How EU regulations can help grow Mobile Broadband?

Digital Agenda for South East Europe
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European Telcos are faced with key challenges

How to grow telco revenues?

How to foster fair competition?

How to overcome digital divide?

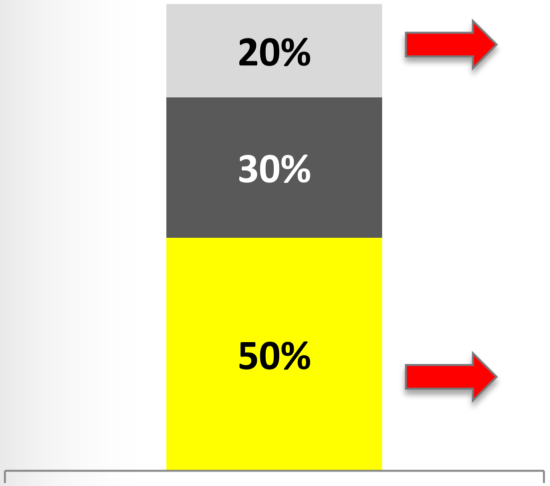
«EU REGULATIONS SHOULD HELP»

Key outstanding regulatory issues awaiting resolution

1. Dominant operators continue to corner the challengers
2. Device OEMs exclusively teaming up with dominant operators
3. Lack of fair competition feeding the «Digital Divide»
4. “New” business models “free-riding” on telco networks
5. Infrastructure based competition in need of urgent innovation

1. Dominant operators continue to corner the challengers

Unfair Roaming Market



Illustrative Market Shares

Worst deal

Best roaming price based on barter

High MTRs enabling ring-fence farms

- MTRs remain high
- On-net pricing critical for retention
- MTR and on-net pricing dealt together

2. Device OEMs teaming with dominant operators

Exclusive Time to Market

- 2-3 months exclusivity period to dominant operators, if not longer and extended
- Especially for new smartphone / mobile broadband devices

Volume Based Commitments

- OEMs enforcing volume commitments but benefiting only from global scale
- Playing volume discounts but commercial justification limited

3. Lack of fair competition feeding digital divide

- Profitable dominant operators have limited incentive to extend investment and product offering to overcome digital divide
- Challengers are primarily focusing on sustaining their existing positions with continued fresh capital injections
- Therefore, the new market not exciting enough for the dominant, not affordable for the challenger

«FAIR COMPETITIVE ENVIRONMENT NEEDED»

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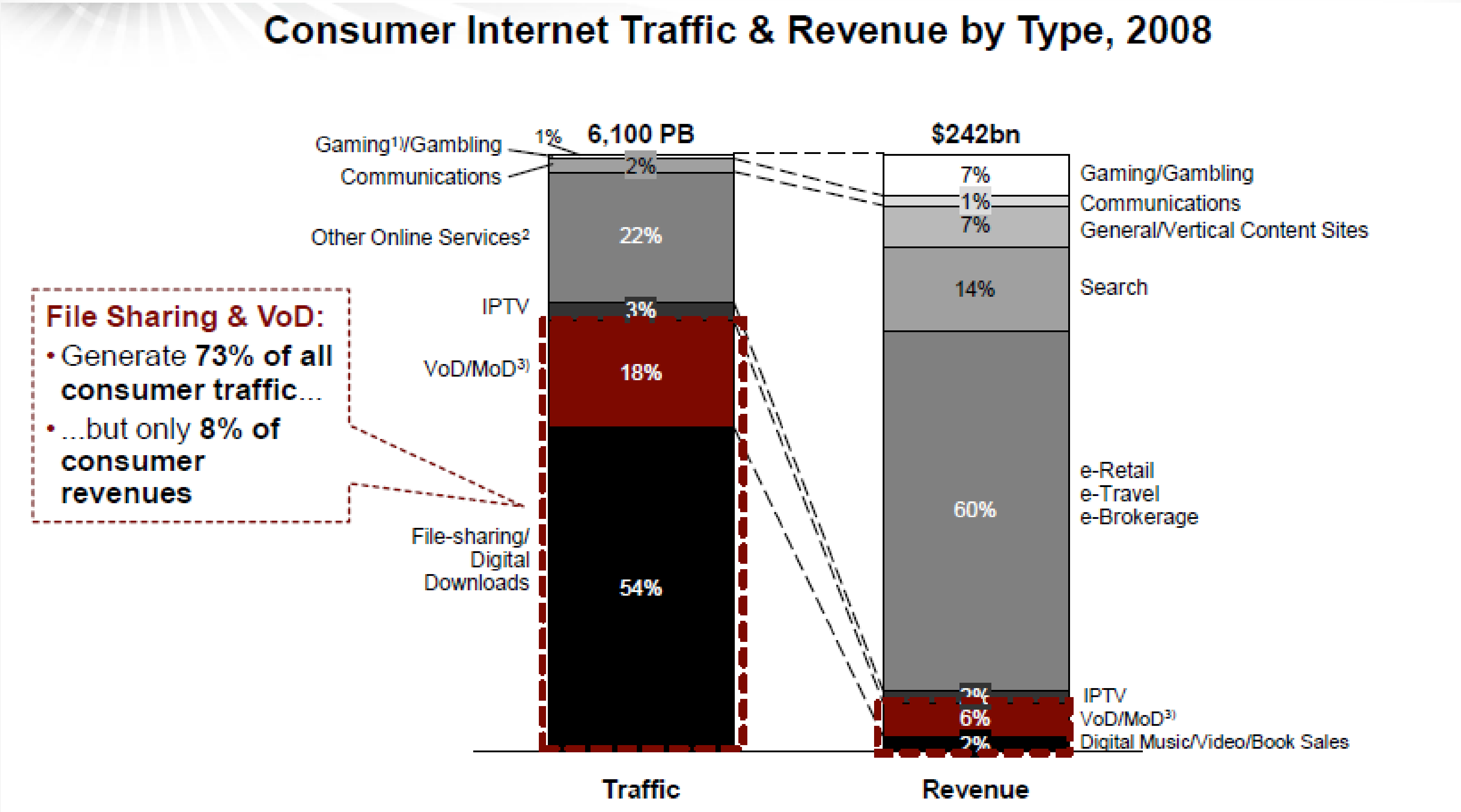
4. “New” business models “free-riding” on telco networks



«TELCOS TO INCREASE REVENUES ON INTERNET »

Source: A.T. Kearney

5. Infrastructure based competition in need of innovation

Super high speed broadband network deployment scenario examples

- Years of payback for market leader -

Scenario 1: **Infrastructure-based competition**

Market Potential[1]	Rural	Urban / Sub-urban	Dense urban
50-70%		*n/a*	
30-50%	>25	11-13	6-8
20-30%	>25	18-22	9-13
10-20%	>25	>25	14-17
< 10%	>25	>25	20-25

Scenario 2: **Single regulated infrastructure, no state funding**

Market Potential[1]	Rural	Urban / Sub-urban	Dense Urban
70%	20-25	9-11	5-8
50%	>25	11-15	5-9
30%	>25	19-22	9-13

Scenario 3: **Single regulated infrastructure, with state funding**

Market Potential[1]	Rural	Urban / Sub-urban	Dense Urban
70%	State contrib.: ~ 1.000 €/HH 10-12	9-11	5-8
50%	State contrib.: ~ 1.200 €/HH 10-12	State contrib.: ~ 200 €/HH 10-12	5-9
30%	>25	State contrib.: ~ 500 €/HH 10-12	9-13

Mobile Broadband can fill this gap

Source: A.T. Kearney

EU regulations need to act as early as possible

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5. Infrastructure based competition in need of urgent innovation