

*Presentation prepared for the Brussels Internet & Telecom Seminars (Bits)
– Wholesale-only operators, in Brussels 12 December 2018*

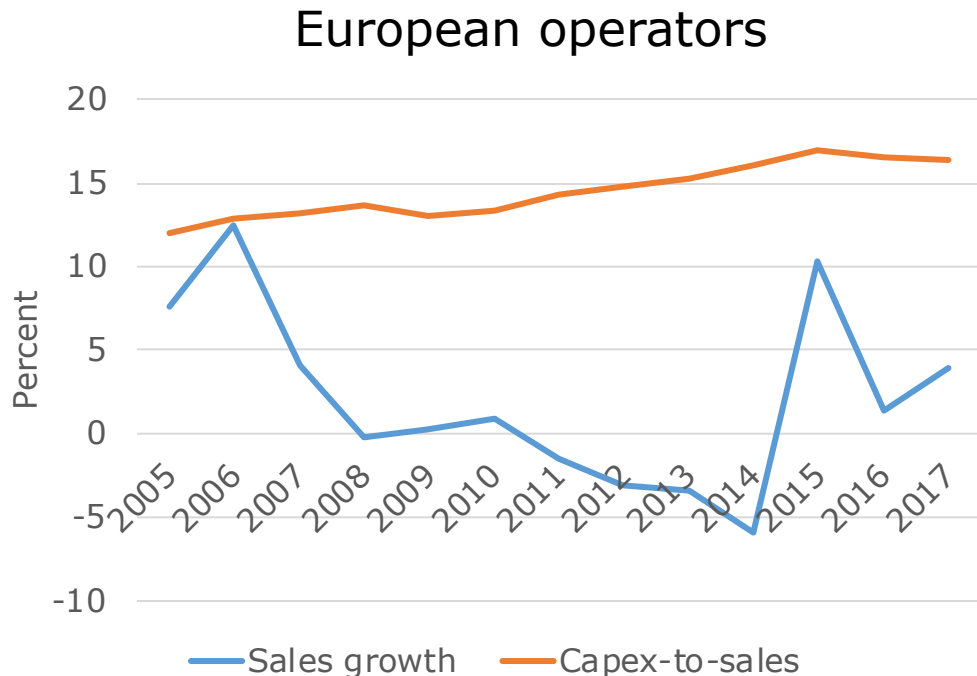
The Operators of the Future

- Alternatives when connectivity becomes a commodity

Bengt G Mölleryd

Changing operator landscape

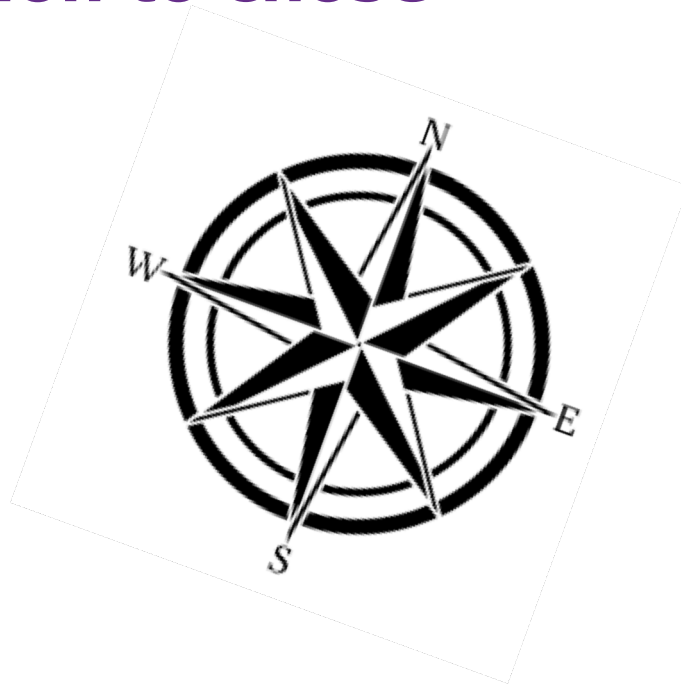
- Mature industry with high capital intensity
- Transition to all IP networks, competition from OTTs
- Customers requiring more data at lower cost which drives network upgrades (capex)
- Connectivity has become a commodity



Revenue weighted average: BT, DT, Orange, KPN, Swisscom, Telefonica and Telia Company

Source: Bloomberg

Which direction to chose



Vertically integrated operators expanding to media, bank, health...

"This ability to bundle, whether it be TV Everywhere, whether it's DTV Now, whether it's the ability to get all your video on your phone is making a huge difference."

John J Stephens, CFO AT&T*

"... services beyond connectivity offered where TV/Video is the main driver ... cognitive intelligence will add more value to our customers bringing loyalty, improving efficiency and opening new opportunity."

José Maria Álvarez-Pallete López, Chairman and CEO Telefonica**

 Charter
COMMUNICATIONS

 AT&T

 Telefonica

 orange™

 Telia Company



 swisscom

 verizon✓

 altice

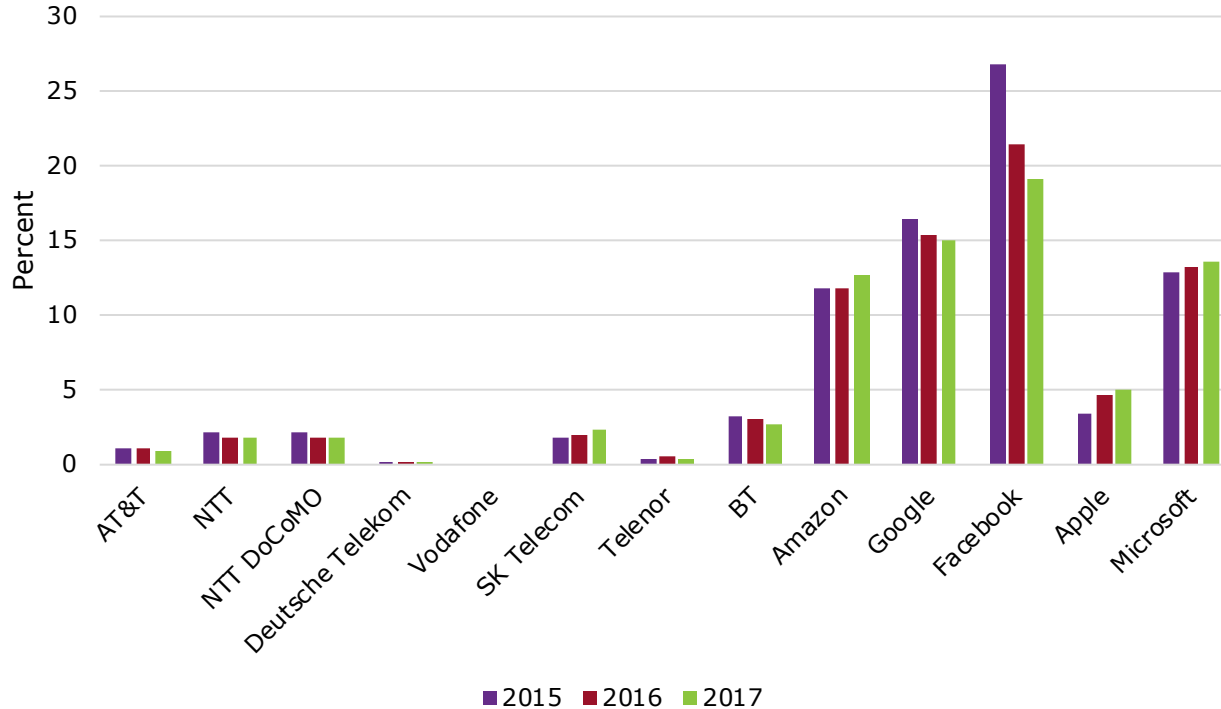
 LIBERTY GLOBAL

 COMCAST

 NTT docomo

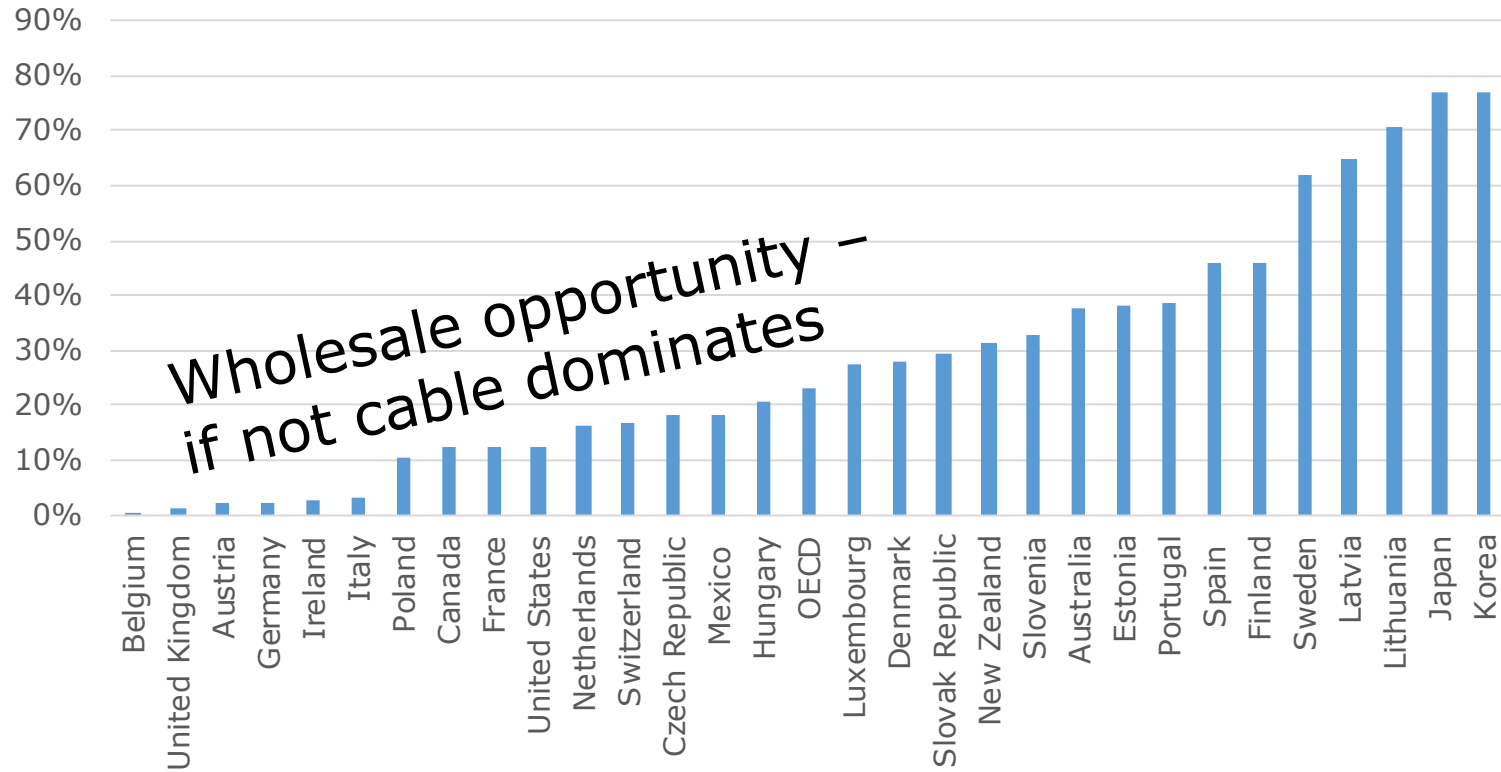
OTTs spend significantly more on R&D

R&D to sales

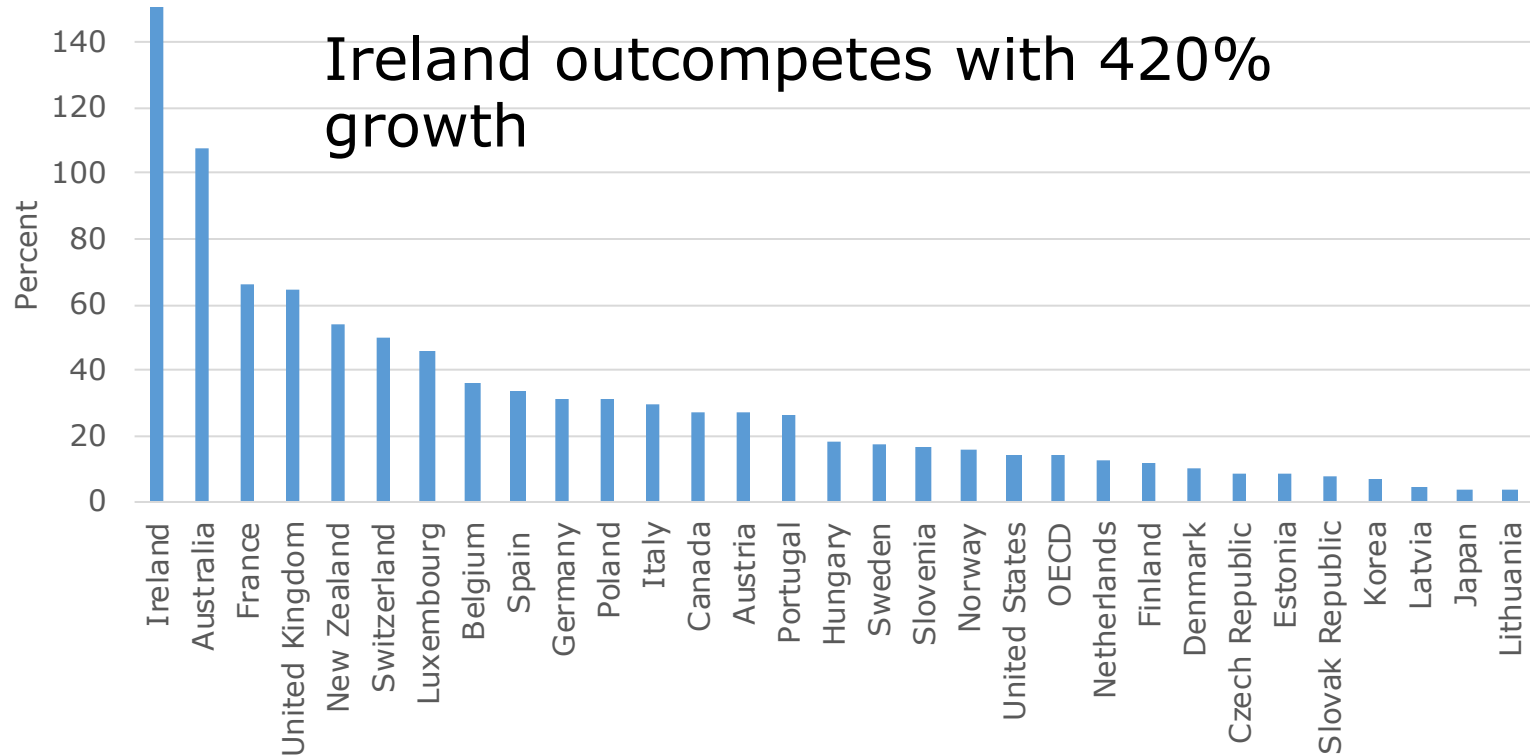


Source: Bloomberg

Percentage of fibre connections of total broadband subscriptions, Dec 2017



Annual growth of fibre subscriptions 2017



A wide range of Wholesale-only entities

Network sharing



Tower companies



Utilities



Wireless



National Broadband Networks Municipals networks



Structural separation



Functional separation



Wholesale-only mobile operator



The Red Compartida in Mexico:

“A wholesale, neutral ...telecommunications infrastructure sharing network to offer the largest coverage, capacity and quality in wireless services. Red Compartida is not the “4th mobile carrier” but a network in service to all carriers.”



Red Compartida is a PPP between ALTÁN Redes and the Organismo Promotor de Inversiones en Telecomunicaciones (Promtel – telecommunications investment promotion agency.)

The network currently covers 32% of the population, 5.8 million of the rural population

“Smart people buy dumb pipes”

“We sell dumb pipes. We don’t sell value added services”

“The service we sell is a commodity and as such we strive to have the lowest cost of production in order to be profitable in a commodity business.”

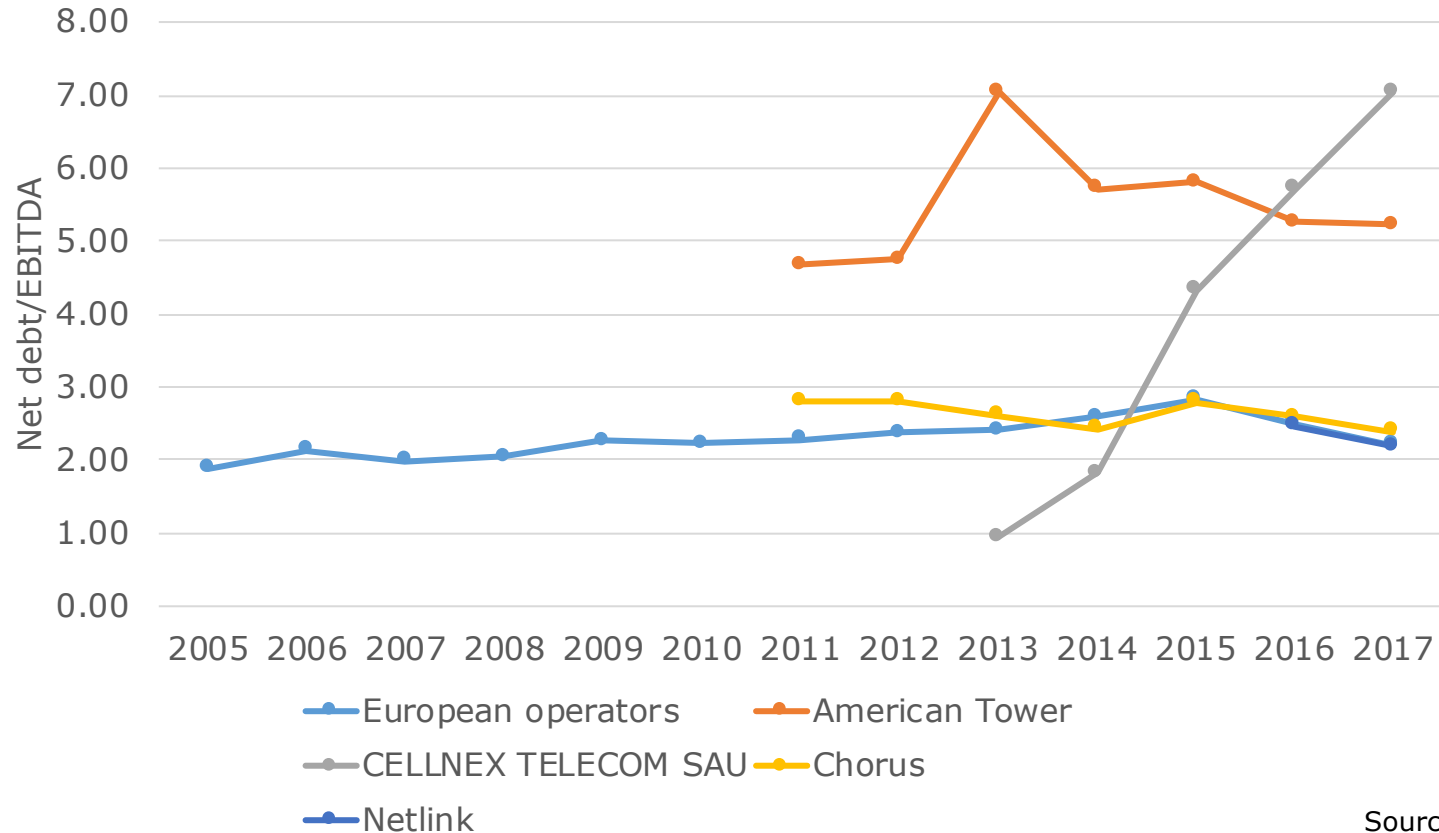


Dave Schaeffer, CEO Cogent Communications*

KOSC Telecom a new player in France

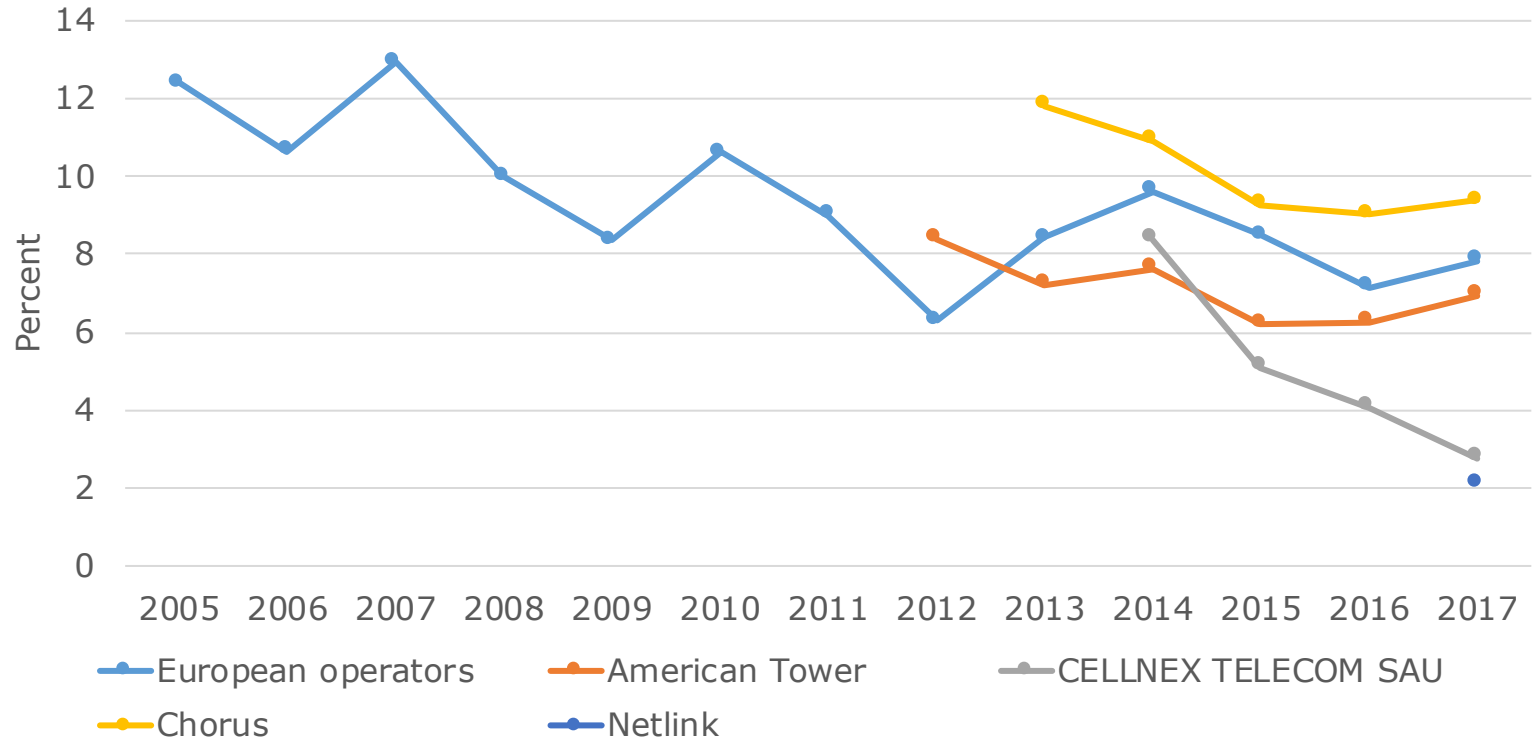
- Provide wholesale DSL and fibre services to B2B operators, thanks to a dedicated wholesale-only network connecting 180 town and cities in France.
- Offers Connectivity as a Service to BtoB carriers which can get access to a complete wholesale offer in France.
- Kosc has signed a long-term agreement with Orange to co-invest on a nationwide fibre infrastructure, and is aiming to strike partnerships agreements with all major French infrastructure operators and Public Initiative Networks.

Utilise the balance sheet by increasing gearing



Source: Bloomberg

Declining Return on Invested Capital (ROIC)



Source: Bloomberg

Risks with wholesale-only business

- If there are limited number of service providers and vertically integrated operators control the market
- Depending on the timing of the launch, existing platforms and customer base
- Level of competition from other infrastructure providers
- Increased fixed mobile substitution is a challenge for wholesale-only fibre networks
- Risk for policy makers: long term investment incentives

Advantages with wholesale-only

- Utilise the balance sheet by attracting long term investments
- Long term customer relationships and lower risks
- Improved broadband coverage through cost effective rollout
- Increased utilisation of networks, reduced costs
- Facilitate intense downstream competition with third party service providers and operators
- Favourable treatment by regulators



Concluding

- Open networks that provide wholesale access at efficient prices could contribute to improved competition for the benefit of users.
- Competition on the wholesale market is vital in order to maintain investment incentives.
- Wholesale-only operators could be consolidator and attract long term investments.

Q&A

Thanks!

Contact: bengt.molleryd@pts.se



Concept	Definition
Capital Expenditures (Capex)	Funds used to acquire intangible or physical assets
EBITDA	Earnings before interest, taxes, depreciation and amortization
Free cash flow	Operating cash flow minus capex
Net debt	Netting the value of a company's liabilities and debts with its cash and other liquid assets
Revenues/Sales	The amount of money that a company actually receives during a specific period
ROIC	Return on Invested Capital, indicates how effectively a company uses the sources of capital (debt and equity) invested in its operation

[Browse by Theme](#)[Browse by Country](#)[Browse by Theme and Country](#)[Catalogue](#)[Statistics](#)[Home](#) > [Papers](#) > [OECD Science, Technology and Industry Policy Papers](#) > [Development of High-speed Networks and the Role of Municipal Networks](#)

OECD Science, Technology and Industry Policy Papers

The OECD Directorate for Science, Technology and Innovation (STI) develops evidence-based policy advice on the contribution of science, technology and industry to well-being and economic growth. STI Policy Papers cover a broad range of topics, including industry and globalisation, innovation an...

[More](#)**English**ISSN: 23074957 (online) | <https://doi.org/10.1787/23074957> [Subscribe to the RSS feed](#)

Development of High-speed Networks and the Role of Municipal Networks

All OECD countries recognise the benefits that stem from high speed broadband networks and have made tremendous progress in recent years in fostering their deployment. Nonetheless, many challenges remain in terms of how to enhance and expand these networks to meet the growing demands of an increasingly digital economy and society. Although private investments have been the overwhelming source of finance for high speed networks in OECD countries, municipal networks have been used in a number of OECD countries to fill gaps or provide substantial areas of service in a region, city or smaller town and surrounding locations. This report examines some of the experience with these municipal broadband networks in selected OECD countries. Municipal networks are defined here as high speed networks that have been fully or partially facilitated, built, operated or financed by local governments, public bodies, utilities, organisations, or co-operatives that have some type of public involvement. The models and experience of these networks have varied from being highly successful to not meeting expectations. In some cases, they have provided welcome competition by offering an alternative infrastructure and have opened the market for retail Internet service providers by separating the basic infrastructure from services. In other cases, they have enabled the use of shared infrastructure. Some have built on a long tradition of municipalities providing services from entities owned by them, such as the provision of utility services like energy, water, gas, or cable television. Some have involved public private partnerships, others have been privatised following initial public ownership and some are community driven.

[Less](#)**English**[More On](#)

You have access to all formats

[CITE THIS PAPER](#)[EMAIL THIS PAGE](#)**Authors**

Bengt G. Møllerly

25 Nov 2015**90 pages****No. 26**<https://doi.org/10.1787/5jrql7rvns>

Click to access: PDF READ