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## ANALYSIS: TV for telcos and the benefits of big friends

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By: [Robert Poe](#)

America's Network Enews



Microsoft must enjoy being in a market where the important thing is not how worried its competitors are, but how worried its customers are. The burning question about the technology that lets telcos deliver TV over broadband links is not whether the software giant will dominate the market. It is whether telcos will embrace TV seriously enough make the market worth dominating. And that will depend on whether they are worried enough about the attack of the cable operators to attack back.

Microsoft's so-called IPTV technology includes content acquisition, compression, video server, service management, digital rights management and set-top box software. (Hardware partners include encoding experts Tandberg Television and Harmonic, as well as Juniper Networks and Lucent Technologies.) It lets telcos deliver TV or other video over speedy connections such as DSL or fiber-to-the-whatever, and thus parry the lethal voice-video-data "triple play" weapon with which cable operators have begun slashing away at carrier customer bases.

There's plenty of interest in such technology. In fact, a number of smaller rural telcos have already taken the TV plunge. According to Michelle Abraham, a senior analyst with In-Stat/MDR, over 100 independent operating carriers (IOCs) around the U.S. are delivering video over broadband, usually DSL lines, with many using technology supplied by Myrio Corp. of Bothell, Wash.

Aditya Kishore, a Yankee Group senior analyst, points out some less-direct evidence of interest: the fact that all four RBOCs have tie-ups with satellite TV providers. That lets them cobble together their own triple play combos, smoothing the rough edges with seamless one-stop sales and support. The obvious next step is to send the TV signal over facilities they own.

And Microsoft can offer up its own proof of carrier interest: It has IPTV trials under way at Bell Canada, Swisscom, India's Reliance Infocom and, most recently, SBC. It also says recent RBOC announcements about fiber and TV reflect a quickening of interest in the U.S. over the past six months. "We've been a bit surprised at how quickly the telcos in the States have seen the value and made decisions at the board level

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to move in this direction," says Ed Graczyk, director of marketing for Microsoft TV.

Not all of the carrier interest stems directly from fear of cable, according to Abraham. For example, while IOCs have led the way in rolling out telco TV, many of them are in areas that have no cable operators, or may even own the local cable network, she says. In the latter case, it may simply be more cost-effective to deliver TV over carrier broadband than to upgrade an aging coaxial plant to handle the more demanding video applications that will be coming down the pipe, she says.

Even so, larger telcos like the RBOCs remain the fattest targets for cable invasion, and also the ripest target customers for IPTV. But counterbalancing their interest are a number of obstacles. One is simply the demands of the TV business itself. "To compete effectively with digital cable or satellite service, you've got to be able to offer several hundred channels," says Kishore.

There's also the handicap of entering the TV race from the back of the pack. Because there might already be one or two cable and satellite providers in a given market, acquiring customers will be a slog in the mud. That means the best rule of thumb for telco TV might be "the recognition that if you build it, they will not come," as Kishore puts it.

It's also far from a technological walk in the park. More and more TV programming is coming in high-definition format, and the amount of data bandwidth the operators will have to squeeze into the same pipe to keep Internet users happy is constantly increasing. Making it all work will require staying on the cutting edge in two areas in particular. One is video compression software, like Microsoft's Windows Media 9, which it claims can deliver standard-definition video at 1 to 1.5 Mbps, and high-definition video at 5 to 6 Mbps. The other is the advanced DSL that can handle such video streams, plus voice and lots of data, without strain. And carriers that opt to skip the DSL and wait until they can deliver their TV over fiber - which, by the evidence, will include most top-tier telcos - will have their own hurdles to jump, specifically time and expense.

All of these challenges are the reason neither analysts nor Microsoft itself expect huge growth in carrier TV anytime soon. "We're not going to be at 20 million IPTV users next year," says Graczyk. "The inflection point, in terms of where we see big volume deployments ramping up, is probably at least three years out."

The critical motivator, of course, will be how worried telcos are about the cable invasion. But cable operators are only human, too. So the aggressiveness with which they roll out their triple plays will surely depend in part on how worried they are about a counterattack from the very competitors they're invading. And what could worry them more than the entry of the world's most powerful software company on the side of those competitors?

#### About the Author

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