

BSG: Beyond Pipe Dreams

Is there a robust case for investment in next generation broadband?

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The real question

business
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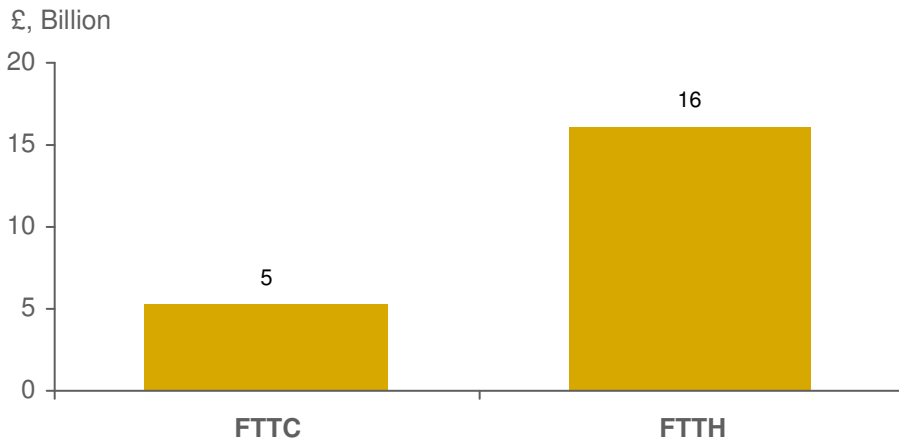
Is there a robust case for investment in
next generation broadband?

How does the business case stack up currently?

The anticipated revenue uplift in a NGB world is uncertain while the costs associated with NGB build are in the £5 - £16 billion range

Cost (1)

NGB Cost Estimates

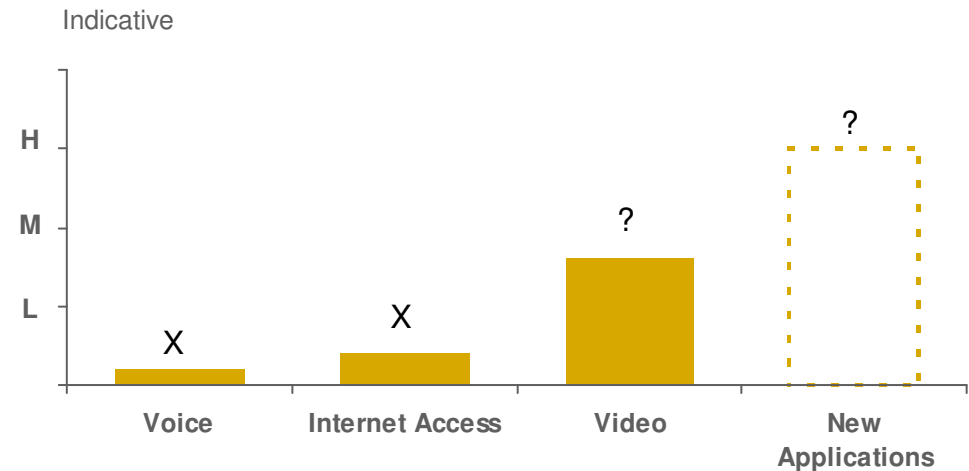


Cost Considerations

- Above estimates do not include core network enhancement costs nor do they include copper salvage value, Opex savings, or learning efficiencies
- Even considering these additional factors, the investment requirement remains significant

Revenue

Incremental Revenue



Revenue Generation

- Limited applications that currently require NGB
- Inherent uncertainty in timing of any future demand











Revenue Capture

- Players positioned to capture potential value are not those investing in NGB (i.e. Google/You Tube, Content Owners, ISPs)

Note: (1) Costs are based largely on US data and indicative only, they also assume 80% network coverage and 100% "take-up"
 Source: A Framework for Evaluating the Value of Next Generation Broadband, Plum Consulting, June 2008

What needs to change?

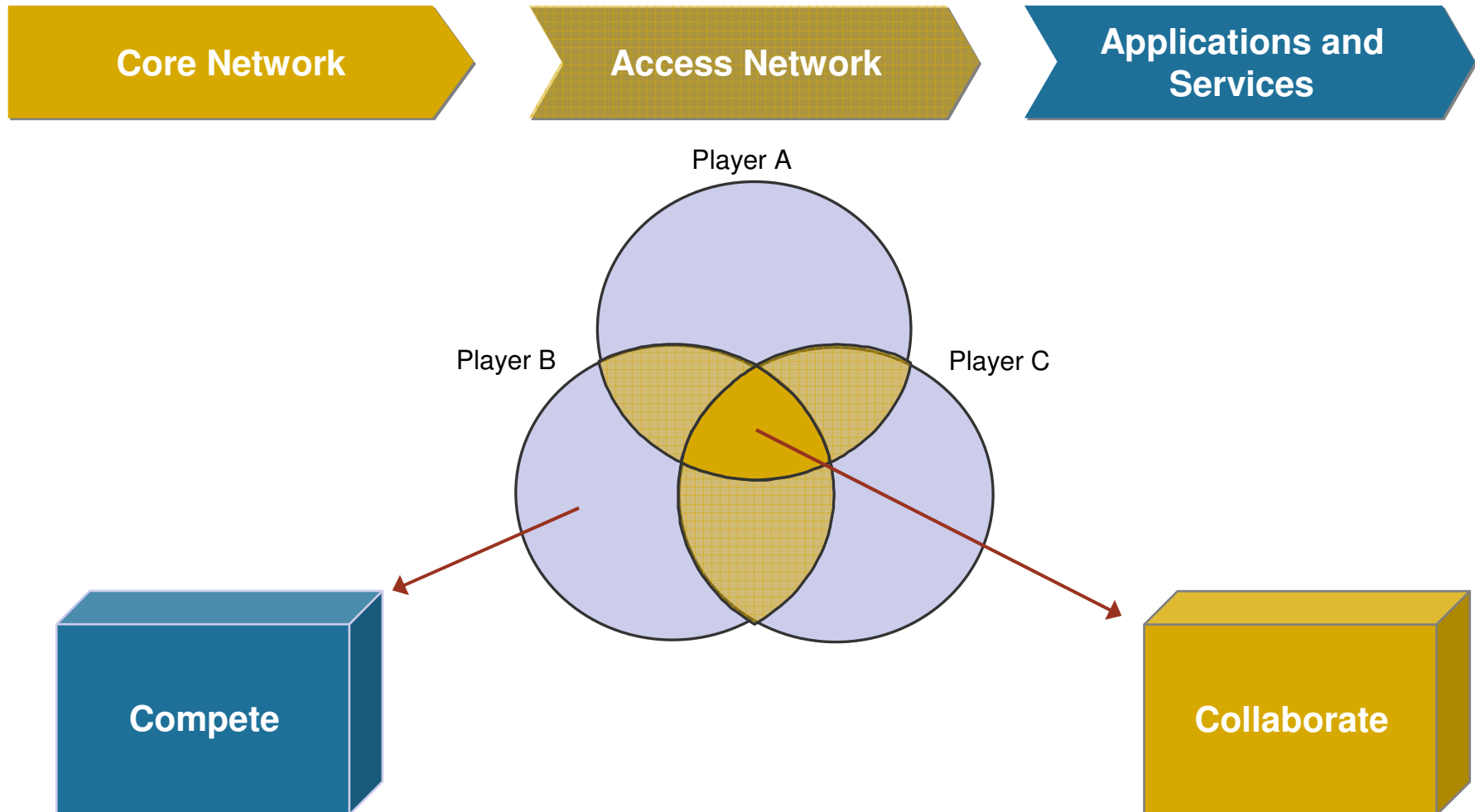
Of the factors that could improve the business case for NGB, a combination of business model innovation and coordinated investment seems compelling

Factor	Revenue Impact	Cost Impact	Change Agent
New consumer applications			International Learning / Innovation
Business model innovation			Market Evolution
Coordinated investment			Market Evolution
Regulatory regime			Ofcom
Direct public sector investment			Government



How might we consider approaching NGB investment in a UK context?

Identifying areas of mutual self interest in the value chain provides players an opportunity to share efficiency gains across the industry



Conclusions

1. Currently, no viable **business** case for NGB investment in the UK
2. Equally, no evidence that UK is being disadvantaged through absence of a NGB infrastructure
3. Focus on identifying areas of “mutual self interest” whilst exploring innovative business models and coordinated investment opportunities where appropriate