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Analyze the Future

Defining a roadmap: what will the future look like?

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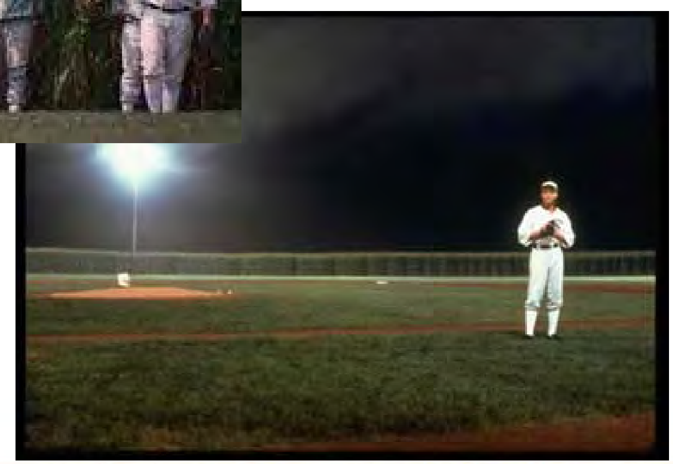
“If we build it, will they come?”



Agenda

Creating the playing field

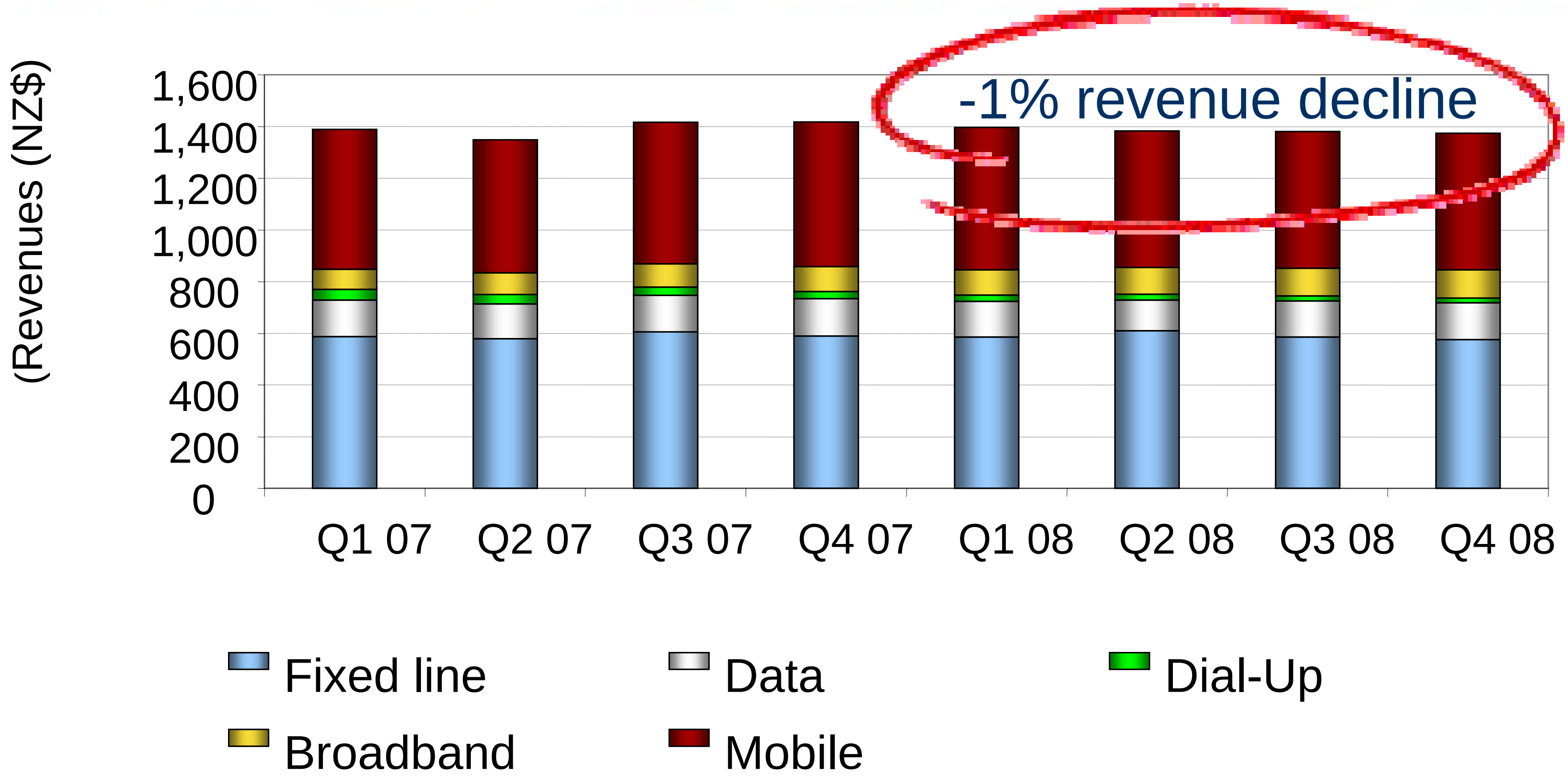
Gameplan

Home run!! …..?

The playing field

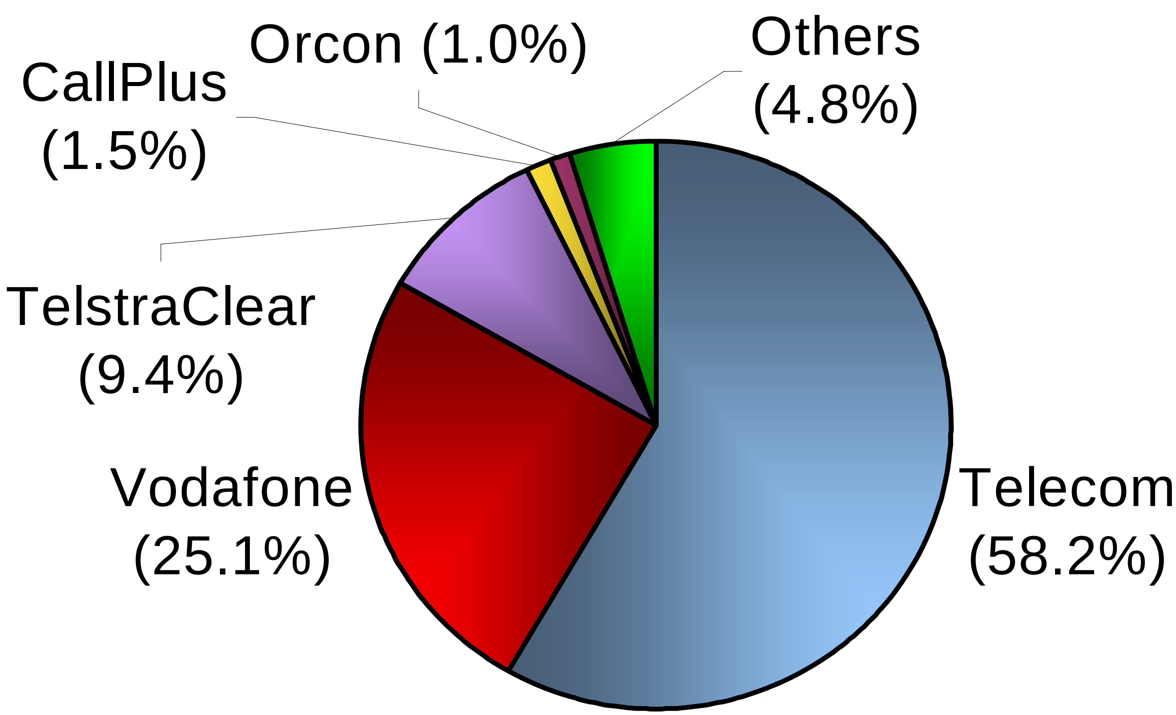
What's changing the game

NZ Total Market Revenues – flat!



Legacy revenues eroding – not yet offset by growth in broadband, data and services revenues

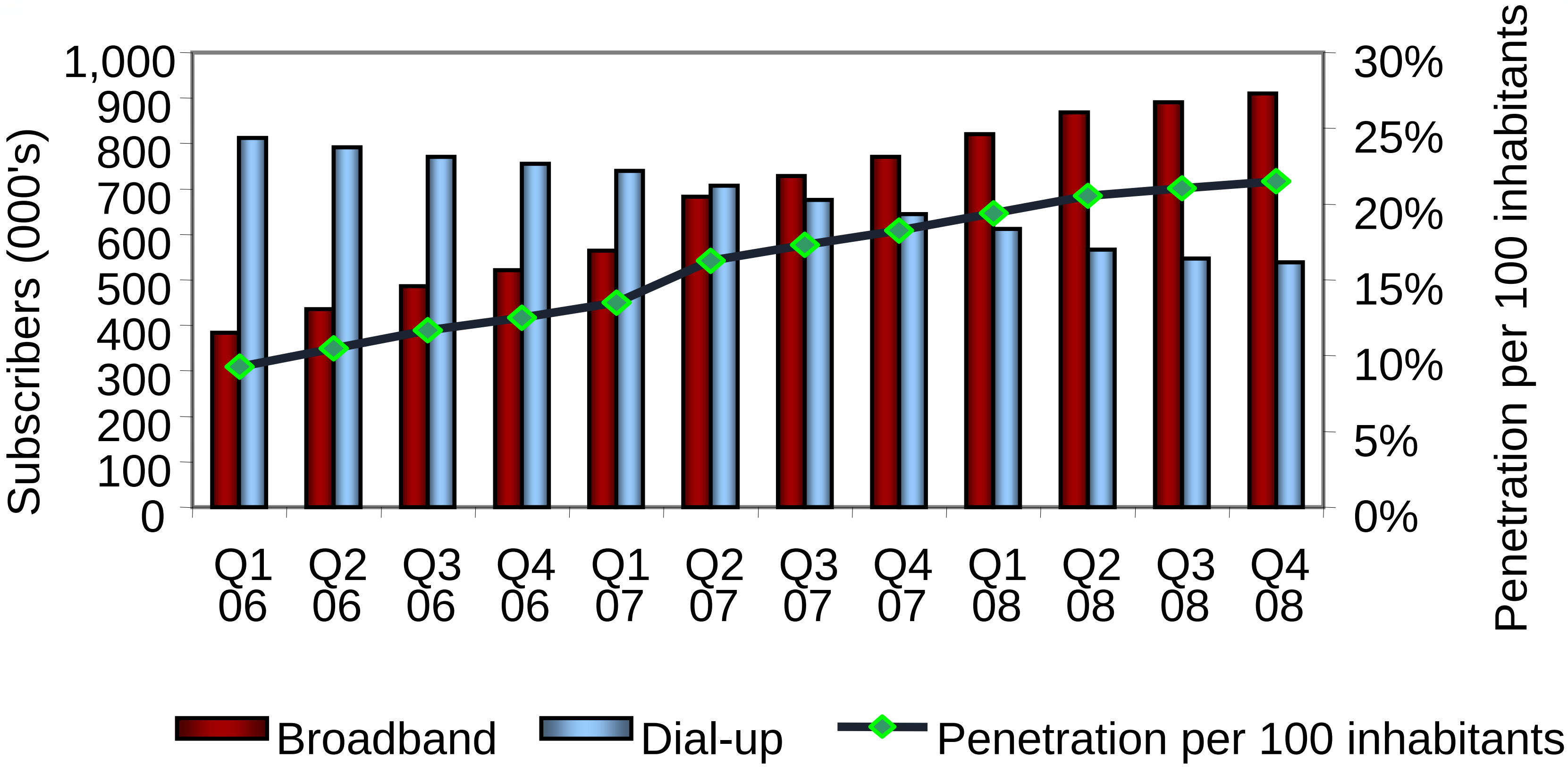
Telecom dominates revenue market share



Telecom's market share has declined 2% year on year

- But competitor share is fragmented

Broadband subscribers – and demand – is growing

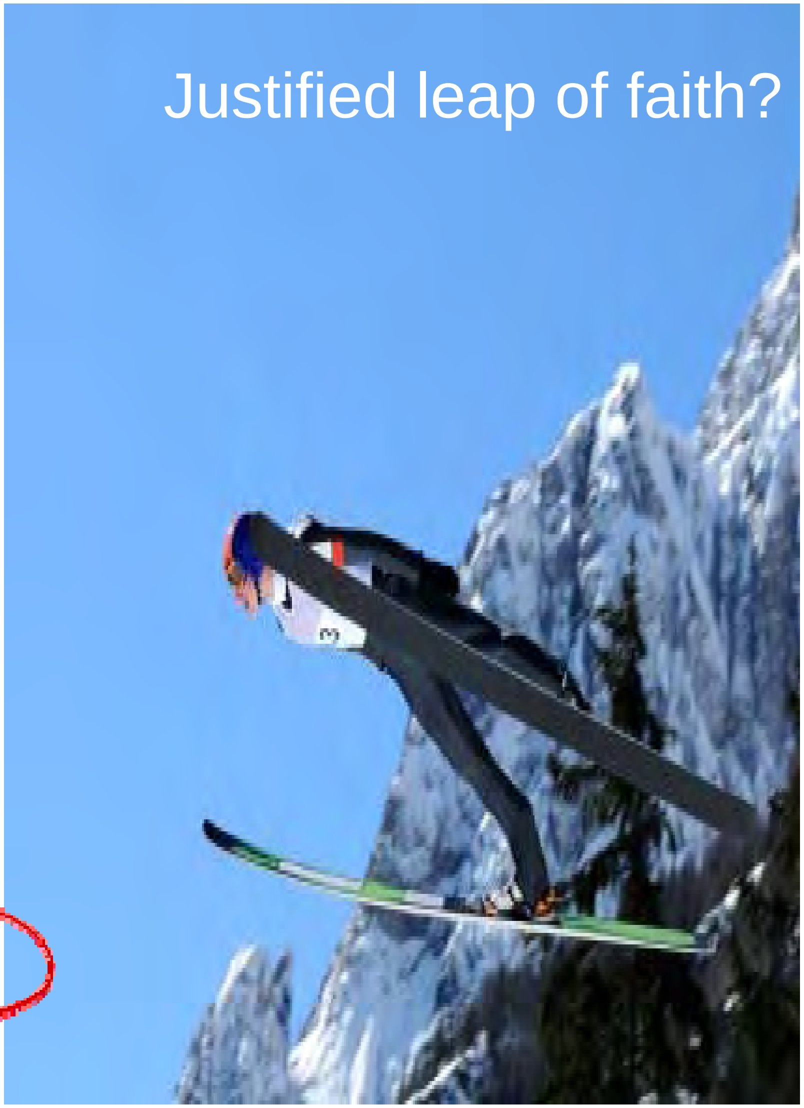


- 17.6% broadband subscriber growth in 2008
- Sixth highest growth rate in OECD (June 08)
  - Rate of growth now slowing

Capex: New Zealand

- **Telecom NGN** **$2050m**
- **TelstraClear** **$100m**
- **Kordia/Orcon** **$72+m**
- **Vodafone Fixed** **$50m**
- **Vodafone Mobile** **$500m**
- **NZ Communications** **$172m**

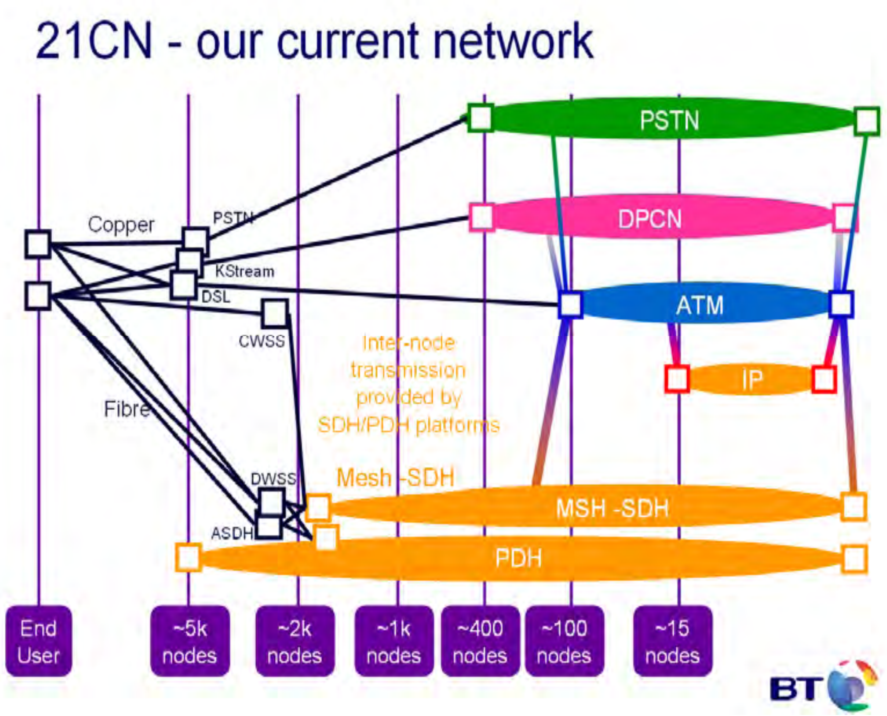
$2944



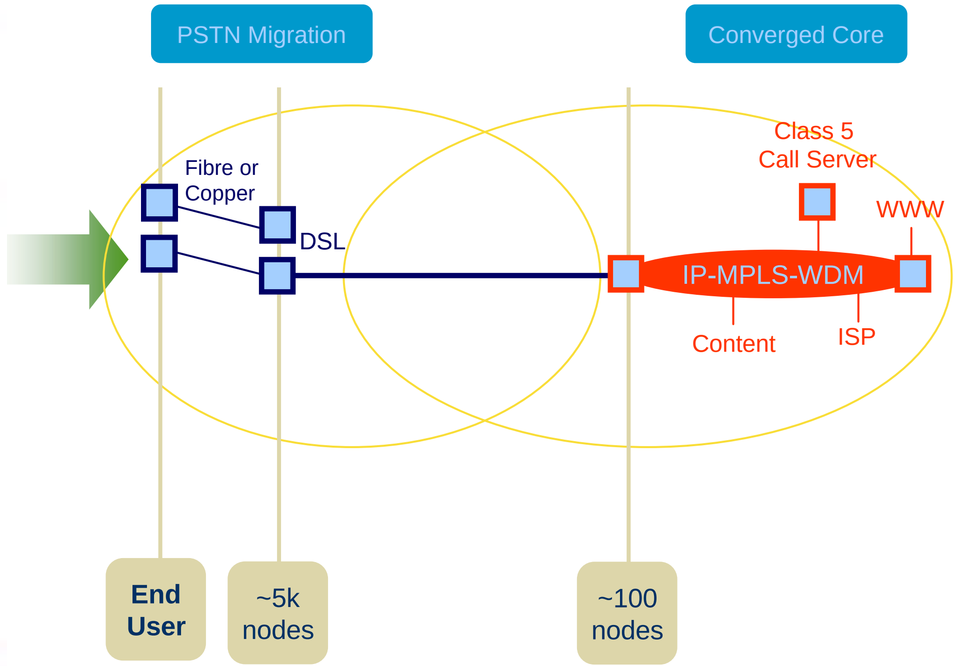
Migration to IP-based networks critical

'From Spaghetti to Lasagne'

Legacy Network

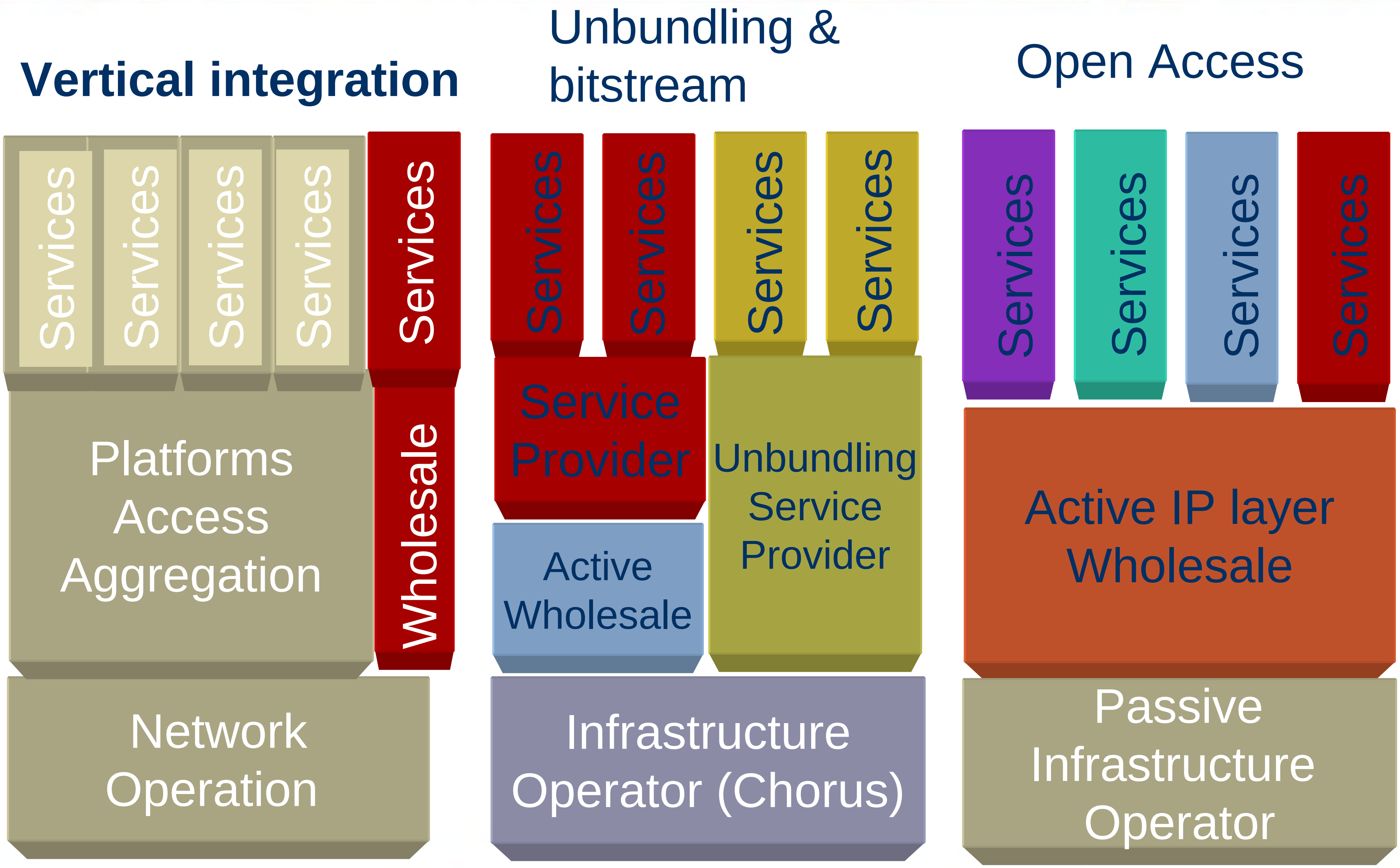


21CN platform



Necessary to cost reduction, services management, competitiveness, sustainability

But it is changing the business model to one of services competition



The Telco Dilemma

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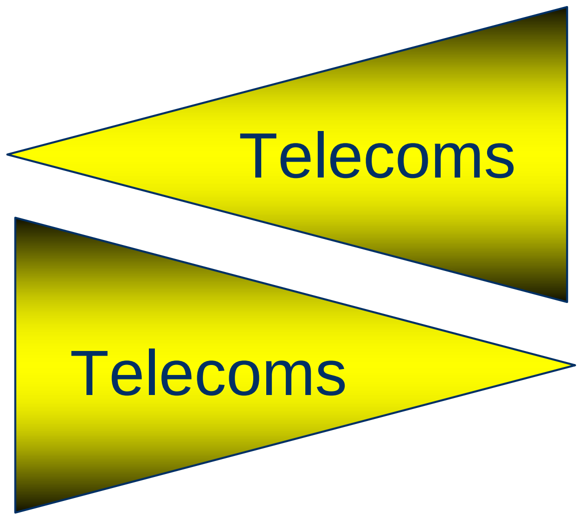
Revert to wholesale…



…or push into new markets

Gameplan

Who plays in what position?

What do Consumers Want ?

Consumers want everything!

What will drive broadband demand?

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Downstream increase drivers

SDTV	2 Mbit/s per channel
HDTV	8-12 Mbit/s per channel
Basic HSI	5 Mbit/s average
Gaming	2 Mbit/s per session
Multimedia surfing	8 Mbit/s average
Video Conf., learning	3 Mbit/s per session
Telemedicine	3 Mbit/s per session
Home working	4 Mbit/s average

Drivers: **HDTV, variable Quality of Service**

Upstream increase drivers

SDTV	0.2 Mbit/s
Basic HSI	2 Mbit/s average
HDTV	0.5 Mbit/s
Personal content upload	3 Mbit/s per channel
Gaming	2 Mbit/s per session
Multimedia surfing	2 Mbit/s per session
Video Conf., learning	3 Mbit/s per session
Telemedicine	3 Mbit/s per session
Home working	1 Mbit/s average

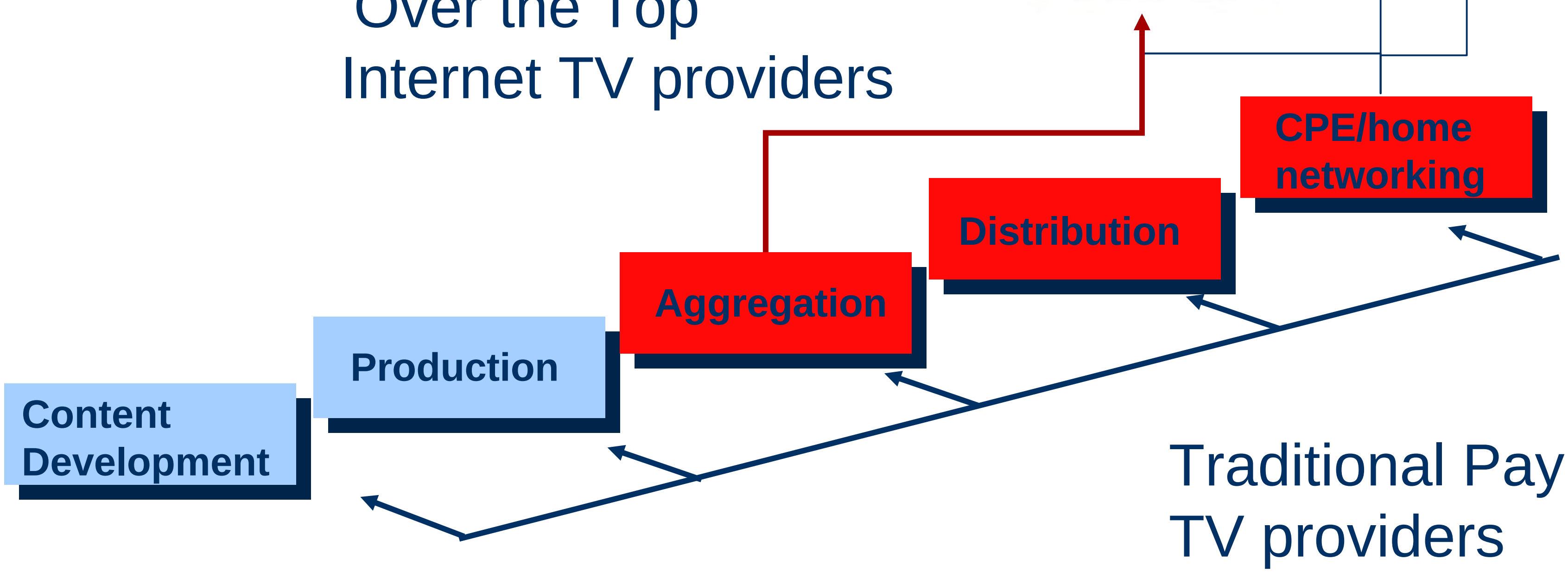
Drivers: **Sharing multimedia content (video, audio)**

Multi-channel, high-definition, VoD requires ultra-high speed symmetrical broadband

Source: Alcatel Lucent

IPTV is a challenge

- Competitive, mature market
- Entrenched competition
- New ‘asset-lite’ disruptors



Business case requires long payback

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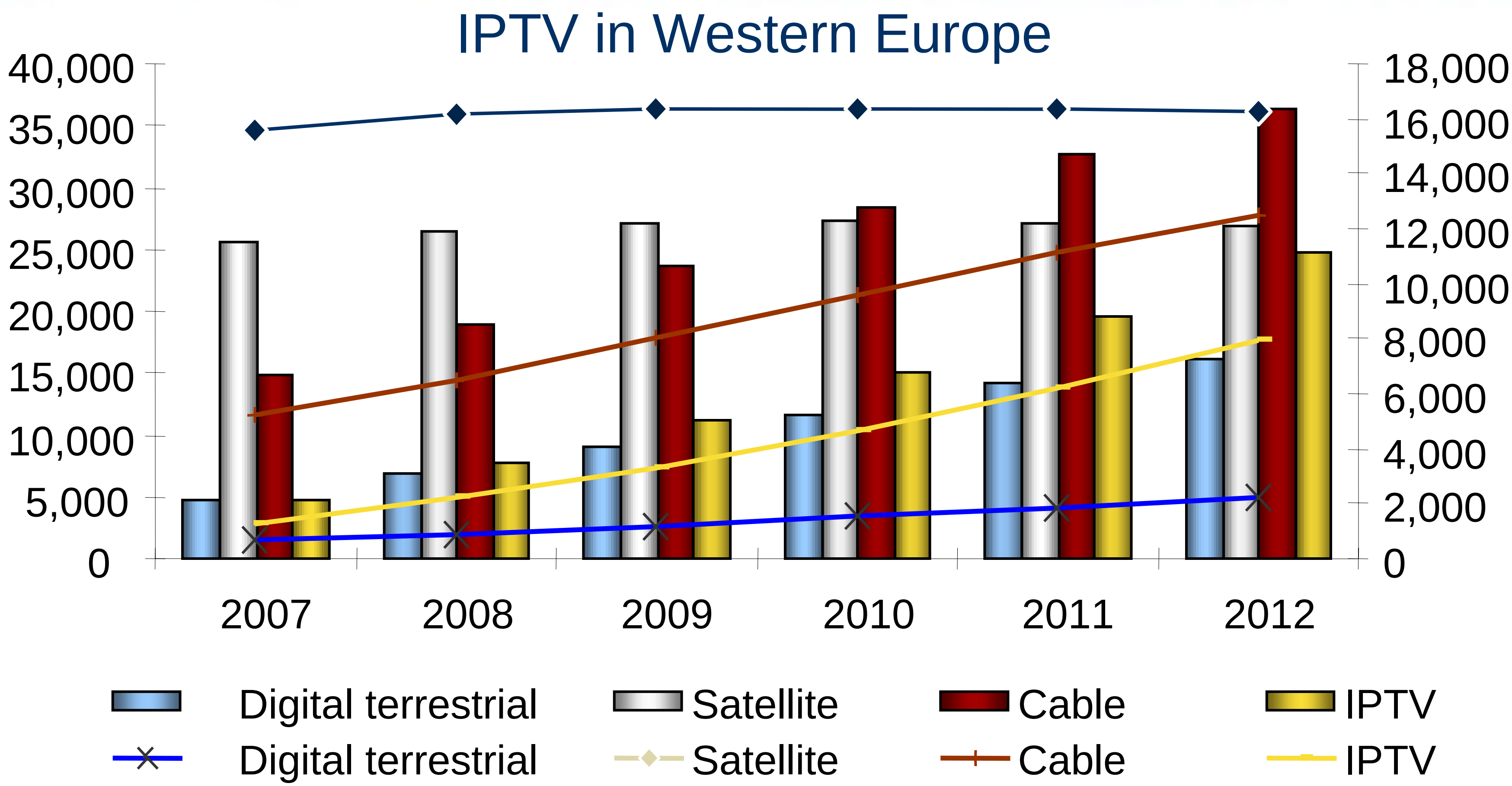

IPTV a small but growing part of the market

- 44% CAGR

Opportunity to instead serve the Domestic CIO

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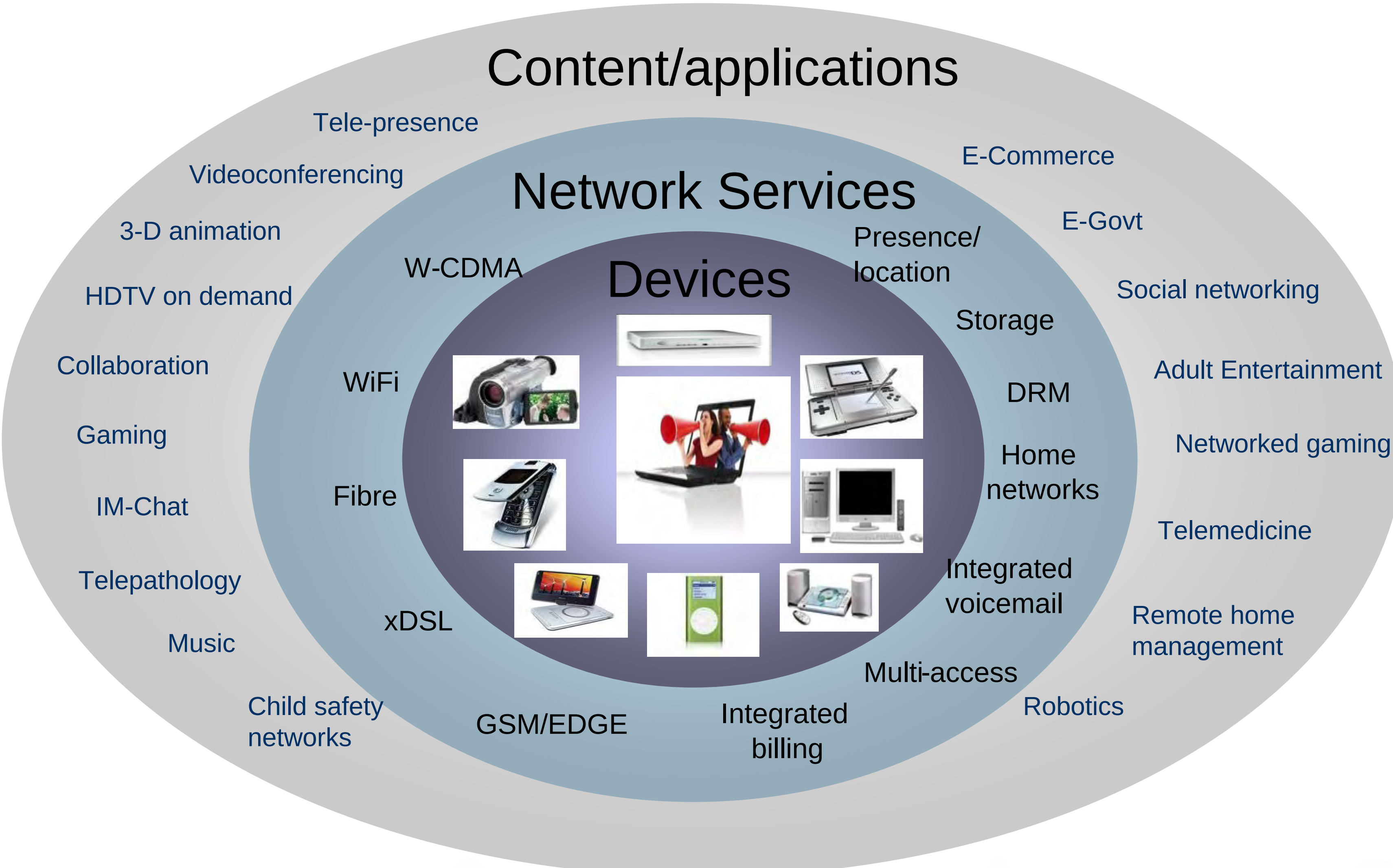

Telco role: anchored on connectivity

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Functionality/ Convenience

Customer benefit

Cost savings

Enabling
- Home management systems
- Homeworking/remote access
- Security
- One device

Integrating
- Simplified access across devices
- Integrated identity
- Integrated billing solutions

Bundling
- Discount bundling
- One bill
- One Customer Service

Aggregating
- Applications
- Content
- Premium rights
- Exclusivity
- Release windows
- Back catalogue
- VoD rights
- Brand association
- Advertisers

DISTRIBUTING

Home Run!! …?

Playing a winning game

We need new business models – but where do Telcos position themselves?

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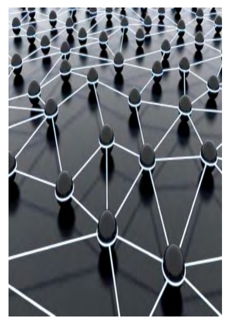
Full solutions provider

- Scale to attract audience
- Network quality & coverage
- Experience/track record
- Cash to burn!

Managed connectivity



- Scale to attract partners
- Network quality and coverage
- High quality OSS/BSS
- Willingness to share

Wholesale

- Scale to drive down cost
- Geographic presence
- Rapid/flexible service delivery
- Transport plus services

Essential guidance

Industry structures are changing

- Old business models will not work

Telcos now part of much larger ecosystem

- New channels, new partners, new thinking

Embed communications into other processes

- Understand the value of what you bring to the table

Provide solutions for the domestic CIO

- Anchor enabling, facilitating on connectivity

Thank you!

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