



Department of Management

# The Context of NGA Investments

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# agenda

- Investment in the digital agenda—scoping
- Traffic, quality, productivity
- Europe in the world picture
- LSE research on investment

# attitudes/assumptions

- Trust in policy
- Parallels with other sectors
- Knowledge levels and types
- Risk assessment practices
- Temporal features

# implications of traffic growth

- Innovations in traffic routing changes the architecture of revenues
- Investors are hesitant about network operators until they become beneficiaries of traffic growth
- Broadband build-out policy creates additional pressure for network investments

# incentives for productivity growth

- The incentives that productivity growth provide managers to pay for premium services, cloud computing as example
- In addition to quantity issues (traffic volume) there are quality issues to consider for network build-out (time critical applications, flexibility, support)

# europa in the world picture

- Telecom growing everywhere except Europe
- Light-handed independent network regulation is worldwide trend (Stimulating growth)
- Europe competes directly with internet services abroad (liberal policies, new openness of the world, Europe can't be isolated from worldwide trends)

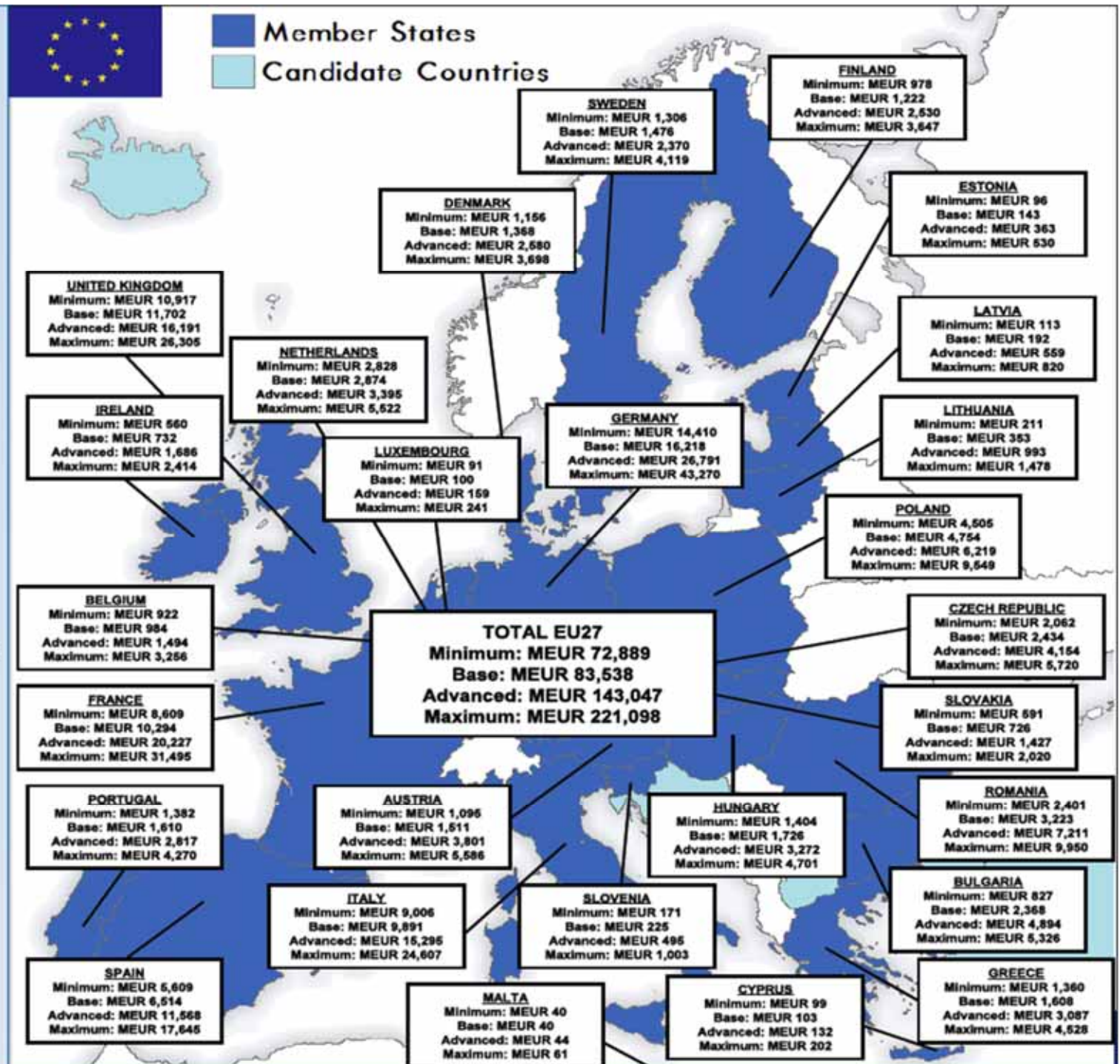
# typical investor's concerns

- What is urgent? How much will late-comers really lose?
- In non-competitive areas, is there a choice between loosening access regulation and public subsidy?
- What risk premium will regulators attach to fibre investments?
- Is it feasible/desirable to get content and application providers [CAPs] to contribute to the burden of network/ISP investment?\*

## Cost per country

- **Big 5** require between 63%-72% of the total cost (France, Germany, Italy, Spain and the United Kingdom) – with 62% of population!
- Rest of Europe consists of a heterogeneous sample of leading infrastructure: Belgium, Latvia and Slovenia together with poor infrastructure countries: Cyprus, Greece and Poland.
- Country-members have different infrastructural needs under the Digital Agenda umbrella
- **EU15** share from total ranges between 80%-84%

Source: EIB





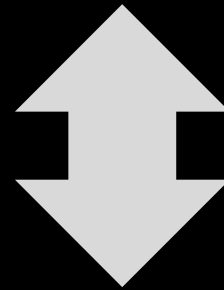
# Investor perceptions

investors' perceptions of broadband risk  
(opinions and underlying reasons)

Repeated insistence that  
risk premiums  
remain unclear

Concern about what national  
differences would be allowed

Fear of instability; insufficient  
long term incentives for  
incumbents to roll out



Limited interest in long-term  
telecoms policy development

National differentiation is  
a common starting point  
for investment analysis

Underlying scepticism  
towards EU 2020 policy