

Network Equipment

The U.S. Department of Commerce reports that 1987 industry shipments of network equipment were expected to increase 12% over the 1986 level to \$14.4 billion (U.S.) measured in 1982 dollars. Central office switch shipments were down 4% to \$5.1 billion (U.S.) while carrier line equipment (which includes digital cross connects and terminal and line equipment) and multiplex equipment were expected to increase 16% to \$1.6 billion (U.S.). This growth is derived from the activities of the Bell Operating Companies (BOCs) and independent telephone companies which are striving to enhance services through the upgrade to fully digital networks and by the construction of private networks to offer voice and data communications services.

Customer Premise Equipment

The USDOC also reports that the value of shipments of customer premise equipment (CPE), encompassing telephone sets, key systems, private branch exchanges (PBXs), modems, telex terminals and facsimile (fax) machines was down 4% to \$4.9 billion (U.S.) as domestic and foreign manufacturers cut prices to compete for the growing U.S. market. However, some products within this category were able to demonstrate growth in 1987. The Local Area Network (LAN) equipment is one category of CPE which continues to experience strong growth. In 1987, U.S. shipments of LANs reached \$800 million (U.S.), up 14% from 1986 and more than 700% higher than 1982. Shipments of PBXs, the largest product category of CPE equipment, gained 5.6% to reach \$1.9 billion (U.S.). The USDOC believes that this product is less price sensitive than other telephone products including telephone sets and key systems and is therefore less subject to competitive pressures from imports. U.S. manufacturers of key systems lost market share to imports in 1987 with shipments dropping to \$180 million (U.S.) while industry shipments of telephone sets remained unchanged at roughly \$900 million (U.S.).

The USDOC also sees the outlook for related telecommunications technology and equipment as promising. While quantitative data on satellite communications systems is scarce because the technology is relatively new, it is believed there will be continued growth particularly in the European market over the next five years. The U.S. cellular radio telephone equipment market, which is estimated at \$1.1 billion (U.S.) in 1988, is forecast to exceed \$3 billion (U.S.) in sales by 1990. Long-term growth in this industry is predicated on the development of new technologies capable of handling future capacity constraints, advances in circuit and battery technology which