At the same time, it is important to note that cable is increasingly leveraging the advantages of IP for video transport, between headends and for efficient delivery all the way to the hub. Cable operators can benefit from the efficiencies in IP transport within the network and the infrastructure is now in place for them to deploy IP-enabled devices in the home.”

However, he notes, that at a recent US cable conference, the audience of cable professionals was asked to identify the biggest threat to cable in the future. “Internet TV was not perceived as a real threat, a recognition that cable believes it can compete with this type of service,” he concludes.

