



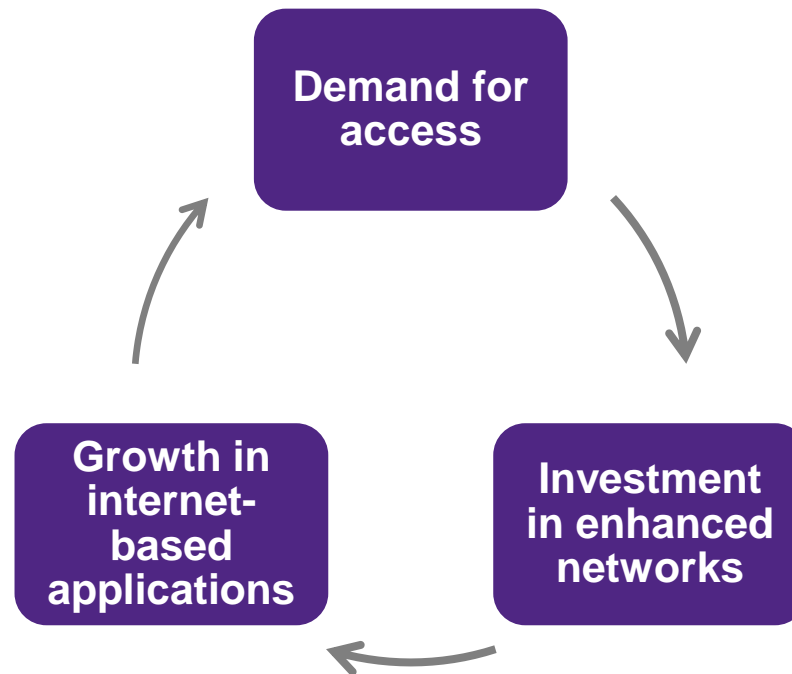
# The open internet – a platform for growth

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**9 November 2011**

**MEP breakfast, European Parliament**

# Innovation without permission has created a virtuous circle



But potential incentive to defect from open access (if others bear the costs)

# Though myths have been promoted



Myth 1: Demand is bad

- **Demand is good** since it reflects end-user value and supports revenue growth and network investment.

Myth 2: Costs are ballooning because of data growth

- **Costs are not ballooning** because of data growth. For fixed access they are low and declining on a unit cost basis, whilst for mobile access they are higher but nevertheless declining on a unit cost basis.

Myth 3: Application providers "cause" traffic

- **End users cause traffic** via requests for and generation of content.

Myth 4: Application providers free ride

- **Application providers do not free ride** but invest in infrastructure, purchase network services and have developed bandwidth efficient applications.

Myth 5: Charging application providers would promote broadband investment

- **Any revenues raised would not necessarily be invested** and would discourage applications innovation which would reduce demand for advanced network access.

# Internet connectivity revenues are substantial



European internet connectivity revenues 2010



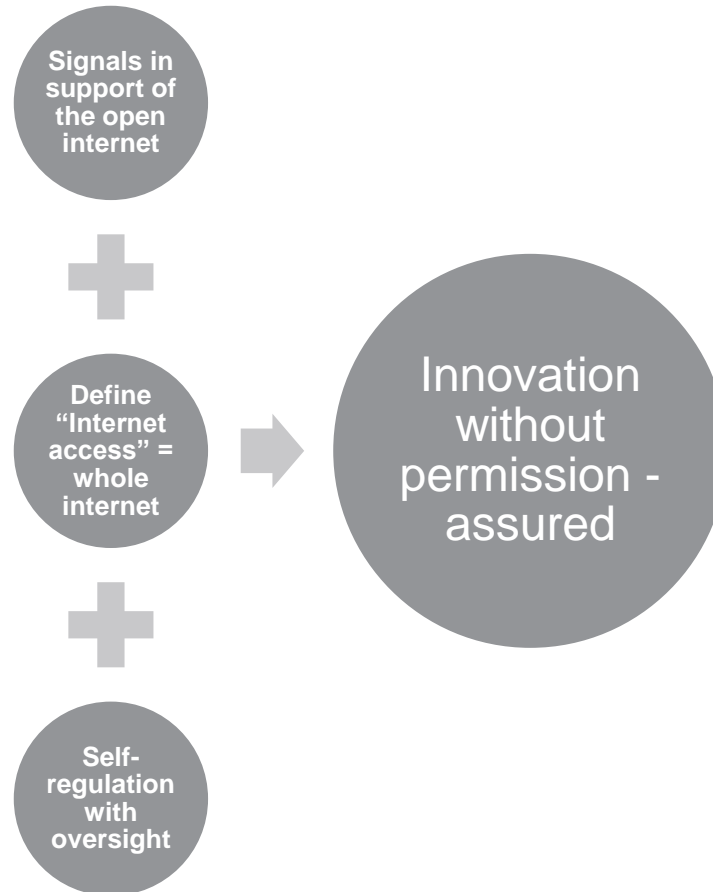
Source: Plum Consulting, Eurostat, Merrill Lynch Wireless Matrix

## Some see data as an opportunity



- “Telefónica... is to sponsor a series of European technology sites to house companies backed by its venture capital funds as part of a wider strategy to refocus the company on data.”  
FT, 2 November 2011
- “...our Wireless service EBITDA margin of 47.8% is the highest we have ever reported...”  
“...the migration of data traffic from our 3G to our 4G network will enhance our capital and operating efficiency and will help drive improved returns...”  
Verizon, Q3 results, 21 October 2011
- “Data has been the key driver of growth over the last year.”  
Sir John Bond, Chairman of Vodafone, Annual Report 2011

# Measures are required to promote investor confidence



# Thank You



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