



Industry Response

Introduction—Wolfgang D. Bock

ETNO/FT Summit 2013
October 8, 2013, Brussels



BCG

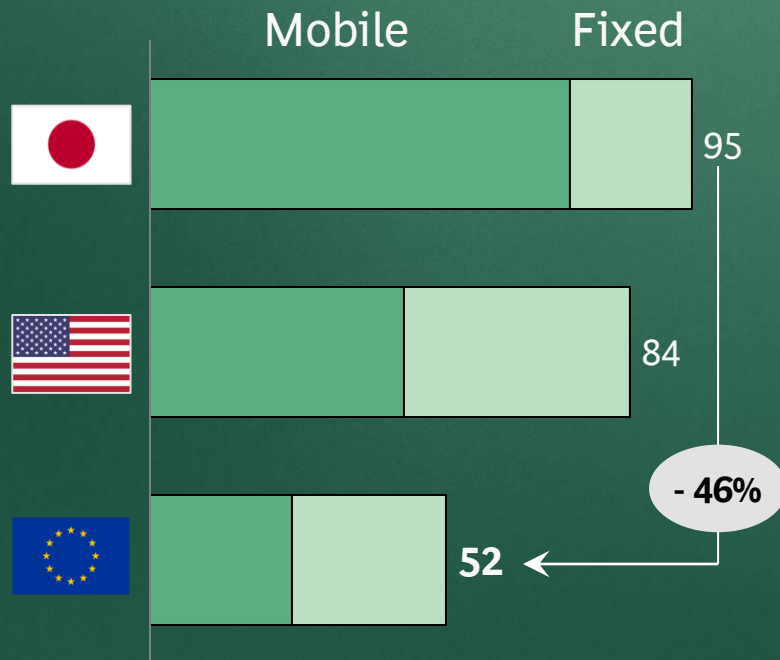
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Key insights from BCG – ETNO report

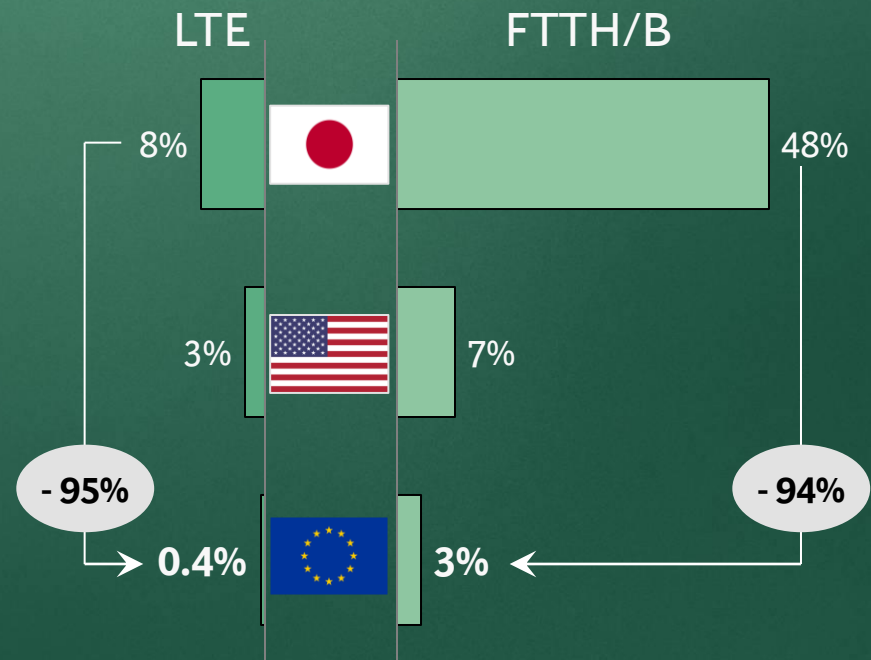
- ⇒ **Lower but slower:** Telco most affordable in EU, but lags other leading nations in ultra-fast network rollout
- ⇒ **Shifting value:** Value creation shifting from networks to digital services
 - EU network CAPEX on -3% p.a. slide, but growing elsewhere
 - EU digital eco-system grew 8% p.a., while network operators contracted by 3% p.a.
 - EU telcos delivering negative shareholder returns, in contrast to many global peers
- ⇒ **More investment needed:** ~ €170B needed to achieve Digital Agenda targets and ensure full participation of ~ 100M EU households in digital economy
- ⇒ **Regulatory distortion:** Root cause of the current situation is regulation of competition that preserves market inefficiencies
- ⇒ **Reform proposal:** BCG identified five key interventions to unlock funds needed; requires concerted effort and higher ambition level
 - i) De-regulation of fixed wholesale access
 - ii) Healthy concentration
 - iii) Level OTT playing field
 - iv) Spectrum policy modernization
 - v) Harmonized rules and procedures
- ⇒ **High stakes:** Closing the investment gap can deliver up to 5.5M new jobs and €750B cumulated GDP growth by 2020

Lower but slower: Telco most affordable in EU, but lags other leading nations in NGN rollout

2012 monthly
ARPU/ARPA (in \$)



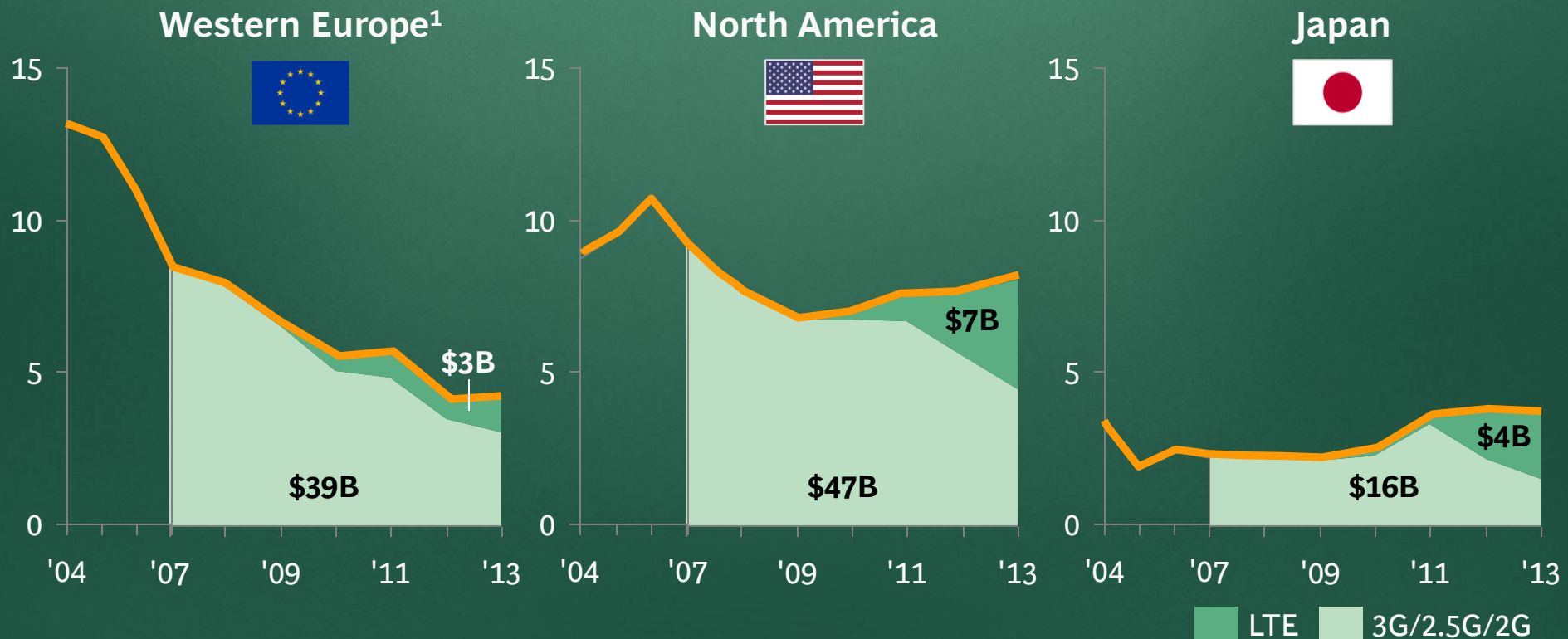
2012 LTE subscriber and FTTH/B
household penetration (in %)



Note: ARPU—average revenue per user; ARPA—average revenue per account; FTTH/B—fiber-to-the-home/-building
Source: Informa fixed- and mobile-broadband subscription forecasts, 2009–2017; IEMR Q3-2012; BCG analysis

EU network CAPEX on a continuous slide, but growing elsewhere—example Mobile

Mobile network equipment spend (in B\$)



1. EU-15 plus Switzerland, Norway

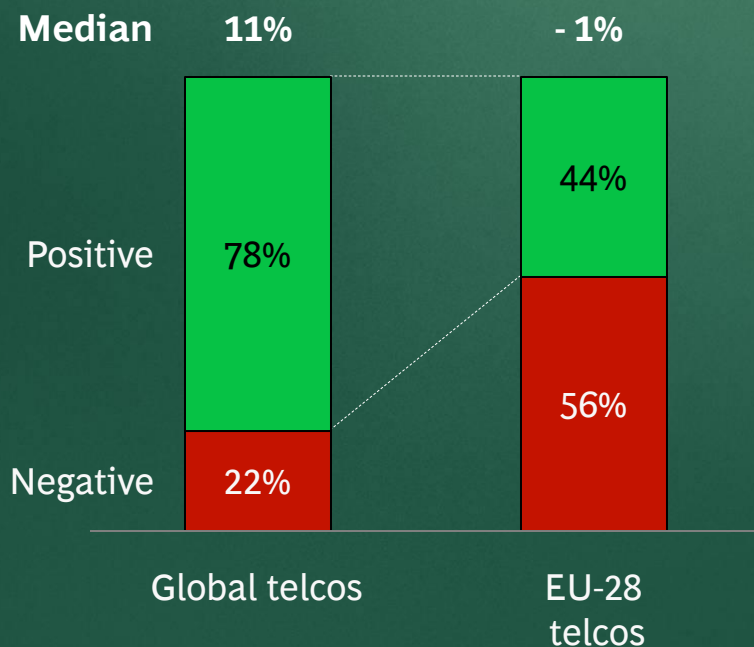
Note: Includes investments in base stations and core infrastructure equipment; actuals until 2012, forecasts thereafter

Source: World Economic Forum/BCG Project "Delivering on Digital Infrastructure" (ongoing); Gartner (Q2/2013); IEMR; BCG analysis

EU telcos delivering negative shareholder returns—value shifting away from network

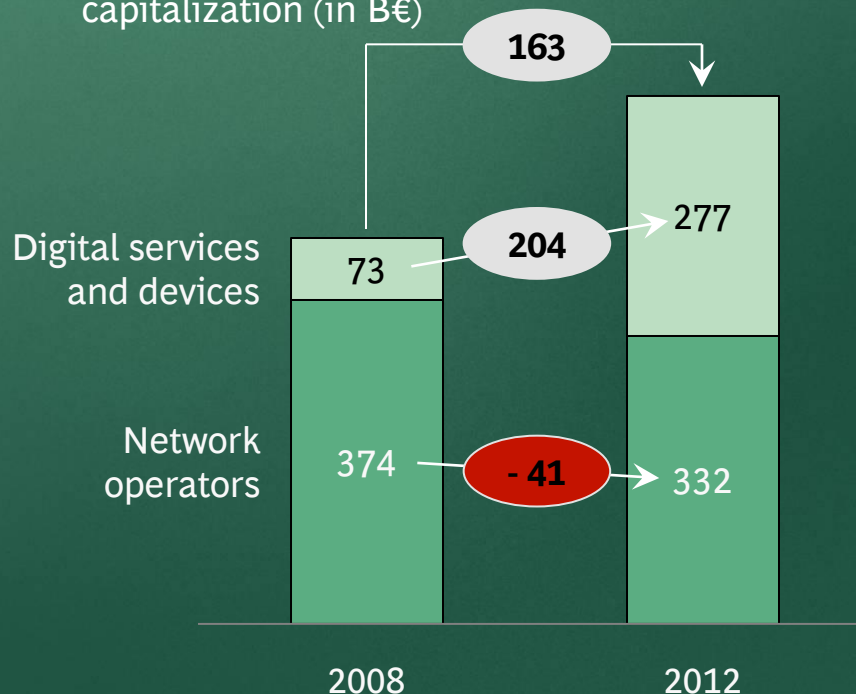
EU telecoms with negative TSR in glaring contrast to global peers

Annualized TSR (Dec 2009–Dec 2012)



European eco-system growing, but value captured outside networks

European digital eco-system market capitalization (in B€)



Note: Total Shareholder Return: combines share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualized percentage

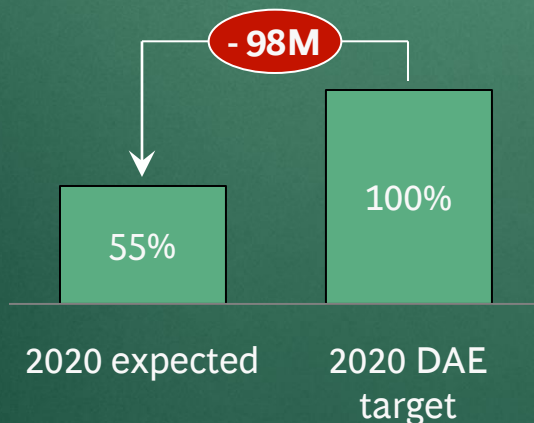
Source: Compustat; BCG ValueScience Center; BCG analysis

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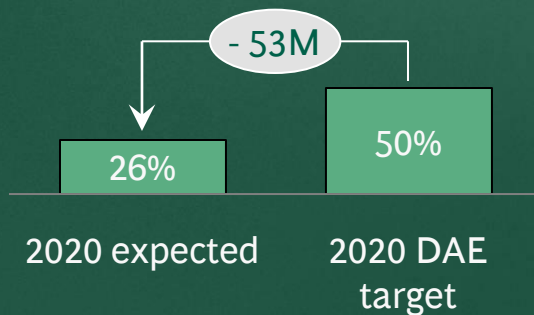
More investment needed: ~ €170B gap to achieve Digital Agenda targets by 2020

Digital Agenda for Europe ("DAE") targets will be clearly missed ...

Households **with access** to fast broadband (> 30 Mbps)

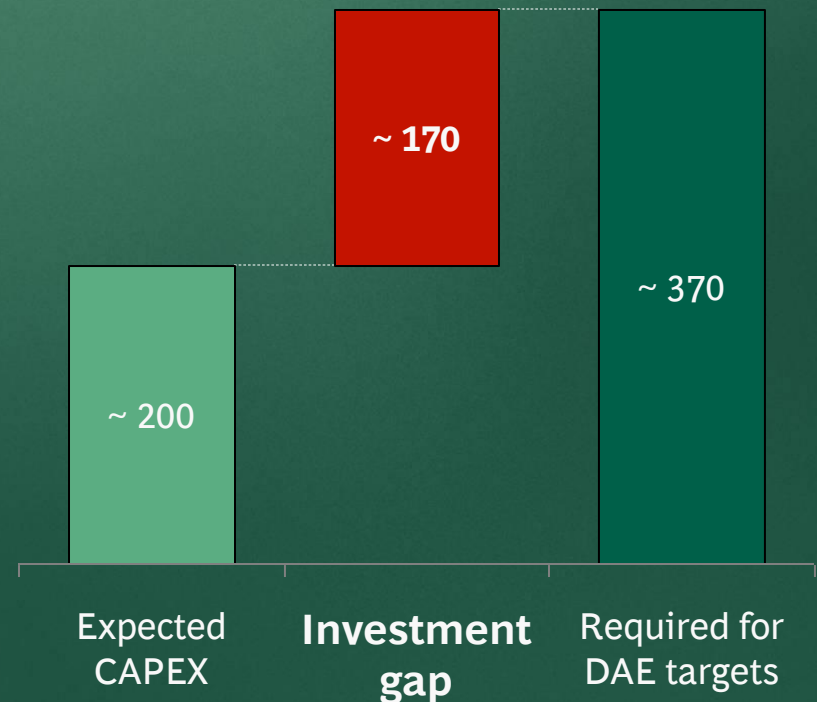


Households **using** ultra-fast broadband (> 100 Mbps)



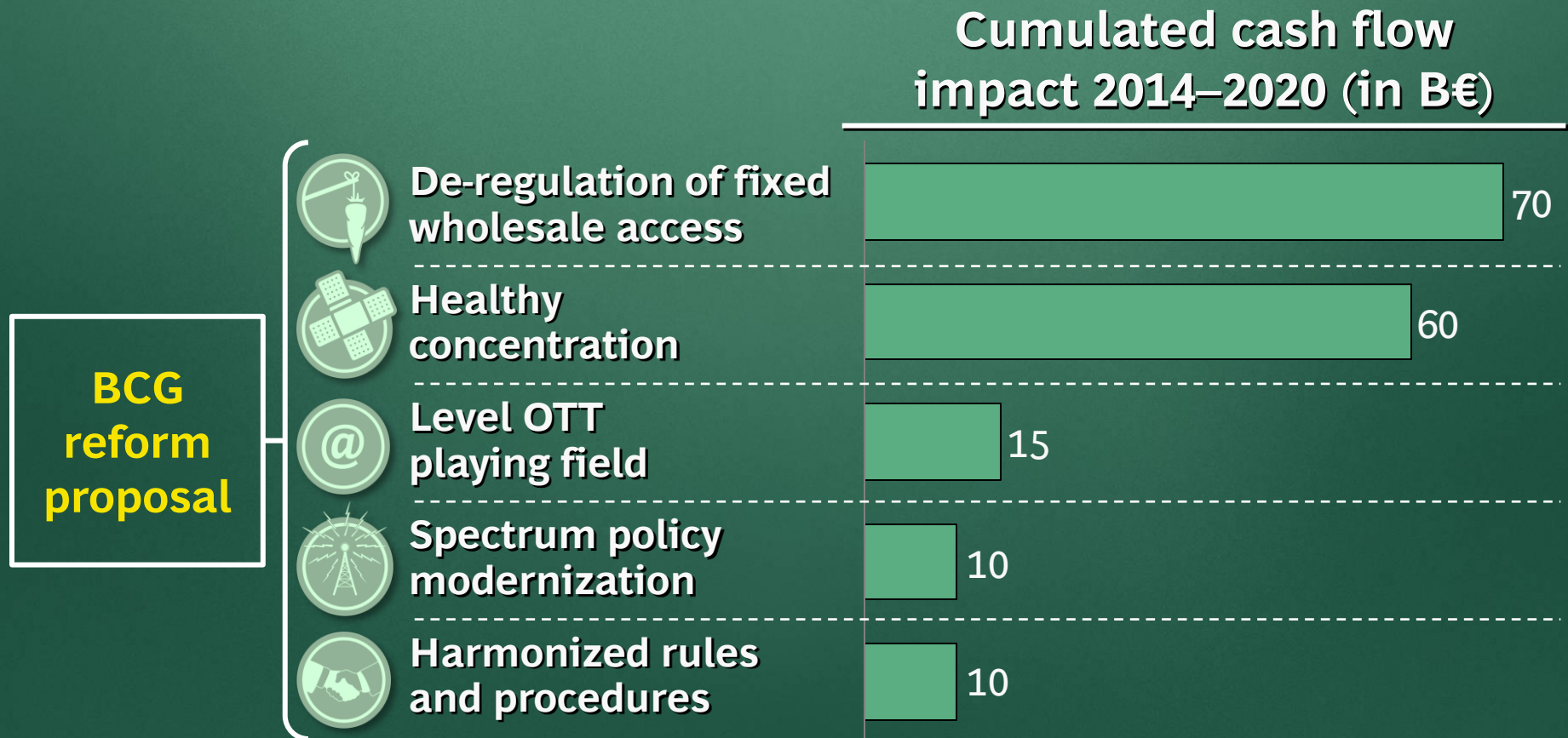
... if the €170B investment gap cannot be closed

Cumulated CAPEX EU 2014–2020 (in B€)



Note: Figures shown represent delta to worst case scenario
Source: BCG market model

Five key interventions to unlock funds needed; de-regulation and consolidation essential














Note: Figures shown represent upper boundaries of estimated impact range

Source: BCG market model

Current Draft insufficient—closing gap requires concerted effort and higher ambition level

Comparison to latest Regulation Draft of the EC

BCG reform proposal		De-regulation of fixed wholesale access		Still to infrastructure renter and regulation focused
		Healthy concentration		Potential market definition change not sufficient
		Level OTT playing field		Good direction, but imbalances only partially addressed
		Spectrum policy modernization		Right direction and actions
		Harmonized rules and procedures		Single EU authorization does not unlock cross-country synergies
Only part of EC Draft		International roaming and calls		Further reduces ability to invest; eases OTT competition more

Source: European Commission Regulation Draft as of 11th September 2013 [COM(2013) 627 final]; BCG analysis

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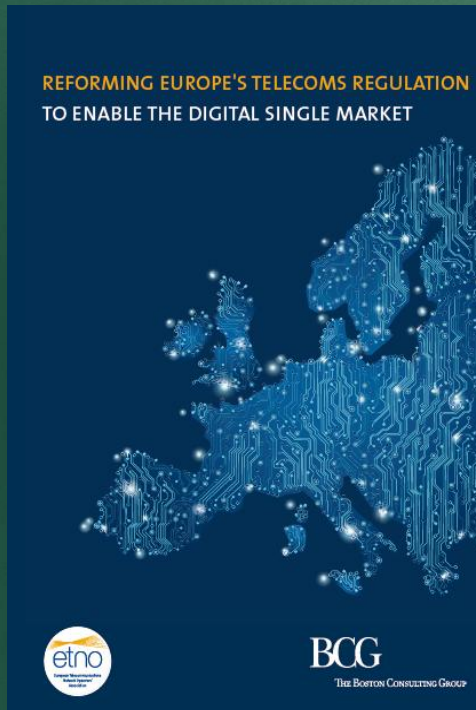
High stakes: Closing the gap can deliver 5.5M new jobs and €750B cumulated GDP growth by 2020



Note: Figures shown represent delta to worst case scenario; additional investment and GDP cumulated 2014 to 2020
Source: BCG market model

Thank you!

For further information or additional perspectives, please contact the authors



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