

The internet revolution is being led by a growing fibre-to-the-home (FTTH) market. While a few years back, fibre was relegated to the backbone of the network, today it is being used for connecting towers and is coming closer to us by moving into our homes. With technology advancements, data centres that were earlier located overseas are now being moved closer to users. A day will come when users will have their own cloud for storing data on the move.

In the Asia-Pacific (APAC) region, FTTH is becoming a reality. Interestingly, the region has over 100 million FTTH users as against 12 million and 22 million users in North America and Europe respectively. This essentially means that developed economies are far behind the APAC region in the adoption of FTTH. APAC represents a large and varied geography, which holds immense potential for the growth of FTTH. Going forward, by 2017, China alone will have over 100 million FTTH subscribers. Only a few countries in APAC are contributing to the 100 million FTTH user base, which is expected to reach 160 million by 2017 with the addition of 1,563 new subscribers per day. At present, the average adoption rate for FTTH stands at 35 per cent, which indicates a huge demand for fibre. In China, Japan and Korea, FTTH has reached 250 million, 50 million and 20 million homes respectively. Both Japan and Korea have achieved the optimal level of usage and there cannot be further growth in the FTTH market in these countries. Meanwhile, Indonesia and India offer huge potential and it is expected that the next 100 million FTTH subscribers will come from these two countries. In three countries in the region – Singapore, Australia and New Zealand – FTTH is witnessing encouraging uptake with its initial roll-out carried out through government funding. This model is an exception to the rest of the world, where FTTH roll-out is being led by private players. Further, in APAC, eight countries account for 100 million FTTH users. Of these, five countries – South Korea, Japan, Taiwan, Singapore and Hong Kong – have FTTH penetration of 85 per cent and above. The remaining three countries – China, Malaysia and New Zealand – enjoy FTTH penetration levels of 20-60 per cent. Three leading countries in APAC – China, Japan and South Korea – have over 10 million FTTH subscribers. The number of FTTH users in APAC is expected to increase from 100 million in 2014 to 174 million by 2019. Meanwhile, the number of homes passed by FTTH is also expected to increase from 300 million in 2014 to 425 million by 2019.

Over the next few years, India and China will lead the FTTH subscriber market. China will witness huge growth in the FTTH subscriber base as it is easier to roll out FTTH in multi-dwelling units than in scattered units. The industry is currently witnessing a technology shift with more countries moving away from digital subscriber lines to fibre for rolling out FTTH networks. For example, New Zealand plans to cover 85 per cent of homes with FTTH through fibre, delivering connectivity speeds of 100 Mbps, whereas it plans to connect only 15 per cent homes to FTTH through the terrestrial mode. In India, the FTTH market is likely to receive a boost from the anticipated roll-out of 4G services by Reliance Jio Infocomm Limited. The

company is expected to change the dynamics of the industry by offering high speed internet services. Further, in India and other developing countries, leading developers and builders are recognising the importance of fibre connectivity and leading the way in FTTH roll-outs by offering fibre connectivity as an integral service in upcoming buildings and townships.

One of the most important challenges in FTTH adoption for the industry relates to returns on investment. FTTH players across the world can take a few lessons from the success of PCCW-owned KT Telecom in Hong Kong. At present, the operator has made 88.8 per cent of homes FTTH-ready with connectivity speeds of 1,000 Mbps. Going forward, the operator plans to deliver broadband at 10,000 Mbps. During the first year of FTTH deployment through a mix of copper and fibre, KT Telecom registered a revenue of around \$50 million. Over a period of four years, its projected revenue stood at \$70 million. Meanwhile, the operator launched the internet protocol television (IPTV) service for FTTH users, which saw its revenue reaching \$860 million. The launch of the IPTV service helped KT Telecom acquire more customers, retain existing ones and boost revenues. In the absence of strong e-health and e-education applications, IPTV is going to drive FTTH revenues worldwide. In India, the launch of smart cities, where utilities such as air, water and traffic will also be connected through the internet, will be the next key driver for fibre-based networks. A mass roll-out of 4G, the development of smart cities and the increasing number of devices per person due to data growth are going to be the key drivers for FTTH in India.

Based on a presentation by Anil Pande, Director, New Business, Africa and Asia-Pacific, Dura-Line

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