

European Telecommunication Services: *Broadband Stakeholder Group*

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Research Analysts

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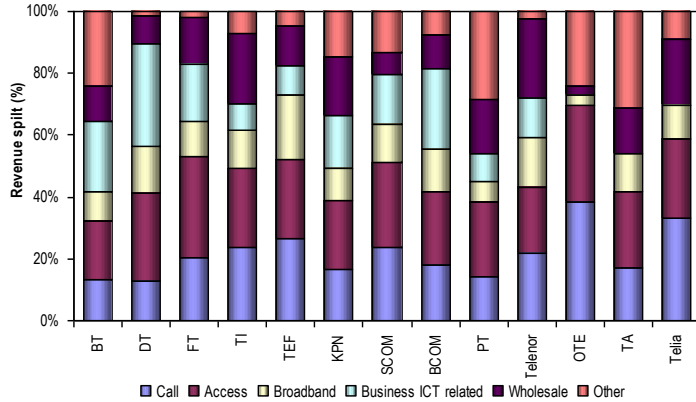
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Five Key Questions...

- **Why the Fibre Debate Matters to the Investors**
- **Is Openreach a Utility?**
- **Role of Fibre in Regulation**
- **Will it Happen in UK**
- **Implications for Competitors**

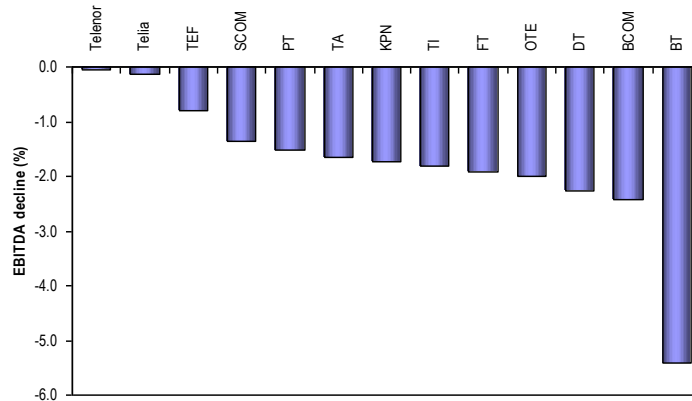
The Fibre Debate – Why It Matters to Investors

European Wireline: Revenue Breakdown, 2006E (%)



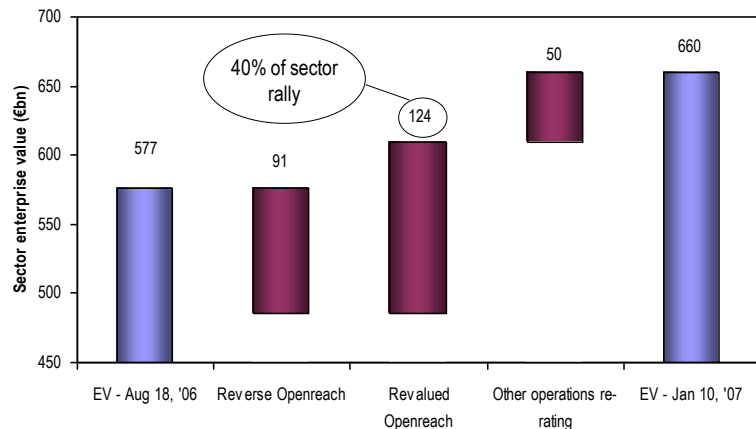
- Fibre/VDSL a Potential Solution to ULL problem
- Access revenue ca. 25% of fixed revenues
- Accelerating ULL could cut earnings further

European Wireline: Impact EBITDA under ULL Acceleration, 2006E (%)

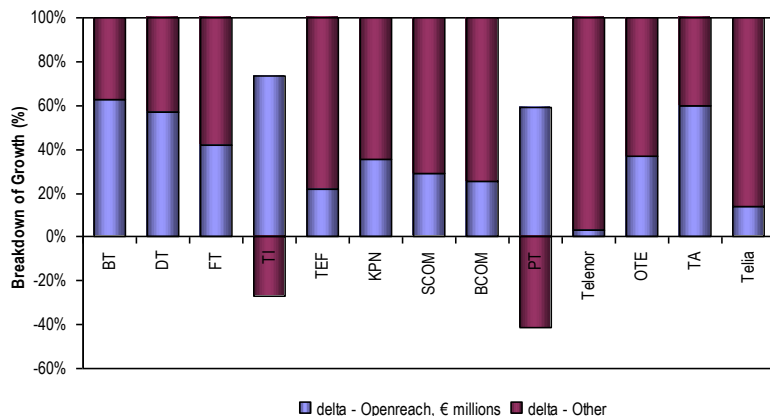


Structural Separation – Is Openreach a Utility

European Wireline: Sector Re-rating and Openreach Analysis, 2006E (€bn)

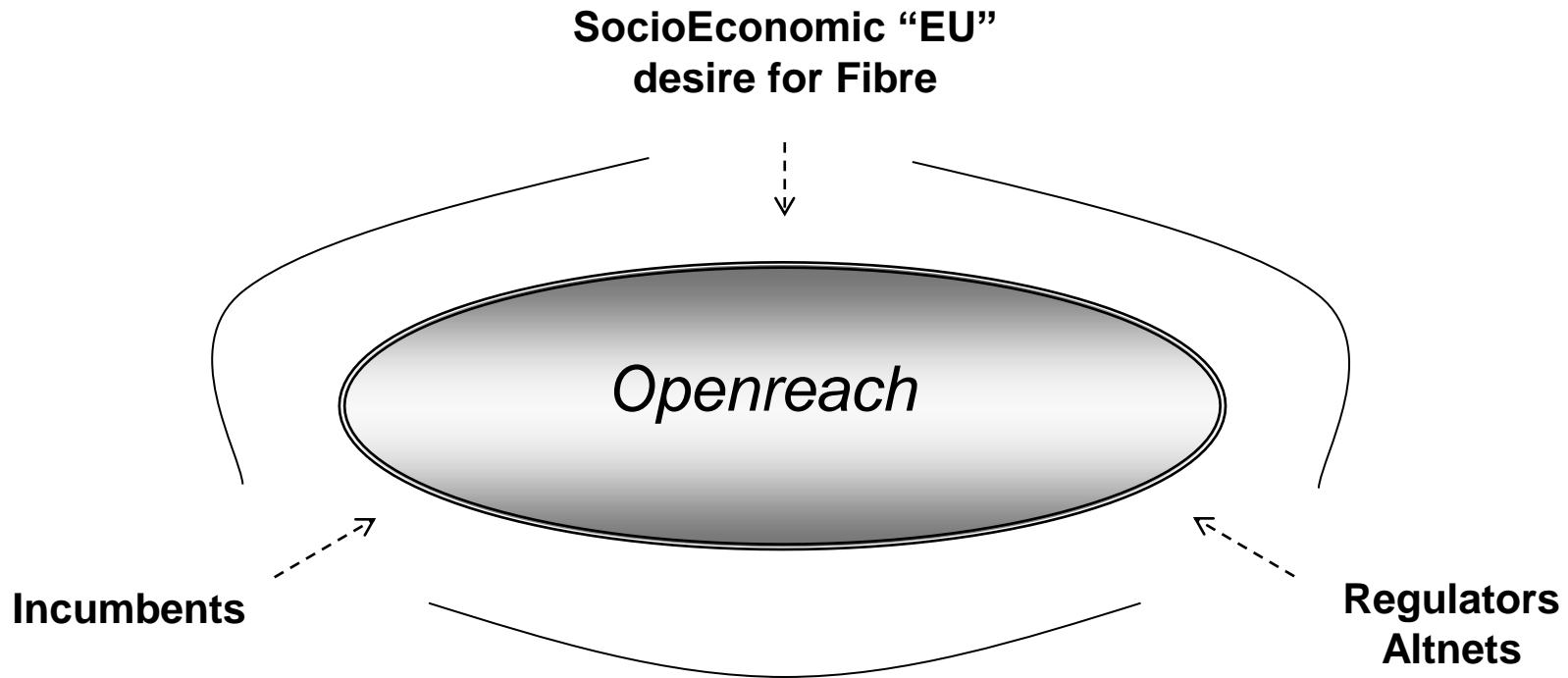


European Wireline: Composition of Sector Rally, 2006E (%)



- Perceived benefits of functional separation...
- A) Utility-like re-rating to EV/RAB or ca7.5x EBITDA
- B) Regulatory relief on “retail” operations
- C) Capital management – leverage Openreach

Role of Fibre in Regulation



Will it Happen in UK

- **Ofcom, *Wholesale Broadband Review*, January 2007**
- **Openreach, *Future of First Mile*, Various 2006**
- **Ofcom-BT Wholesale, *Resetting IPStream Prices*, January 2007**
- **Ofcom, *Next Generation Access*, February 2007**
- **DTI-Digital Region, *Competitive Tender for South Yorkshire*, Easter 2007**

Impact on Unbundlers/Competitors

- **Dutch example – removal of central offices/DLEs**
- **German example – parallel networks**
- **French example – invest in fibre, pre-empt incumbent**
- **Lessons for UK**

Addendum

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