

FTTH COUNCIL EUROPE - CEO INTERVIEW

Interview with Alcino Lavrador, CEO of PT Inovação 22 May 2013

How does market development and uptake in Portugal compare to other European economies?

Portugal has already deployed 2 million homes - about half of all households - and there are plans to step up investments. Today, FTTH is the fastest growing broadband technology in Portugal. In two years time, Portugal is expected to reach 20% FTTH household subscriptions, placing it among the first countries in Europe to reach this percentage. We are currently amongst Europe's top ten countries in terms of total household penetration.

Recent announcements from Vodafone, DST Group and Portugal Telecom indicate another round of fibre installations. What is your opinion about these announcements, and how do you see further FTTH progress in Portugal?

So far, fibre deployment has focused on the most densely populated city centres. Through regulated infrastructure sharing, the government plans to take FTTH to rural areas in the coming years. Despite the economic downturn affecting consumption of telecom services, Portugal Telecom has maintained fixed-line subscription levels thanks to an advanced TV service coupled with a convergent quad-play offer via FTTH. Adoption of this service package has been astonishingly high, leading other players to adopt this strategy, thereby boosting overall FTTH deployment. Portugal Telecom is also launching a pioneer service merging GPON and WiFi for 3G/4G offload. Furthermore, 4G coverage is built upon a GPON access network using the same technology as home connectivity.

After a good start, take-up rates of FTTH connections seem to have slowed down in the last year. Do you think there is an issue with consumer demand for FTTH connections in Portugal?

Despite the economic environment, take-up rates in Portugal have increased by around 46%*. End users appreciate the service differentiation in the context of aggressive market competition among operators. In addition, lower maintenance costs for network operators and new fibre-supported services should lead to further FTTH uptake.

How do offering added-value services to end customers improve take-up? What is changing in the way your customers consume telecoms?

Services like High Speed Internet for video downloading and uploading, HDTV, time-shifted TV, video calls and personal Cloud are becoming basic customer requirements. Multitasking is becoming the norm. According to Cisco, the number of networked devices per person in Western Europe will be 6.6 in two years time. The 'connected society' requires bandwidth symmetry, low latency and a stable, future-proof, always-on, high-bandwidth access technology. This is only possible with FTTH. Fibre acts as differentiator for network operators. Video sharing, Cloud-based services and mobility are pushing towards a seamless, reliable and innovative user experience.

PT Inovação develops a wide range of innovative services unavailable in other countries. Can you please tell us more about those?

One key driver is the open innovation ecosystem of partners, mainly universities, with which a permanent R&D project stream has been set up. For instance, our Medigraf Telemedicine platform is adapted to medical standards for real-time remote diagnosis, connecting regional hospitals to central hospitals in Portugal, Angola, Brazil and other countries. These and other applications like OTT TV service, eLearning, mobile money, M2M for eHealth, energy efficiency or connectivity management are supporting our CSP customers and embracing new businesses and new revenue streams.

Do you think that other European countries could learn from the Portuguese FTTH approach? What could be the main takeaways?

A mature FTTH network is currently in place, but there are requirements to increase the bandwidth to fulfil the demand for converged services from business clients. The NG-PON2 technology, based on ITU new standards, will provide 10 Gigabit symmetrical services, while coexisting with legacy services provided over GPON. Portugal Telecom expects to be one of the first operators to exploit NG-PON2 in early 2015.

Portugal has been an early adopter of FTTH technology. For Portugal Telecom, convergence has been key in retaining customers with bundle offers for TV, mobile and fixed broadband and mobile and fixed voice. Customers benefit from having all services with one provider, including cross-discounts or usage limits shared across subscriptions. This convergence is built on several layers, starting from the access technology. For fixed or mobile service GPON and P2P have been adopted, connecting not only homes but all the cell sites and enterprise premises. Convergent and multi-technology information systems are required for service provisioning, fault management, network and service performance management, real-time campaign design and execution and billing. This ensures the best of each technology is efficiently and effectively offered to customers. Advanced applications for work, play or learning are easily deployed, retaining and attracting customers.

The FTTH success of Portugal Telecom is supported by three key aspects: the availability of an inventoried and managed duct network; strong and continuous investment in training for home network installation and maintenance personnel; and a convergent offer for package services. FTTH deployment should be the way ahead for network operators, but it is only the first step. Network and Service convergence strategy is the tool for sustainability and success. Fibre's long-term gains are significantly greater than with any other technology.

What end-user market trends towards higher bandwidth do you see in your country specifically and across Europe? Will specific applications or services drive FTTH uptake in Portugal over the next ten years?

Digitalisation, mobility and virtualisation are driving today's consumer habits. Content and entertainment are going digital and everything is becoming connected, from TV sets and cars to human bodies. Everyone wants to access specific applications and data resources anywhere, through any connected device. These trends, which change how we work, play and learn, are only possible due to the vast electronic infrastructures being built around the world. As fibre connects more and more homes, offices, mobile people and devices, the content and data they produce needs to be exchanged and shared, leading to ever faster take-up.

Value-added services are arriving in multiple forms and contexts. Regarding new content delivery, each subscriber now wants to interact with services for a unique experience. Prime examples are Portugal Telecom's IPTV service MEO Kanal, a personal TV Channel with user-generated content, and MEO Like Music, featuring interactive live music shows.

Portugal has been severely affected by the economic downturn across Europe - do you think that the availability of FTTH networks will be an important factor for Portugal to get out of this crisis with new strength?

Portugal has today one of the most advanced FTTH-based network infrastructures, connecting our industry, SMEs and universities to the world. Without this I believe the effects of the crisis would be greater. The connected society will, I believe, produce new personal and corporate business opportunities, accelerating the process of recovery. When this economic downturn passes, as other economic crises have passed, every industrial unit in Portugal will be grateful for the opportunity to reach any partner, customer or provider worldwide.

* From end-December 2011 to end-December 2012, based on the FTTH Council Europe's FTTH/B Panorama 2012 (by IDATE).