Thoughts ON THE INDUSTRY

BY ADAM SOCCORSY

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ADAM SOCCORSY SHARES HIS THOUGHTS ABOUT THE CURRENT CABLE AND FIBRE LANDSCAPE, THE OPPORTUNITIES THAT EXIST AND, WHERE POSSIBLE, PEERING AT WHAT'S AROUND THE CORNER.

SCTE Fellow Adam Soccorsy is an industry veteran. Serving on the SCTE executive committee from 2011 to 2015, Adam has deep roots in the industry.

In 2001, Adam launched the European business unit for Phoenix Communications Technologies (PCT), successfully introducing multiple cable product lines across Europe. Later, as European Sales Director at Asheridge Communications Adam drove a decade of growth, playing a key role in the company's private sale to Teleste Corporation in 2015. He went onto join Liberty Global in 2018 as a senior manager of procurement, managing large RFPs for cable and fibre equipment, and in 2022 he was appointed Global Sales Director, FTTx for Technetix until 2024.

Adam has published numerous papers and articles, including his recent work "Fibre Network Planning Options for Rural Communities", which he presented at the 2023 SCTE Tech EXPO in Denver.

WHAT DO YOU THINK THE FUTURE HOLDS FOR THIS INDUSTRY?

The crystal ball question! If you look at what the government is saying, they are sticking by the commitment for gigabit coverage to the whole country by 2030. Of course that is going to be a mixture DOCSIS (coax), fibre (XPON), fixed wireless and satellite. The Shared Rural Network (SRN) programme for 4G has brought better wireless connectivity for huge parts of Scotland and Wales.

The traditional DOCSIS plant in the UK will remain the same size it is today, and perhaps even shrink slightly as some areas are brought on stream with newer technology.

In the Netherlands they're likely to deploy DOCSIS 4 because it really fits the network topology there, but that's the only place where it's likely to happen in Europe. Most of the money that's spent on expanding the access network will be invested in fibre infrastructure.

And in the UK, we're still waiting for the consolidation of the alt nets to begin in earnest. A couple of them have merged or been bought, but we're still waiting for some bigger deals to happen.

IS THE REASON FOR THAT BECAUSE THE VALUE OF THESE BUSINESSES IS GOING DOWN AS THE ROLLOUT IS COMPLETE? HAVE THEY OVERVALUED THEMSELVES?

The first element that really changed the game for the alt-nets was the quick and sudden increase in lending rates. The era of cheap money ended suddenly, and the focus suddenly shifted from borrowing money to build homes as quickly as possible to, generating as much cash flow as possible.

When you look at the penetration rate for most altnets - it's actually lower than 20% - it's taking them longer to earn a return on their investment than they would have liked. The market decides the value of an asset; it seems that most of the investors are in for the long haul.

IT'S A BUYER'S MARKET.

It is certainly a buyer's market if you have multiple service providers in the area where you live, with the best deals coming from the altnets. For the owners and investors of the altnets they are probably closely examining the covenants and commitments on their funding sources.

Of course, some of the altnets will run out of money and go into liquidation and the healthy ones will refinance and grab new customers.

In the US it's very different.

WHAT'S HAPPENING THERE?

The big cable operators are committed to rolling out DOCSIS 4.0, although there is still some debate about Extended Spectrum versus Full Duplex.

But alongside that, an array of huge government stimuli have been created to underpin the roll-out of rural broadband; The Broadband Equity, Access, and Deployment (BEAD) programme alone was worth $43 Billion and there are other programmes such as the Rural Digital Opportunity Fund (RDOF) worth $20 Billion.

Those funding programmes are still being ramped up. With fibre penetration in the US around 45%, there is still plenty of room to grow. Many analysts are predicting that the US fibre penetration will double over the next ten years.

DO YOU THINK INNOVATION OR A RELATIVE LACK OF IT AT THIS STAGE HAS AFFECTED THE INDUSTRY? IF SO, HOW?

Part of the fun in the cable industry over the last 20 years or so, was that it was largely driven by fast waves of innovation. We started with just simple broadcast video and ended up with symmetrical gigabit services running on basically the same network.

However at the same time, innovations in mobile technology 4G/5G has made us less dependent on the fixed connections in our homes and have also changed our viewing habits - think of Netflix. In 2012 wifi was in only 25% of homes, whereas today…. Most of the innovation happening in cable today is happening behind the scenes – how do we automate the network to lower costs? How do we use new technology to give a better customer experience?

BROADBAND STILL SEEMS TANTALISINGLY OUT OF REACH FOR AN UNACCEPTABLE NUMBER OF RURAL HOMES IN THE UK. WHAT DO YOU SEE HAPPENING THAT MIGHT CHANGE THIS?

Government commitment for complete coverage is important. Consolidation in the altnet market will help, bigger companies, with more geographical areas will have more incentive to fill in the holes in their coverage maps. Having more flexible solutions for the last mile will definitely help to lower the burden of hardest to connect places, by the lowering the cost of doing so.

HAVE WE REACHED A CRITICAL MASS IN TERMS OF THE SECTOR'S GROWTH? HAVE WE PEAKED OR IS IT STILL A FEW YEARS AWAY?

Most analysts are predicting that the UK (and European) Pay TV subscribers will continue to decline by around 2 million by 2029, so that is significant. This will hit the cable and satellite providers the hardest. Cable has peaked.

Fibre has not yet peaked. That market has a bit of a headwind right now, it should come back strong if the current geopolitical instabilities we're seeing correct themselves.

GEOPOLITICAL INSTABILITY IS A MASSIVE FACTOR. WHAT ABOUT CLIMATE CHANGE?

Following Hurricane Melton and Helene, an awful lot of broadband is going to have to be reconstructed. That's a lot of fibre build; tens of thousands or hundreds of thousands of homes need reconnecting. In the US much of the construction is on poles, meaning that a substantial amount of reconstruction will have to be done.

The bigger point here is that the telecommunications industry (which currently accounts for about 3% of the annual global consumption of energy needs to start figuring out how to consume less energy, while at the same

1 https://www.fierce-network.com/broadband/analysts-predict-us-fiber-subs-double-next-10-years-45m#:~:text=The%20penetration%20metric%20is%20on,as%20of%20June%2030%2C%202023.

time, providing more bandwidth. It sounds impossible, but it's not. New tech is making this possible.

WHAT'S THE FIBRE PENETRATION RATE IN THE US?

Only in the 45% region, about the same as Germany. So in that respect, it hasn't peaked. It still has a way to go yet, and that's why I'm optimistic about the fibre business. If you still look at the UK, it's only about 70% covered here. That's still 30% of the country yet to connect with fibre. I can't believe that. Even in this country where there's been a lot of investment.

ARE THERE ANY OTHER AREAS OR ELEMENTS THAT MIGHT HAVE PLAYED A PART IN THE CURRENT LANDSCAPE THAT WE HAVEN'T COVERED?

Yes. Vendor consolidation. We've already seen some companies going out of business, but there'll be further consolidation, probably companies combining or selling off chunks. In Europe, you've got more vendors than the market can really support anymore with the amount of product that they buy. So a lot of the vendors are looking to resize their teams and they're doing lots of balance sheet adjustments.

The size of the market is shrinking; it makes more sense for the vendors to consolidate rather than fight each other.

WHAT ONE THING WOULD YOU CHANGE ABOUT THIS INDUSTRY?

What messed up the fibre roll out was the regulatory environment. It meant that there was incentive for the altnets to overbuild each other and try and get there first. Getting there first usually meant getting the customers, even if it wasn't close to where your other network was. So a lot of them have network all over the place that's not that well connected to itself. A lot of them rushed to just get there first. It's caused a lot of knock-on effects, and that's why the consolidation is needed to kind of collapse some of those areas.

WHAT ABOUT IN CABLE?

When cable started, it was different because they gave concessions. And if you got the concession for Doncaster or whatever, you could build the cable network in the area with the certainty that there wouldn't be building behind you. So you could get the customers. And then that actually created an environment in the UK. You know, when I first moved here, there were probably 20 or 30 cable operators. They were all buying equipment. There were 20 or 30 decision makers.

Anyway. So eventually in the UK, it all got consolidated to two. And then a few years later, it all got consolidated to one. Virgin Media. Which was Telewest and NTL before that and before that, dozens of companies, plus Cable & Wireless.

It would be fun to see a sort of cable family tree on this, considering most of us have lived through it, and all that stuff is like scar tissue.

THAT SCAR TISSUE IS STILL STUCK OUTSIDE PEOPLE'S HOUSES. I HAVE A NYNEX BOX OUTSIDE MINE.

You're not alone there. It's progress, after a fashion.

THERE'S A GREAT DEAL OF ATTENTION BEING GIVEN TO DIVERSITY, EQUITY AND INCLUSION, AS WELL AS SUSTAINABILITY. AND IT'S RIGHT THAT WE SHOULD ALL BE DOING OUR BIT. DO YOU THINK THAT'S HAPPENING IN ANY MEANINGFUL WAY IN OUR INDUSTRY?

The industry is pretty much still the same way it was because it's tough to change overnight. There are great initiatives out there but these things take time. Where I think we can add value is by pushing connectivity to the unserved and underserved areas of our countries.

I would cite examples of the funds being invested to connect tribal areas and the States or the money going into connect Indigenous communities in Australia, the money going into connecting Indigenous communities in Canada. Here our industry can support in its own way, connecting some of the places that have been unconnected in the past.

FAST FORWARD FIVE YEARS AND WE'RE IN 2029. WHAT'S HAPPENED TO THE BROADBAND SECTOR?

They'll be talking about getting 50 gigabits symmetrical at home. Most of the twisted pair telephones will be gone – replaced with a mobile of fibre enabled fixed phone.

I WOULD SAY, WHAT DO WE NEED IT FOR? THEN AGAIN, WE DIDN'T THINK WE NEEDED WHAT WE'VE GOT NOW.

It'll be telemedicine, home security, smart grid, telepresence. You're right. What do we need it for? That's not the point. The point is it will be available. It's a time of great uncertainty, but what's clear is that there will be some winners emerging from the chaos.