

FTTH COUNCIL EUROPE - CEO INTERVIEW

**Interview with Urs Kaufmann, CEO of HUBER+SUHNER AG
25 June 2013**

Switzerland's Internet and broadband penetration rates are amongst Europe's highest. According to the OECD, Switzerland had the world's highest fixed broadband penetration rate in 2012. Other Internet-related indicators in Switzerland are (slightly) above the OECD median. Why are the Swiss ahead of the curve?

According to the OECD definition, a DSL line offering a data rate of at least 256 kilobits per second ranks as 'broadband'! Taking this into account, we can identify two reasons for the high level of fixed broadband penetration in Switzerland. The first reason is the quality of the existing copper-based network. The other reason is the extraordinarily high penetration rate of cable TV subscribers, which has led to fierce competition between telecom companies and cable TV providers. Not long ago, a third group of competitors entered the playing field: municipal utility providers, who have started to build local FTTH networks and offer high-speed Internet access.

What could other European countries learn from the Swiss fibre market and attitude towards FTTH?

A healthy competitive environment is important. The factors that foster this type of competitive environment also provide the foundations for FTTH penetration. Also, the Swiss regulatory authorities established a clear regulatory framework very early on, which provides investment protection.

HUBER+SUHNER is active in the telecommunication sector, as well as in the railway and automotive sectors. What are the main differences in those sectors? What could telecommunication 'learn' from them?

HUBER+SUHNER is active in the communication, transportation and high-tech industrial markets. This means that we master all the technologies for energy and data transmission, and this is key because the demand for combining these technologies into hybrid solutions is becoming more and more important. We see a bright future for both the railway and telecommunication markets. Appetite for bandwidth is driving investments in telecommunication, whilst mobility demands and urbanisation are driving investments in railway infrastructure. Communication is increasingly important in the railway market, too.

Unlike the transportation sector, and to some extent energy, Europe's telecommunications sector is largely deregulated and operates without state subsidies. Points that stand out in particular are privatisation of incumbent operators and the auctioning of mobile frequencies. From a technology point of view, the telecommunications sector is less mature than the others, too. To satisfy the needs of the consumers for new services, innovation is key - and will remain key for years to come.

HUBER+SUHNER is a leading company when it comes to fibre connectivity. How do you see the role of the industry in accelerating the deployment of fibre access in Europe?

A company such as ours with its range of passive components and systems has three main tasks. One is to provide connectivity solutions that offer value for money, which means they must be easy to obtain, easy to install and reliable in operation. The second task is to continuously optimise cost. To offer an example: over the last 20 years, the price of a standard fibre optics connector dropped from 80 US dollars to 80 US cents. The third task in accelerating deployment is to anticipate future trends and develop products and services in time to provide superior features to customers.

HUBER+SUHNER has recently opened a new production centre in China. How do you see the development of the FTTH market in China and APAC? Is there a risk that Europe will lag behind?

This is not a question of Asia or Europe. Development of the FTTH market largely depends on two factors: population density and buying power. The higher the population density and buying power in a

given region, the faster the FTTH market will develop there. A prime example is South Korea, where you find the world's most advanced FTTH network. The opposite situation can be found in Malaysia, where projects in less populated areas are ready for deployment but still lack financing.

HUBER+SUHNER have invested heavily in fibre optics and hybrid systems for LTE. How do you see the relation between fixed and mobile fibre networks?

This relationship is a simple one. LTE needs fixed fibre networks as a backhaul and it also complements fibre access, from a consumer's point of view. Some operators, such as Vodafone Portugal, have stopped treating the two as isolated networks. To them, the Next Generation Access Network is reality. Base station and dwelling unit are the same from a network point of view.

What role does FTTH play in your future market strategies?

FTTH plays an important role in our strategy. We are, however, already thinking beyond FTTH. Fibre optics is entering individual homes and will go even further: currently, 'fibre to the device' and 'fibre in the device' are our buzzwords.

How do you see the future of fibre in Europe? Can you identify key drivers for fibre uptake across Europe?

We see a growing number of business and consumer applications that require high bandwidth, and the amount of data carried over networks doubles each year. Copper-based network bandwidth is limited. These networks can be further advanced by electronic means, but there is a point at which the cost of such investments actually exceeds the investment required for FTTH networks. Fibre optics has no physical limitations. It is not a question of whether FTTH will come, but a question of when exactly it will come.