



# **Facilitating Lego like innovation via the open internet**

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# Benefits of internet based applications



- **Competition and innovation have benefited**

- Internet supports vigorous Lego like innovation
- Internet leads to “separation” additional to Martin Cave’s “Six degrees of separation”

- **Consumers have benefited**

- Rapid innovation & growth in applications: from Skype to Facebook
- Lower prices, often zero

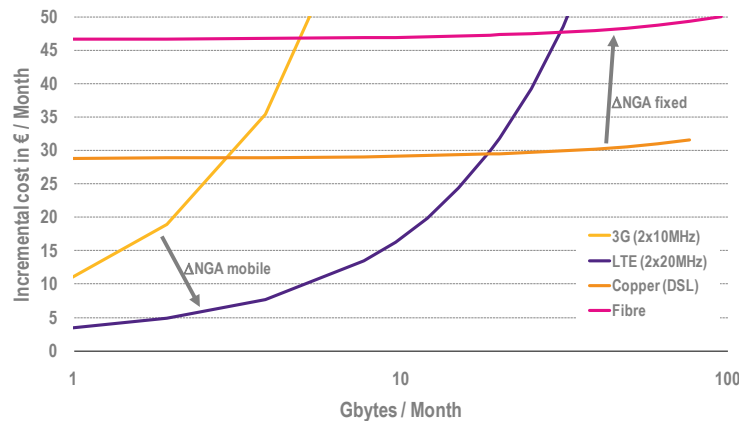
- **Network owners have benefited**

- Internet applications have stimulated demand for network access
- Demand growth has benefited network owners
  - In absence of high traffic volumes residential fixed would cease to exist
  - Mobile data/smart device demand is generating value for networks

# What about congestion & investment?



Incremental costs of broadband



Source: Plum cost modelling, Analysys Mason, European Commission

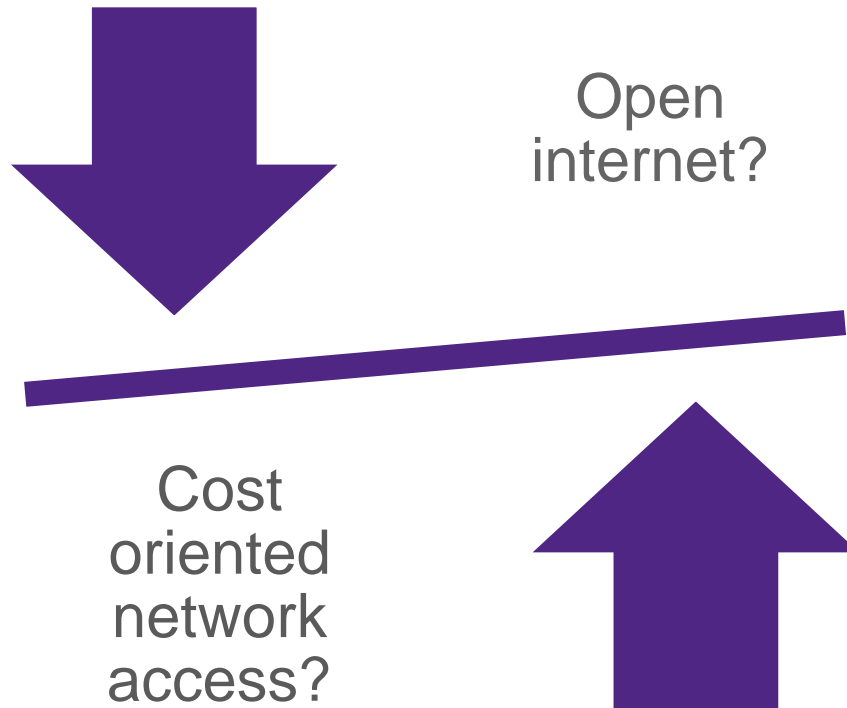
## Fixed

- “Last mile” un-contended
- Core network costs per GB falling fast
- Price discrimination for fibre required to
  - Allow low-user tariffs
  - Compete with LTE
  - Support investment

## Mobile

- Radio access inherently contended
- Cost per GB >50x fixed
- Per MB and tiered pricing
  - At consumer level to manage traffic
  - However, discrimination by application or application provider not required to manage overall traffic

# Rebalancing required as value added shifts?



# Conclusion



- **Open internet beneficial**

- Is benefiting consumers
- Promotes rather than harms network investment (since internet and networks are strategic complements)

- **Policy focus needs to change to reflect shift in value chain and uncertainty**

- Allow service-price discrimination in relation to network access
- Prevent discrimination against network independent applications
- Nudge to assure network and internet investors that they will not be subject to *ex post* opportunism by one-another, or regulators