



NEWS & MARKETS TOP 5 COMPETITION FOR BROADBAND HEATS UP

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## Cable's Fast Last Mile

by Lauren Barack May 8 2008

Yep, Verizon FiOS is better than cable. Too bad that doesn't matter.



Type FT4 Category 5e Ethernet cable bundle. Photograph by: Greg Lawler/PhotoShelter

To roll out its new high-speed fiber-optic service FiOS in the Philadelphia area, Verizon lifted a page from AT&T's old playbook—it reached out and invited the neighbors over for a block party.

More than 500 people came to Springmill, an adult community in Middletown, Delaware, to see a home-technology makeover sponsored by Verizon, get their faces painted, play **Guitar Hero**—and, of course, hear about how dropping cable for FiOS will enhance their lives.

The problem? Just because FiOS is a superior product in some respects, that doesn't mean it's going to trounce the cable companies. Not even close. Even when Verizon fully deploys FiOS, it's estimated to only cover 15 percent of the nation, according to Craig Moffett, Sanford C. Bernstein & Co.'s senior U.S. telecom analyst.

"The numbers are overwhelmingly in favor of the cable companies," Moffett said. "And the telcos, including Verizon, are peddling to catch up."

Still, even Moffett admits that FiOS—where it's available—is a sweet deal. The fiber line offers customers broadband speed of up to 50 megabits per second, and upstream speeds that are higher than cable, a plus for those customers who like to upload files to **YouTube** and send photos by email. Verizon says its employees are using speeds of 100 Mbps, although that speed is not for customers—yet.

But to get this fiber into the 10.5 million homes that are connected—and the millions more it's aiming to touch—the company is investing \$18 billion (about the gross national product of El Salvador) between now and 2010.

Major urban markets still aren't on the FiOS map, except for Philadelphia and Boston. In **New York City**, Verizon is negotiating for a cable-franchise license for video, and it doesn't expect to have the city fully wired for TV until 2014.

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Instead, FiOS has focused its early rollouts on outlying suburbs—Tupperware territory—hence the block parties and pitches targeted at soccer moms.

**AT&T** is also part of the **video chess match**. But its U-verse service, which currently offers a maximum broadband speed of just 10 Mbps, isn't going to fully blanket the country either. In fact, Moffett estimates U-verse will have a 25 percent reach—but only when fully deployed.

Verizon and AT&T may be the most aggressive at deploying their connections, but by 2010, "they're going to be deployed in only half of their own respective operating territories," Standard & Poor's analyst Todd Rosenbluth says.

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