

FTTH COUNCIL EUROPE – CEO INTERVIEW

Interview with Michel Riva, CEO of Reichle & De Massari (R&M) 20 October, 2012

R&M are traditionally well-known for their copper portfolio. Which market drivers led your company to develop a Fibre optic connectivity portfolio?

The demand for bandwidth is increasing. New applications are constantly popping up, with enormous demands and the best medium to accommodate them is obviously Fibre. Certain applications are driving this trend even more, such as HD broadcasting, increasing social media content, data storage via cloud computing or the widespread usage of high speed Internet services. R&M's copper connection systems, developed 20 years ago, has resulted in high acceptance amongst today's market players. Fifteen years ago, we already started work on developing a Fibre optic portfolio for all kinds of Fibre applications.

What role does FTTH play in your future market strategies?

We definitely want to invest more into our FTTH approach. We recognise this market segment as being very important. Today, more than 50% of our R&D capacity is dedicated to developing new and innovative solutions for FTTH Deployments. FTTH is a strategic business field in which we want to play a major role, today and in the future.

R&M are currently expanding FTTH activities in the Middle East, how do these markets compare to Europe in terms of decision-making and financing?

In Europe, we often see a multi-vendor strategy, where different operators offer similar services to end-users in countries or regions. FTTH roll-out is being slowed down by costly infrastructure measures related to a long ROI, as well as questions like: 'who will invest in the physical network infrastructure?', 'who owns the customer link?' or 'is there open access for competitors?'

FTTH is recognized as a strategic goal in most countries of the Middle East. We are generally in contact with government-owned incumbent telecom operators that dominate the business. There's relatively little competition, with one dominant Telco operator in most countries. This often means a relatively simple and fast decision-making process, requiring less bureaucracy and approvals. The process in Europe, however, requires involvement from authorities and politicians and is often quite slow.

Also, many European providers work with their old network structure. Telco networks in the Middle East are often quite new, and based on the latest technologies. Abu Dhabi in UAE is probably one of the world's first 100% Fibre-connected cities. Because of stable financial resources from the oil industry there are no big issues with investments.

How do you see the future of Fibre in your country and in Europe? Can you identify key drivers for Fibre uptake across Europe?

There's no doubt that Fibre is today's medium of choice for fixed line networks. Fibre demand is also increasing due to investments to upgrade existing DSL copper topology, the usage of latest DOCSIS technologies by cable operators and the huge growth of mobile networks. Convergence of the different mediums to one common network platform will definitely push Fibre into the right direction.

The main driver is the increasing demand for personalised, location-independent information. User behaviour is changing dramatically - we are permanently connected, and information is a key driver for success. We believe Fibre is the medium that makes communication and sharing information more comfortable, accessible and individual. Quality of service is moving in this direction with tremendous steps, so the main focus will be on the content and the services we come up with in the future. Today, we are thinking about video conferencing, tomorrow we may have 3D video conferencing and the day after we may have moved to holographic technology. If Europe doesn't take care of facilitating such developments, it will be at a big disadvantage compared to other regions.

What do you think the role of European legislators should be in stimulating roll-out?

From the manufacturer's side, we would like to see the European legislator support and provide incentives to stimulate Fibre roll-out across Europe. Clear rules for investors are needed, to protect their investments in (passive) network infrastructure. However, (unbundled) usage of Fibre lines at competitive cost should be possible for alternative providers. Regulatory authorities should support the development of optical infrastructure by promoting measures and clear guidelines. Europe needs a stable Fibre-based infrastructure to compete with trade areas where Fibre optic deployment is already a part of an economic boost strategy. A European broadband strategy may help.

According to the OECD, Switzerland has the world's highest fixed broadband penetration rate in the world (Korea leads in mobile). Other Internet-related indicators in Switzerland are (slightly) above the OECD median. Why are the Swiss ahead of the curve?

Along with Korea, the Netherlands, Denmark and Norway, Switzerland belongs to the top five players providing the highest broadband penetration rate. This is because of strong competition in Switzerland between existing fixed line network infrastructures (cable/Cablecom/UPC, DSL/Swisscom, Fibre/Swisscom & regional Utilities).

Historically, Swisscom invested in its existing copper network by using DSL technology. Cable operators invested in new (DOCSIS 4 and 5) protocols to improve up- and downstream speed, protecting their existing infrastructure investments. Swiss power utilities mainly invested in Fibre. In the past, this has led to very well-developed high speed network infrastructures incorporating several technologies. Switzerland is running a four-Fibre model to guarantee open, non-discriminatory access. The main utilities and incumbent Telco provider Swisscom have reached an agreement: one dedicated Fibre is for Swisscom, and the others are 'open access'.

A well-developed underground pipe infrastructure makes Fibre deployment attractive and simple. No expensive digging works are needed. Furthermore, there are plenty of skilled people available. There is a country-wide initiative to deploy Fibre, with support and regulation from governmental authorities. This includes, for example, installer trainings. R&M is leading in trainings for several target groups, recommended by OFCOM, the Swiss Federal Office of Communications. There is also a real nationwide demand for broadband applications. End-users in Switzerland are willing to pay a certain price for a good performance. In the major cities, 70% of the end users are covered by Fibre access.

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

Regulation activities are fairly limited. Usually, Swiss OFCOM prepares cases that are handled by ComCom, the licensing authority for the implementation of telecommunications legislation. Swiss OFCOM submits the necessary proposals and implements the Commission's decisions.

There is a strong commitment from the authorities to invest in Fibre networks and a clearly-defined Open Access infrastructure. There is also a good balance between the initial investment and future-proof networks: decisions are not only cost-driven but also benefit-driven. The quality of the infrastructure and components are high, especially in the field of installation. Finally, Swiss end-users are well-informed about this innovative technology and the resulting benefits.