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Wholesale operators are serving [illegible] sophisticated delivery pla[illegible]rms [illegible] muscle in on conte[illegible]ist[illegible]tio[illegible] services. [illegible]GE 3

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German reve[illegible]ues down

Mobile broadband services are enjoying rapid growth worldwide, but operators need to play smart if they want to win. PAGE 3

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KPN in Dutch Aldi deal

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ANALYSIS: NEXT-GENERATION NETWORK ACCESS

Sharing the burden

Governments worldwide are debating whether to help fund new access networks and how to encourage competition. Report by Joanne Taaffe

FINANCIAL MARKETS ARE not alone in receiving much-needed injections of government cash. A decade or more after many economies privatised their telecoms industries, governments around the world are debating how to bring next-generation access, and with it broadband services, to all their citizens. In some cases governments could decide to fund next-generation access network build, in full or through public-private partnerships, even if it means recreating a monopoly.

"It would not surprise me if one of the side-effects of rece[illegible] market turbulence is to increase the volume of calls to revert to an era [illegible]cte[illegible] national monopolies," said Ed Richards, head of UK regulator [illegible] spea[illegible] Brussels last month. "The argument goes something lik[illegible]s: 'T[illegible]lis[illegible]tion o[illegible] fi[illegible] markets seems to have brought with it a who[illegible]ries [illegible]tend[illegible] p[illegible]blems and r[illegible]tory failures: let us now, therefore [illegible]ct lib[illegible] [illegible]ross [illegible]entir[illegible]ty o[illegible] the 'real' economy'."

But i[illegible] is [illegible] a [illegible]tion R[illegible]d[illegible] voca[illegible] "T[illegible] may be seductive, but it's [illegible]ong[illegible] ICT and t[illegible] creative i[illegible]ust[illegible] today look even more important in terms of gr[illegible] potential."

Ne[illegible]eless, the [illegible] of building fibre n[illegible]tworks is forcing regulators, governme[illegible]ts a[illegible] oper[illegible]tors alike to questi[illegible] [illegible]he[illegible] there can be true infrastructure competi[illegible]n on any given rout[illegible] In [illegible] the [illegible]ast [illegible] months alone, opinions and reports on the subject have b[illegible] c[illegible] thick and f[illegible] (see table p.8).

Colt [illegible] bel[illegible]eves c[illegible]tition wi[illegible] principally at the service level, which w[illegible] re[illegible] a[illegible]cal rethi[illegible] urrent [illegible]opean regulation.

"[illegible] draft [illegible] Telecom[illegible] R[illegible] recommendation sticks to the old ladder of inv[illegible]ent: d[illegible] acce[illegible] some sort of unbundling…It makes sense in the context of c[illegible], but [illegible] fibre," says Peter Dunn, head of group regulatory policy, Colt Tele[illegible]. "With fibre it isn't economic to have significant widespread competition, and as a result we're going to have competition on the service level. Separation is going to be increasingly important…at least functional separation…and business separation ideally," says Dunn.

Oni, a Portuguese network operator and enterprise service provider, also argues that fibre networks will limit infrastructure-based local access competition. "We need profound discussions with no taboos," says Xavier Rodríguez-Martín, CEO of Oni. "In a country like Portugal there is not room for more than two [infrastructure-based operators]…We should discuss [whether local access is a] natural monopoly."

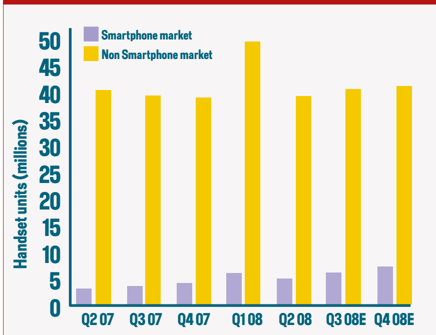
Deutsche Telekom is one incumbent that is ready to change tack. Last month the German operator said it is open to co-operating on broadband network build in medium-sized and small towns, having previously chosen to build VDSL networks alone. "It's economically more difficult in smaller cities, so we have to find new solutions," says a company spokesman.

Beyond Europe, some governments are investing in varying degrees to make high-speed broadband available to all their citizens quickly and affordably.

In Singapore, the government will provide funding of up to S$750 million and oversee the creation of a fully separate national wholesale fibre network that will operate as a monopoly utility. Last month the Singapore government awarded a tender, to build a passive fibre network, to the Australia, meanwhile, faces the geographical challenge of sparse population density, which threatens to make broadband build economically unviable in non-urban areas. As a result, operators have until 26 November to enter bids to build a national broadband network reaching at least 98% of the country's population. The government will provide A$4.7 billion of funding, as part of a public-private partnership. Currently, national incumbent Telstra is bidding against a consortium led by Singtel-owned Optus to build the network, which Telstra estimates will cost at least A$15 billion.

European governments are not taking such radical regulatory or financial undertakings. However, there are moves afoot to ensure low-cost broadband access for all as a means to secure economic growth. The French government last month announced it wants every French citizen to have access to a broadband service by the end of 2010, and aims to "place France among the leading digital nations by 2012", the French secretary of state, Eric Besson, [illegible] at a press conference.

H208 HANDSET DEMAND



Credit Suisse says a push by MNOs in Western Europe and North America towards smartphone adoption within the handset market could mean sluggish growth overall in 2008.
Source: Company data; Gartner, Credit Suisse estimates

Yet analysts question whether France's plan is [illegible] on claims. "We have a very high level of broadband [illegible]," says Yve[illegible] president of Idate. "More than 90% of inha[illegible] acce[illegible]oadband a[illegible]ices are not particularly high—be[illegible] €25 [illegible] endi[illegible] wh[illegible] include in your bundle."

Fran[illegible] has [illegible]me u[illegible]der [illegible] from [illegible] erators such as Colt for allowing [illegible] authorit[illegible] invest in [illegible] net[illegible]s, and notably in the rich suburbs of the H[illegible] de Sein[illegible] hich n[illegible]igh[illegible] Paris. But such investments are relatively small, say[illegible]sso[illegible]. "W[illegible]e in a situation where lo[illegible] ho[illegible]ties are investing to develop broa[illegible]nd i[illegible] their departments a[illegible]d [illegible]gio[illegible]s... [illegible]t] local authorities are not the princ[illegible] investors. It's still [illegible] vate opera[illegible]."

Indeed, in order [illegible]fil the gov[illegible]nt remit [illegible]on foresees the need for high-speed br[illegible]nd wi[illegible] s[illegible]vices, fu[illegible]nd ope[illegible] by private companies in areas wh[illegible]re [illegible] canno[illegible]ach. "Ver[illegible] hig[illegible]peed broadband will fill in the areas of rural Franc[illegible]ere fib[illegible] eco[illegible]ically unviable," says Oliver Pascal, a Paris-based consultant w[illegible] Analys[illegible] Mason. "Up to 60% of the country can be connected via fibre. It's very [illegible]cult [financially] to go beyond that," says Pascal.

In the UK, Ofcom in September published proposals to encourage investment in "superfast broadband", outlining the potential role for the public sector, such as targeting locations where the market is least likely to deliver new networks. Ofcom's proposals followed a study commissioned by the government's Department of Business and authored by former Cable & Wireless CEO, Francesco Caio.

"It recommended that NGA development ought to be funded primarily by operators themselves, and that there is little need in the short term for the government to intervene through the provision of large subsidies or significant structural regulatory changes," said Michael Lacquiere, telecoms analyst at Global Insight in a research note. "[Recommended] initiatives included encouraging the development of open access networks and of local NGA developments. The report specifies that where local or regional authorities are investing in broadband the government should stipulate that. It's still mainly private operators.

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MOBILE IN SOUTH AFRICA

On the back foot but Vodafone leads the way

South African fixed-line operator Telkom could have to rebuild its mobile interests if a bid goes through

AFTER MONTHS of deliberations, Vodafone in October made an offer of R22.5 billion (€1.65 billion) for an additional 15% stake in South African mobile operator Vodacom, which it jointly owns with Africa's largest fixed-line operator Telkom.

Should the deal go through, it is another springboard for Vodafone's expansion in Africa (*Total Telecom*, October, p.7). But the future looks more challenging for Telkom, which as part of the deal would be forced to unbundle its remaining 35% stake in Vodacom to its shareholders through a listing on the Johannesburg Stock Exchange.

For years Telkom has been boosted by strong revenue flow from Vodacom: its revenues of R56.285 billion for the year ending March 2008 included a R24.1 billion (€1.78 billion) contribution from the mobile operator. While Vodacom's revenues grew year-on-year by 17.1%, revenues at Telkom's fixed-line division grew by just 0.7% over the same peri[illegible]cording to Ovum

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CONTENT DELIVERY PLATFORMS

Portion control

Wholesale operators are servi[illegible] sophisticated delivery p[illegible]rm[illegible] muscle in on con[illegible]di[illegible]but[illegible] services

FACED W[illegible]unt[illegible] competiti[illegible] in the who[illegible]ten[illegible]livery market, operat[illegible]rs are [illegible]unching their own managed ser[illegible]s platforms to challenge specialist players.

TeliaSonera International Carrier last month introduced a new Media Distribution Platform. The wholesale operator has teamed up with Swedish company MPS Broadband to offer operators and content companies a wholesale service that includes secure storage and digital rights management (DRM). TeliaSonera will rely on the MPS platform to incorporate DRM, content security, reporting, statistics and end-user interfaces into its wholesale service.

"We can either sell basic point-to-point transport or we can manage security, CDRs, encryption and regional [DRM], while keeping track of billing and streaming," says Anna Mossberg, vice president and head of product and business management .

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MOBILE BROADBAND SERVICES

Pla[illegible]ng [illegible]mar[illegible]egis

Mo[illegible] broadba[illegible] servic[illegible]s a[illegible]e enjoying rapid growth worldwide

MOB[illegible] OPERATORS are steppin[illegible] th[illegible] pace with mobile broa[illegible]ban[illegible], a[illegible] are competing h[illegible]vi[illegible]subscribers [illegible] their HS[illegible] servic[illegible]s. Bu[illegible]e the US [illegible]de[illegible]-b[illegible] se[illegible]vices rep[illegible] a huge [illegible]portuni[illegible] mo[illegible]ile op[illegible]ra[illegible] could l[illegible] significa[illegible] mo[illegible]en[illegible]m if they fail to [illegible]ress so[illegible] pressing issues.

[illegible]ding to a report from Analysys Mason, around 47% of broadband subscriptions in Europe will use mobile by [illegible]013; the company also predicts that by this point almost a quarter of broadband-equipped homes in Europe will use mobile access only, thereby fully [illegible]ubstituting their fixed services.

But the company says that while mobile operators will need eventually to increase capacity in their networks, at the towards an aggregated IP infrastructure. In summary.

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FINANCIAL RSULTS

The big squeeze gets tighter

Telecoms companies need to be careful with their guidance

JPMORGAN CITES 11 November as an important date in the telecoms results calendar. That is when Vodafone is due to announce its half-yearly figures for its financial year that runs to 31 March 2009.

"[CEO Vittorio] Colao would be well-advised to use this opportunity, as recession is being factored into company models across the market, to re-base Vodafone expectations to readily deliverable levels," says the financial services company in a report.

As Q3 results indicate the global financial crisis is beginning to have a marked impact on telecoms vendors and operators, companies are well advised.

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