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Opening the Network makes economic sense

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France is known for...



Mourning a good friend

Copper

Stretched to the limit
Increasingly unreliable
Strongly asymmetric
Geographically constrained
Expensive to maintain



DSL

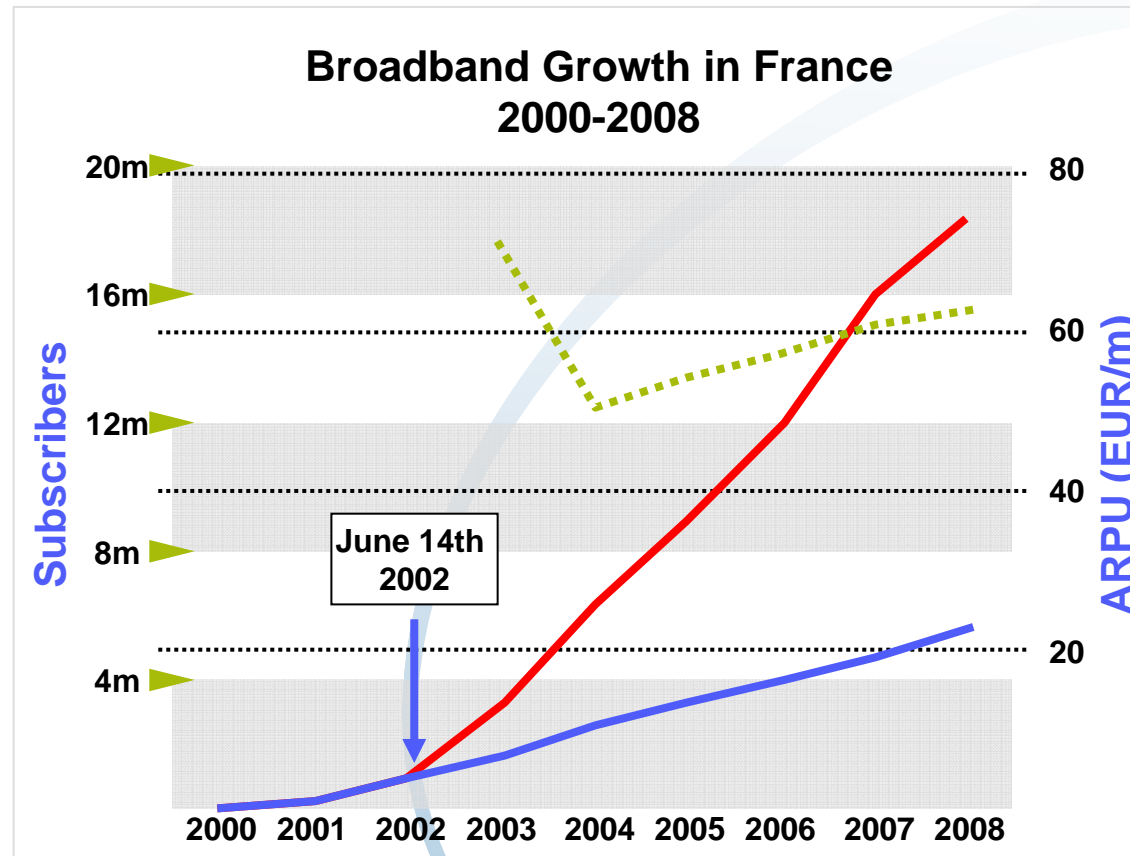
* 1999
† 2009

Fiber

Virtually unlimited
Incredibly stable
Symmetric
Potentially ubiquitous
Cheap to maintain

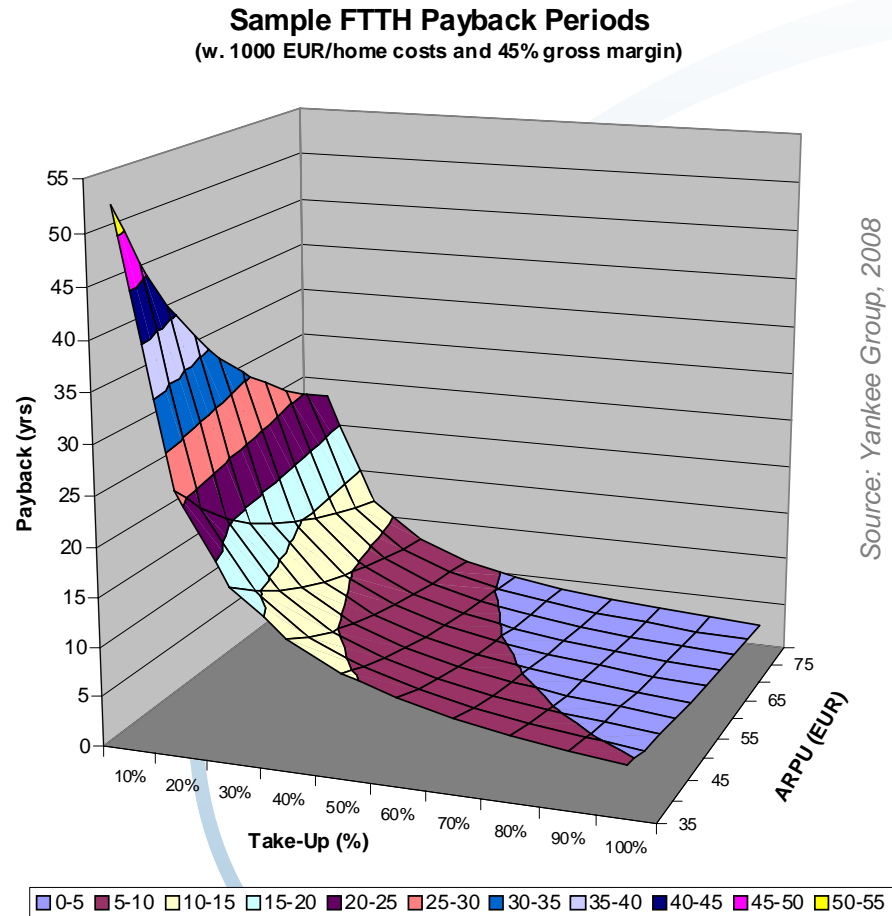
Copper unbundling has been profitable

- Incumbent has 50% market share
- Wholesale division very profitable
- Gross margins on unbundling very high (70%+)



Take-up drives new network profitability

- Take-up has **more impact** on payback than ARPU.
- Single player large scale deployments **rarely achieve over 25%** early take-up
- Opex savings **kick-in at 100%** take up



Incumbents embracing Open Access?

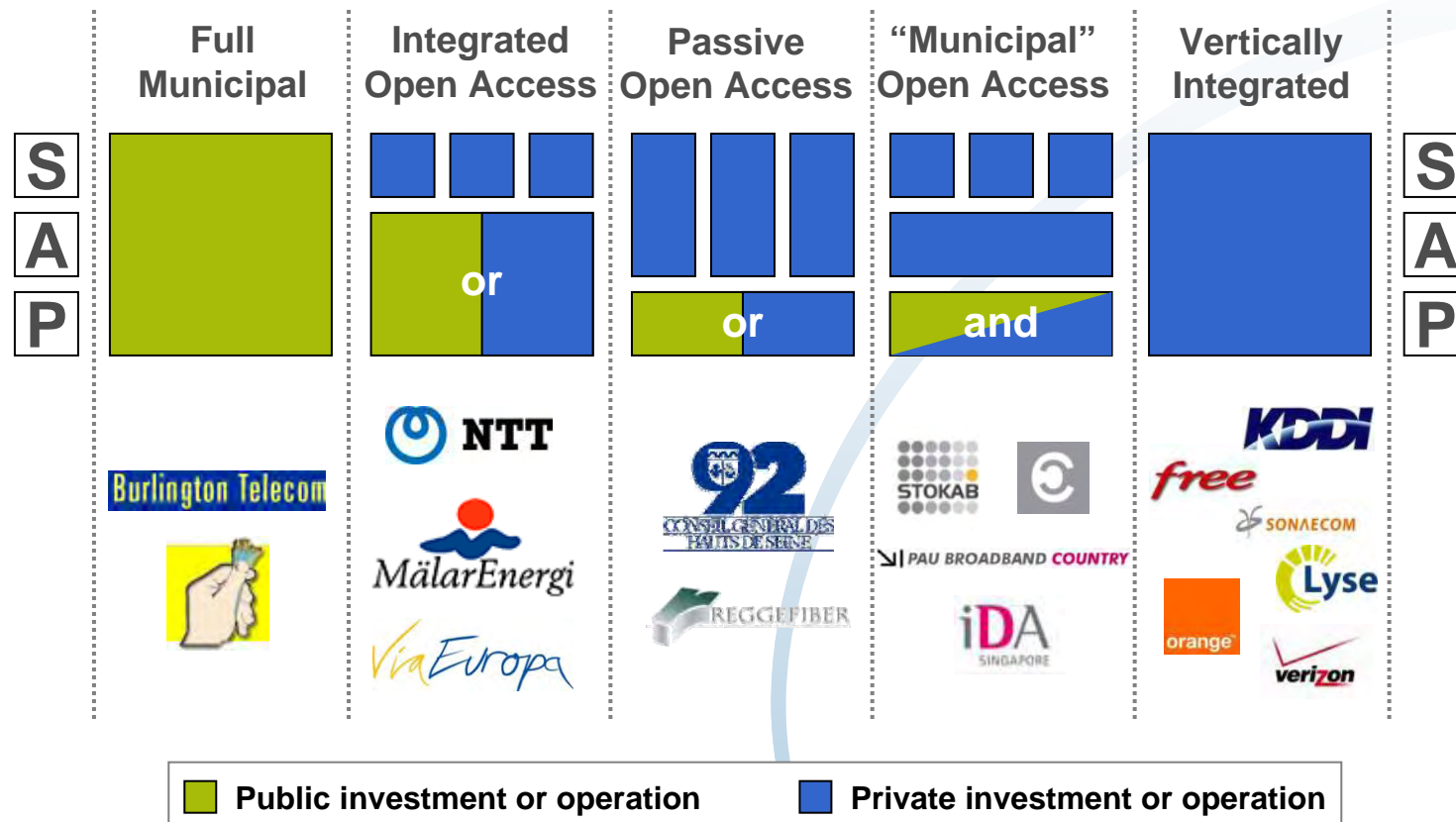
<< In hindsight, KPN made a mistake back in 1996. We were not too enthusiastic to be forced to allow competitors on our old wireline network. That turned out not to be very wise.

If you allow all your competitors on your network, all services will run on your network, and that results in the lowest cost possible per service. Which in turn attracts more customers for those services, so your network grows much faster.

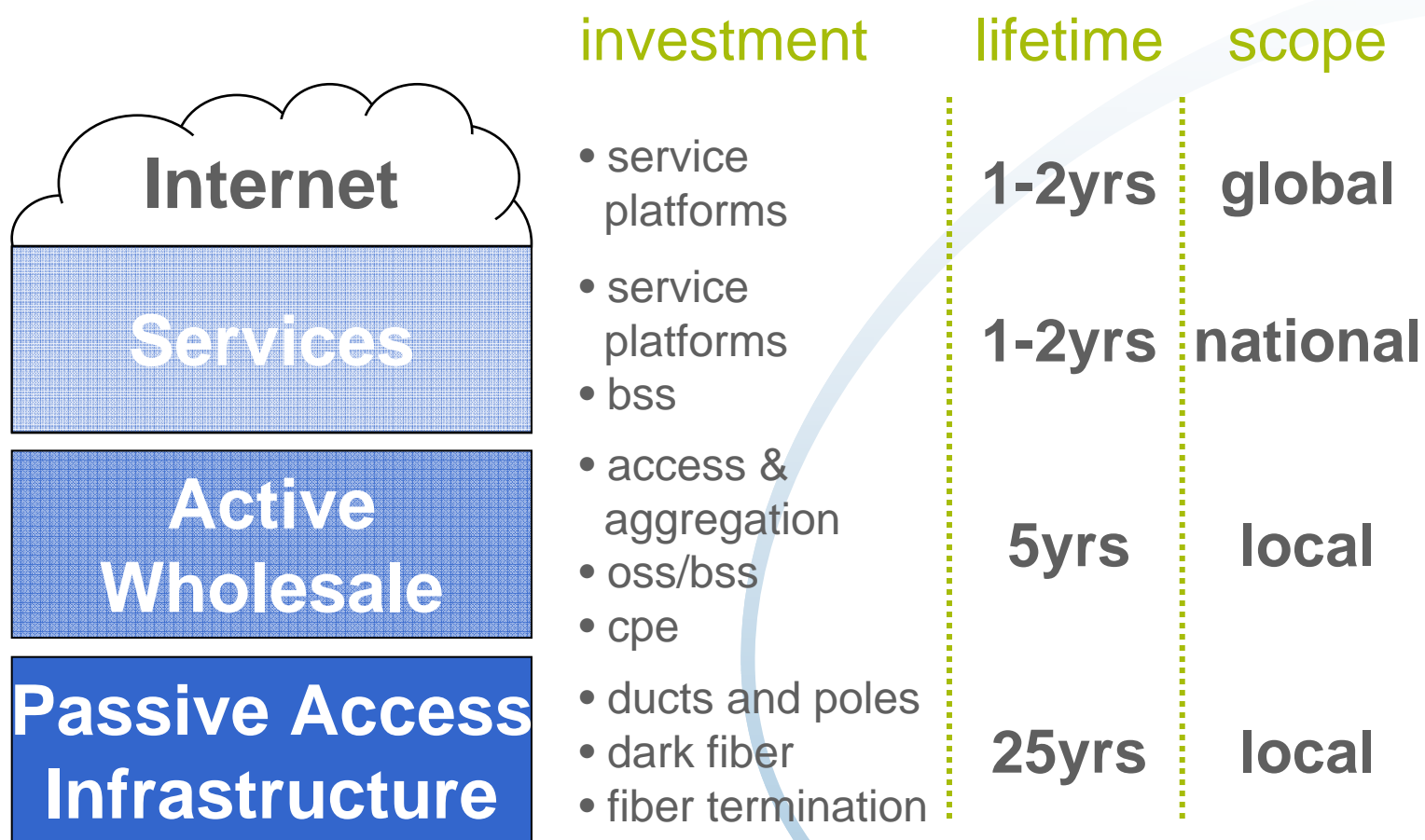
An open network is not charity from us, in the long run it simply works best for everybody. >>

Ad Scheepbouwer (CEO, KPN)

A variety of models, public and private



A sliced view of broadband delivery

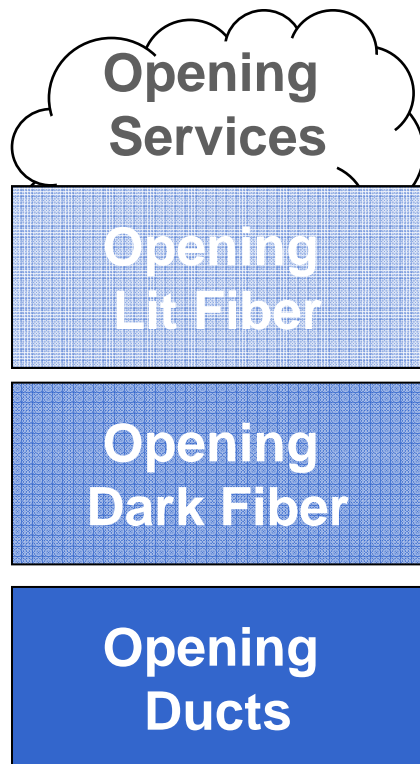


4 ways to open access

regulatory approach

likely outcome

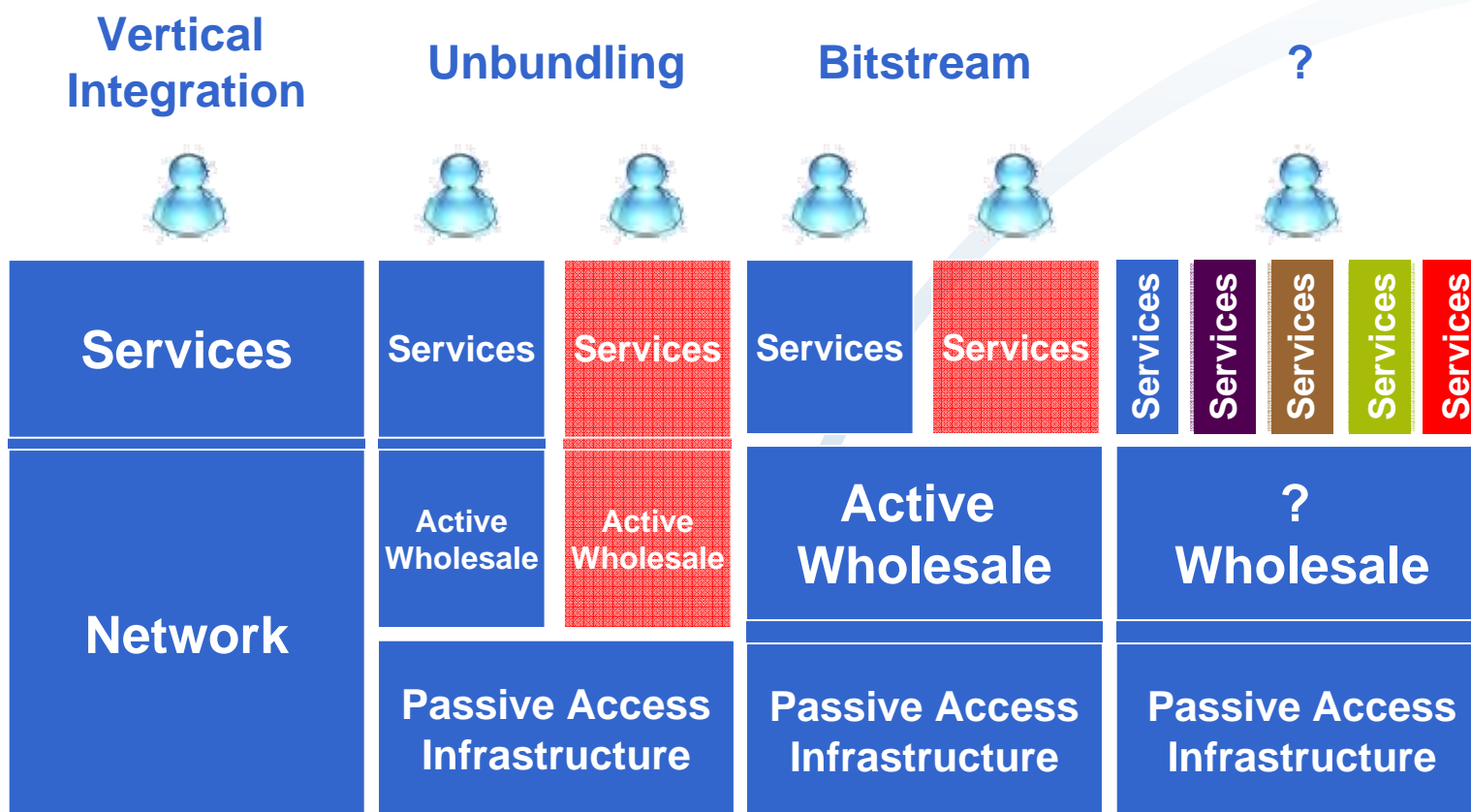
ex.



- richer service environment
- plethoric SP ecosystem (100s)
- richer choice for customers
- numerous SP ecosystem (10s)
- economy of bitstream?
- the « new » unbundling
- oligopoly where the network goes
- one network or patchwork network?
- oligopoly in dense areas
- monopoly in tier 2 cities
- patchwork network

- (Sweden)
- UK
- Netherlands
- Spain
- France

Exploring a new Open Access Model?



Two interesting ways to spend public money...



- Public money spent on deploying technology neutral fiber last mile
- Service providers connect to a neutral aggregation point where they can lease dark fiber to the end customer
- Only 10% public financed. Private deployers have 15 yr concession over dark fiber to pay back for investment



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- Announced a roll-out strategy with 4 parallel fiber strands to every home
- Lobbies regulator for a symmetrical measure to be imposed on competitors
- Aims to ensure universal access with operated fiber and avoid costly and complex unbundling obligations

Key messages

- 1 You only get one chance at laying out the infrastructure
- 2 There's more than one way to obtain infrastructure competition
- 3 No matter who deploys the infrastructure, interoperability should be ensured.
- 4 There is no investment vs. competition conundrum (at the network level)

Broadband as a utility?



Thank you for your interest!



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