

The Broadband Illusion.

Since the early 8ties the concept of broadband services has been raised several times. It started with videotex / teletex type of services. Governments of several countries have spent hundreds of millions Euros on trials which, maybe apart from the French Minitel project, were totally unsuccessful. Also money devouring projects in the European RACE arena have resulted in nothing substantial.

ISDN is a nice technical concept but time has learned that customers are not interested, at least not when they have to pay more for the same and do not need the extras. Germany is the only country where ISDN has really penetrated because Deutsche Telecom just took the costs and did not give the choice. In most other countries ISDN was saved by the bell of the residential internet user who wanted just a bit more speed than the analog telephone line.

Field trials with cable modems organised by the cable television distribution companies were unsuccessful and introductions of the DSL concepts are slow.

One can point at a couple of reasons:

1. Incumbents are not too eager to share the last mile with other operators. Local loop un-bundling is still (and rightfully so) a hot topic.
2. Incumbents as converged service providers (combined infrastructure -, service - and information provider) will not work because the staff skill sets available do not match the market requirements, at least not at present. That means that to be successful incumbents have to partner with specialist companies. This creates issues like customer ownership and revenue-sharing.
3. Cable TV companies have mainly one-way distribution networks which with additional investments can be upgraded to two-way purpose but it has hardly been done. Apart from that, the TV set is unsuitable for computer use and vice versa and they normally are in the wrong places.
4. Marketeers on cloud nine. Fortune tellers in the cable companies and the IP industry have predicted huge customer needs for pay-TV, shopping and other interactive applications via the TV set, specialised movie packages (sports, porno, etc..). Given the results of these companies it is clear that the public does not want these facilities, especially not when they have to pay additional subscriptions and usage.

We now hear the almost science fiction type stories of remotely controlled houses with respect to heating, security, refrigerators that automatically do their own inventory and call the supermarket to replenish the stock (it is always filled but often with the wrong goodies) and more of that stuff. In the infotainment area it is expected that the downloading of multimedia will see a boost.

The reality is that there will be some people absolutely interested and prepared to pay for these type of services. These are the so-called early adopters, the freaks, the trendies, the perverts¹ and the rich. Unfortunately they do not form a big enough market segment to support the necessary investments and operations to run these services. It has been proven time and time again that the mass-public is not (yet) interested.

¹ It was stated in an article in Communications International that about 50 % of the total volume of internet traffic is pornographic content.

1. They do not need it or mistrust it
2. They are not prepared to shift money from one budget post to another because money remains a scarce resource.
3. Still large portions of the public do not have access or do not use the internet at all. (Less than 50 % of the world population has access to telephone service and about 6 % can use the internet). Even in western Europe large portions of the population do not use the internet.

Of course there will be private or business (SOHO) customers with broadband requirements. They have to realize that these services can and will be provided under the conditions of the "Newest Economy" concept ². This means that the provider must make a profit and therefore the user has to pay the price. The private customer must make the evaluation if he wants to spend the money on more and better entertainment; the business user must make his business case to see if his business results will be better by using the applications offered by broadband. In time these services will develop but it will take decades instead of years.

Looking at the history of telecommunications the following rule can be recognized:

The introduction of interactive services takes at least 10 times as long as the introduction of distribution or broadcast services.

With that in mind there is good hope for broadband, but not for tomorrow.

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27 May 2002.

² See previous FITCE Forum.