

## FTTH Investors Day 2013 – How to ensure financing for FTTH networks in Europe

The FTTH Council Europe believes that the following four points need to be considered to ensure financing of FTTH networks in Europe:

### **1) The old model of fixed telecom infrastructure funding no longer works.**

Through a variety of past activities (M&A, dividend payments etc.) large telecom operators in Europe have net-debt to cash-flow ratios which are at, or above, the levels that are considered prudent. This financial constraint will render large scale infrastructure projects beyond their reach for some years to come and even measures to push up fixed prices, by themselves, are unlikely to have a significant bearing on this critical metric in the short to medium term.

Since the industry itself will not be able to self-finance these large scale FTTH projects Europe needs to consider other means such as new investable entities that can make these investments. These entities must offer risk-return profiles that make them attractive for long-term investors (incl. PE, pensions and infrastructure funds and insurance companies)<sup>1</sup>.

**Recommendation: Involve and consult with infrastructure investors**

### **2) New finance and industry models should be considered.**

The FTTH Council Europe proposes that policy makers should examine and facilitate a market structure that reflects the different economic and risk profiles of different assets (i.e. passive telecom infrastructure v active technology elements) to facilitate new finance entities.

Europe's investment targets should be better defined to reflect the preference for long term investments. Those targets should ensure that they favour investments in future proof fibre access networks that offer higher up- and download speeds, better consumer experience and better reliability<sup>2</sup>.

**Recommendation: Put themes such as structural separation, government guarantees etc. on the policy agenda. Involve activist shareholders to discuss opportunities to release value and promote investment.**

### **3) Europe should refine its vision for the sector.**

Policy makers should define a clear vision for Europe in terms of networks to be attained.

The evidence suggests that consumers will pay for higher speed once they understand the difference that exists between high and low capacity networks. Over time, FTTH consumers on average deliver 46% higher ARPU than DSL consumers. Misleading advertising can undermine the transition from low to high speed. If consumers do not understand what they are buying then they cannot send appropriate investment signals to market operators<sup>3</sup>.

**Recommendation: Propose legislation to force operators to state guaranteed speeds.**

### **4) Policy makers need to rethink the paradigm within which NGA is viewed.**

Policy makers need to completely rethink the organisation and delivery of public services and how delivery can be organised around this new technology. Investment in NGA also needs to form part of a much broader plan (national plans) which needs joined up thinking across a large number of service areas. Each business area must realise and highlight the benefits that such networks can deliver in their area so that a holistic approach can be adopted<sup>4</sup>.

**Recommendation: Define credible National Plans that mitigate risk for investors and that make FTTH the business enabler.**

### About the FTTH Council Europe

The FTTH Council is an industry organisation with a mission to accelerate the availability of Fibre To The Home (FTTH) access networks to consumers and businesses. The Council promotes this technology because it will deliver a flow of new services that enhances the quality of life, contributes to a better environment and increased competitiveness. The FTTH Council consists of more than 150 member companies. Its members include leading telecommunications companies and many world leaders in the telecommunications industry (additional information is available at [www.ftthcouncil.eu](http://www.ftthcouncil.eu)). Telecoms operators are not members of the FTTH Council and we have our own perspectives regarding the appropriate regulatory policies to accelerate NGA deployments.

The FTTH Council does significant primary research and data collection both to monitor market developments and to inform policy positions. Its FTTH Panorama is the definitive guide to the state of fibre deployments in Europe and Worldwide. The FTTH Council has developed the most advanced cost models for costing FTTH deployment costs in Europe. Much of the FTTH Council's material is freely available to non-members. Some policy positions are below with many more available at <http://www.ftthcouncil.eu/>

1. See [http://www.ftthcouncil.eu/documents/Reports/EU\\_LongTerm\\_Financing\\_FTTHCE\\_Response.pdf](http://www.ftthcouncil.eu/documents/Reports/EU_LongTerm_Financing_FTTHCE_Response.pdf)
2. See [http://www.ftthcouncil.eu/documents/Reports/BEREC\\_Co-Investment\\_Consultation\\_FTTHCE\\_reply.pdf](http://www.ftthcouncil.eu/documents/Reports/BEREC_Co-Investment_Consultation_FTTHCE_reply.pdf)
3. See [http://www.ftthcouncil.eu/documents/Reports/NGA\\_Services\\_Study\\_2012.pdf](http://www.ftthcouncil.eu/documents/Reports/NGA_Services_Study_2012.pdf)
4. See [http://www.ftthcouncil.eu/documents/Reports/NGA\\_Services\\_Study\\_2012.pdf](http://www.ftthcouncil.eu/documents/Reports/NGA_Services_Study_2012.pdf)