



*23rd European Regional Conference
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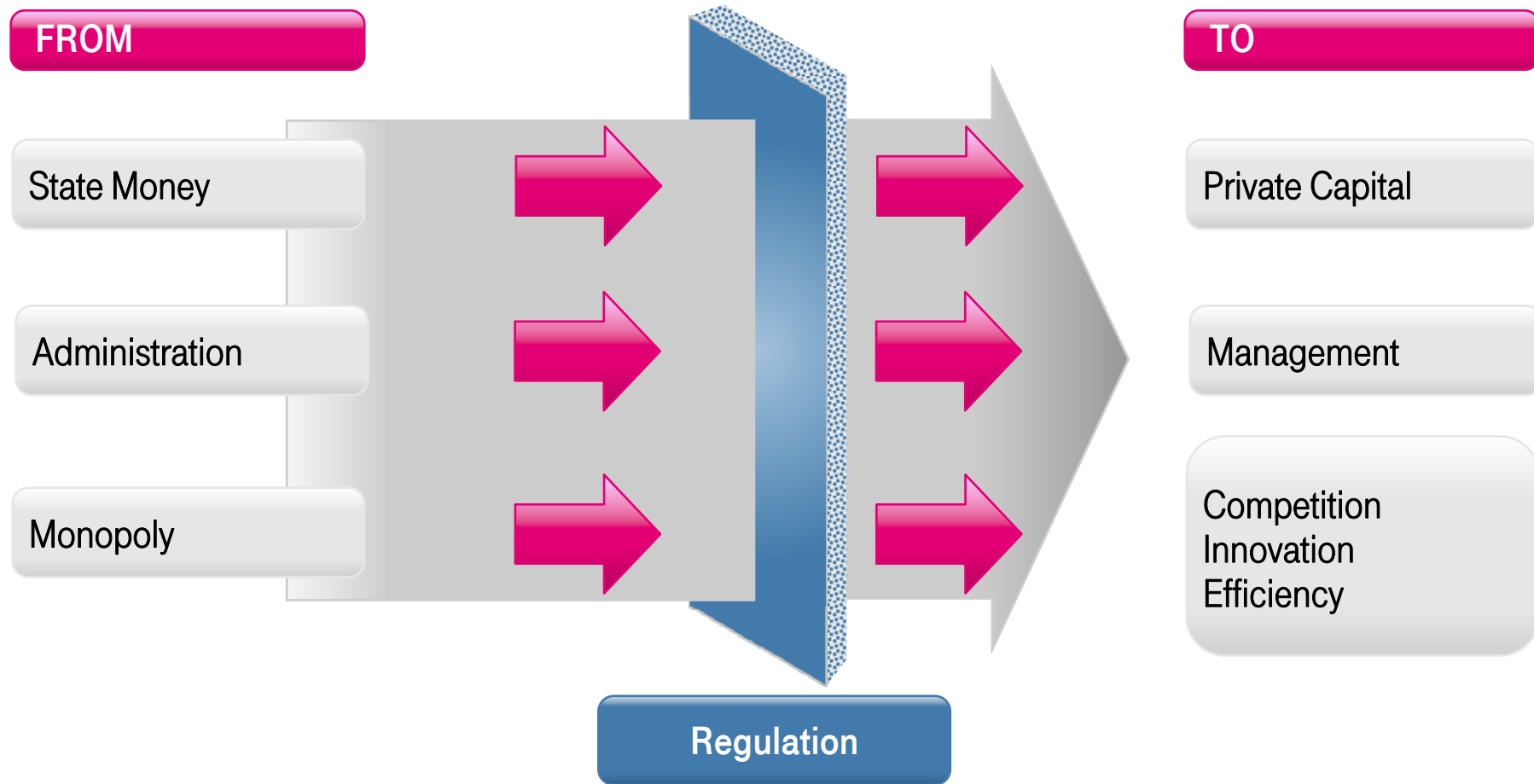
"How to wreck it"

Some personal reflections on the Austrian Mobile Market.

Wolfgang Kniese.
CFO, T-Mobile Austria GmbH.

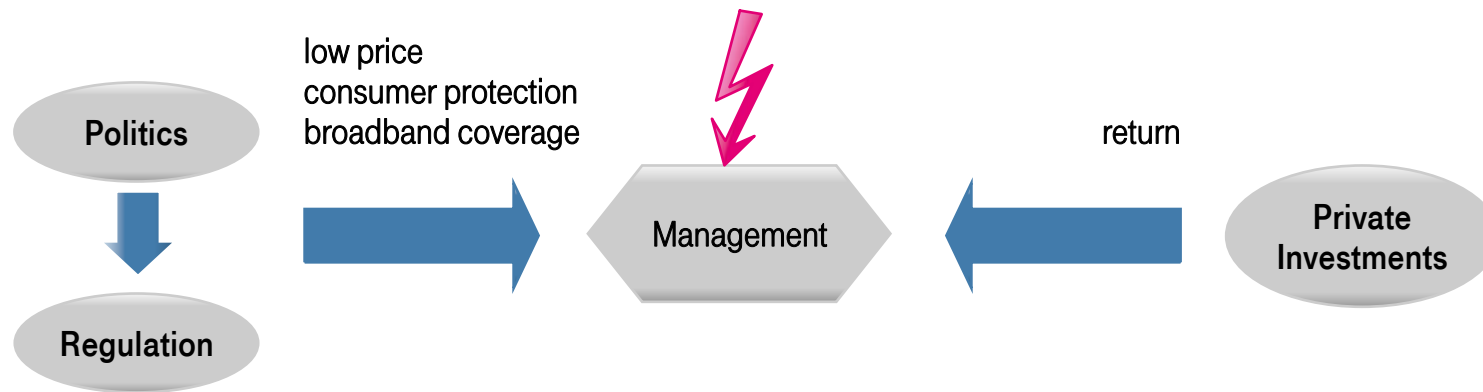


Privatising Telcos.



Management can not match expectations.

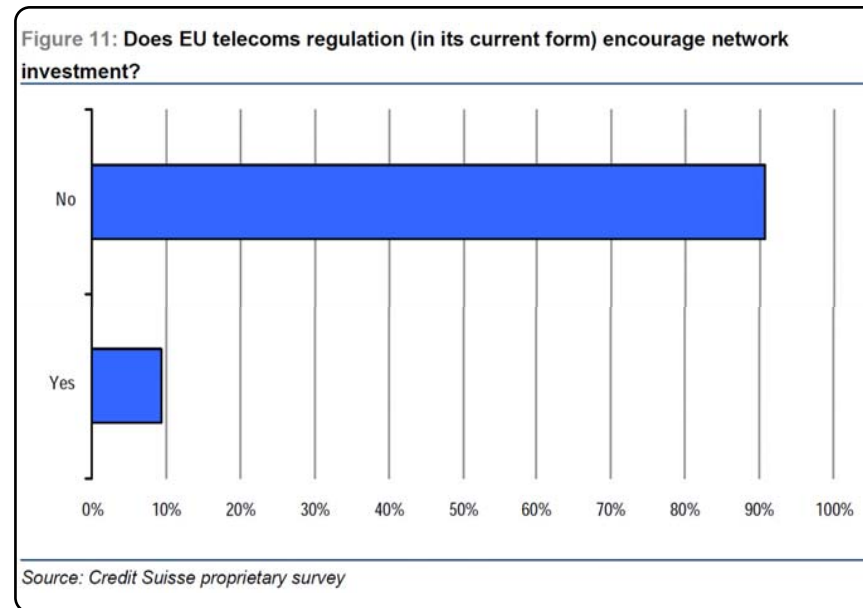
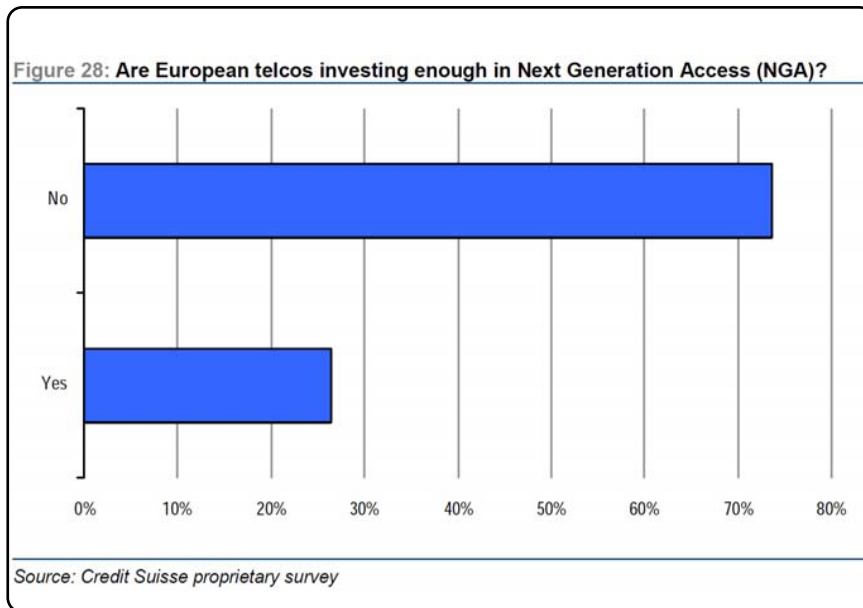
- Investment in broadband leads to higher economic growth.
- Mid- and longterm capital will be more rare and expensive.
- Under current conditions there is no sufficient return to justify private investments.



"When a management team with a reputation for brilliance joins a business with poor fundamental economics, it is the reputation of the business that remains intact." (Warren Buffett)



Investors don't believe that the current regulation will lead to investments.



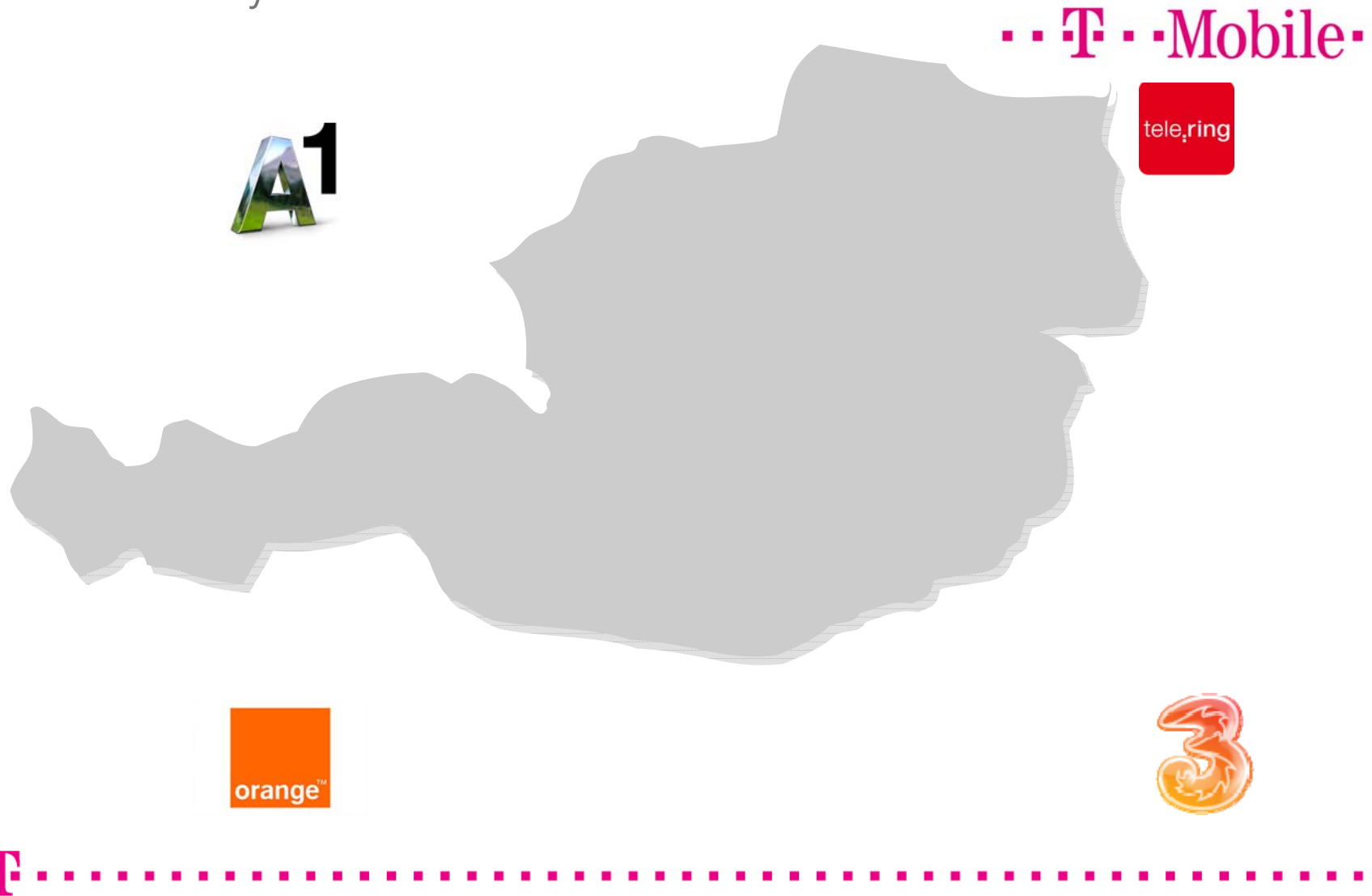
"... Indeed we think that the more aggressive pursuit of this strategy (regulate wireless pricing aggressively) will result in your tenure being judged in retrospect as that which presided over the decline of Europe's superior wireless networks..." (R. Bienenstock, Bernstein Research, in an open letter to Commissioner N. Kroes)

"Europeans are hungry for digital technologies and more digital choices, but governments and industry are not keeping up with them. ... It's a terrible shame. We are shooting ourselves in the foot by under-investing. Europe will be flattened by its global competitors if we continue to be complacent." (N. Kroes)

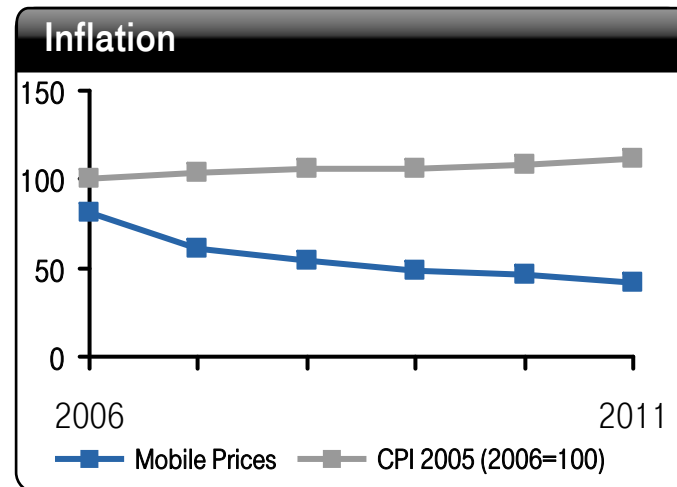
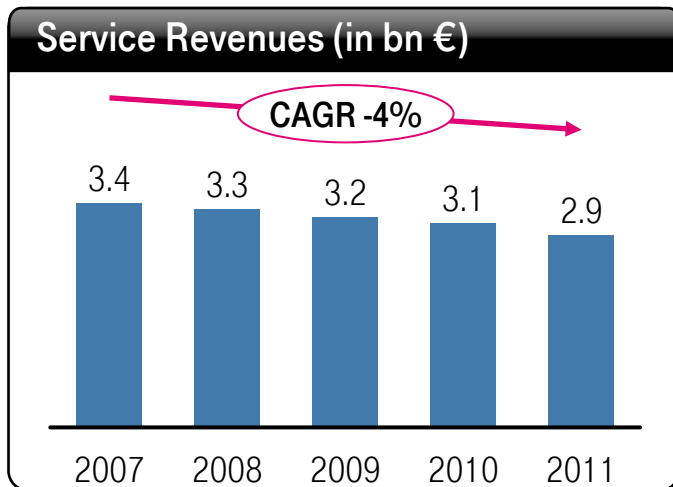
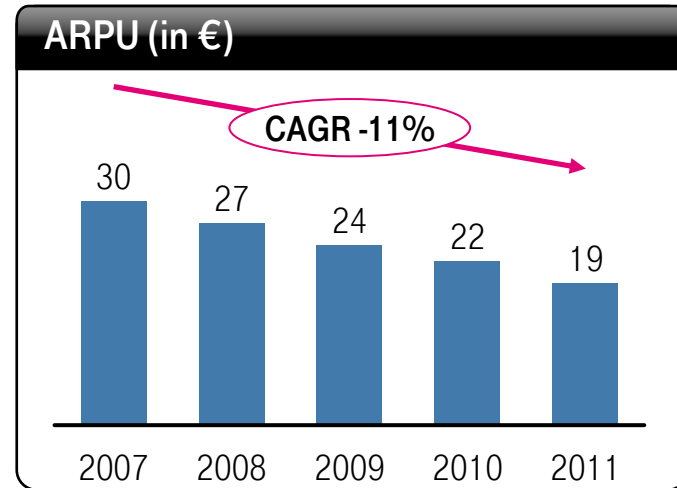
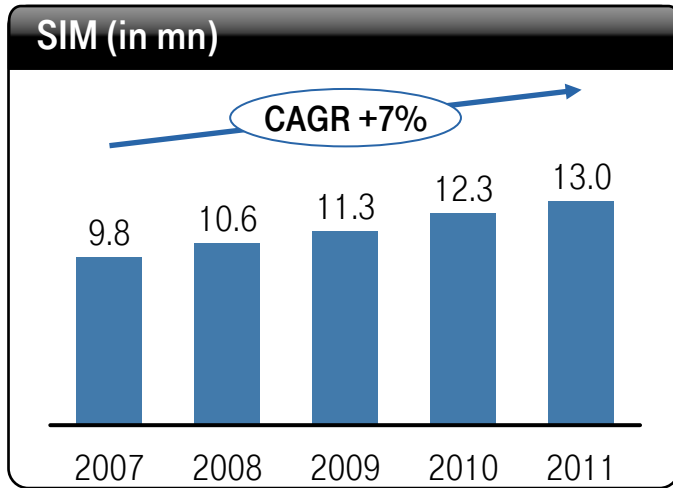


Austria.

The Mobile Players.



Austria – The Macro View.

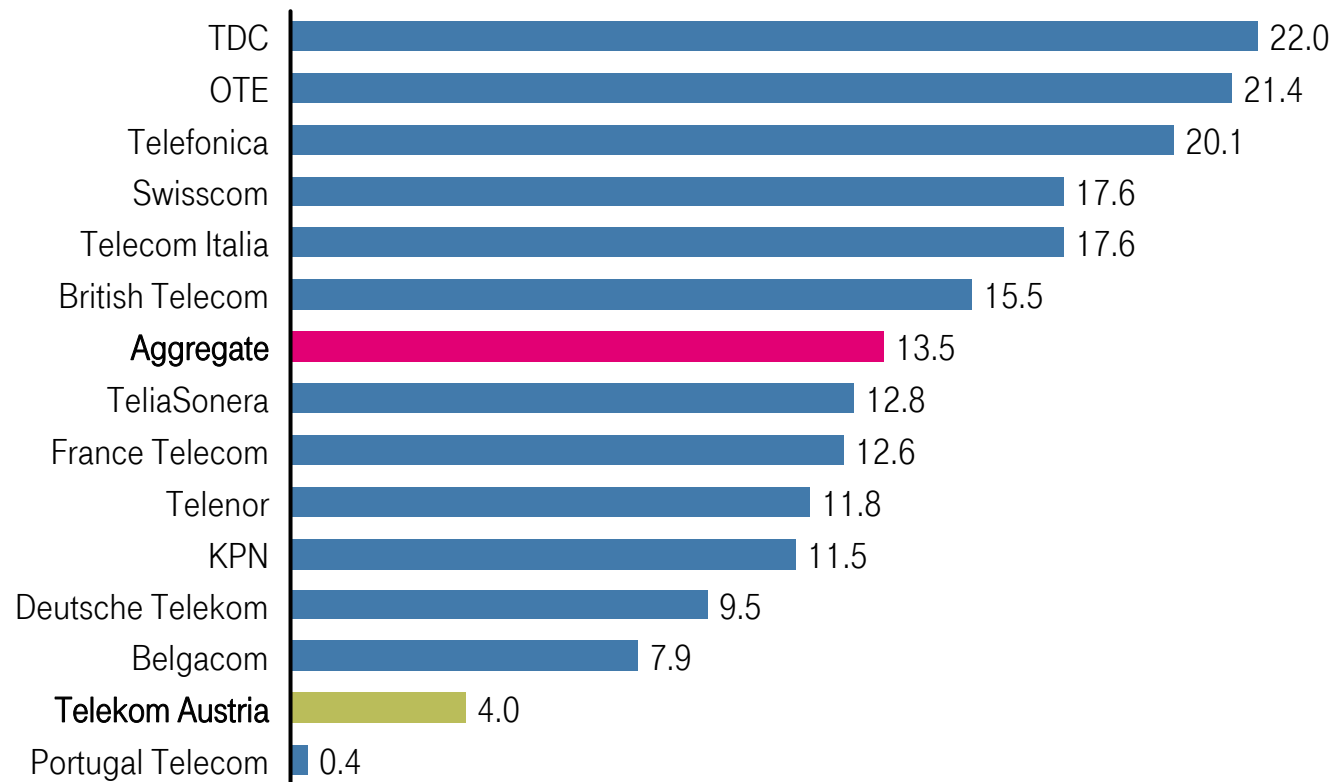


Source: Operators, T-Mobile estimates, RTR



ROCE fixed of the incumbent. Austria is in a bad position.

Domestic fixed ROCE 2011 in %



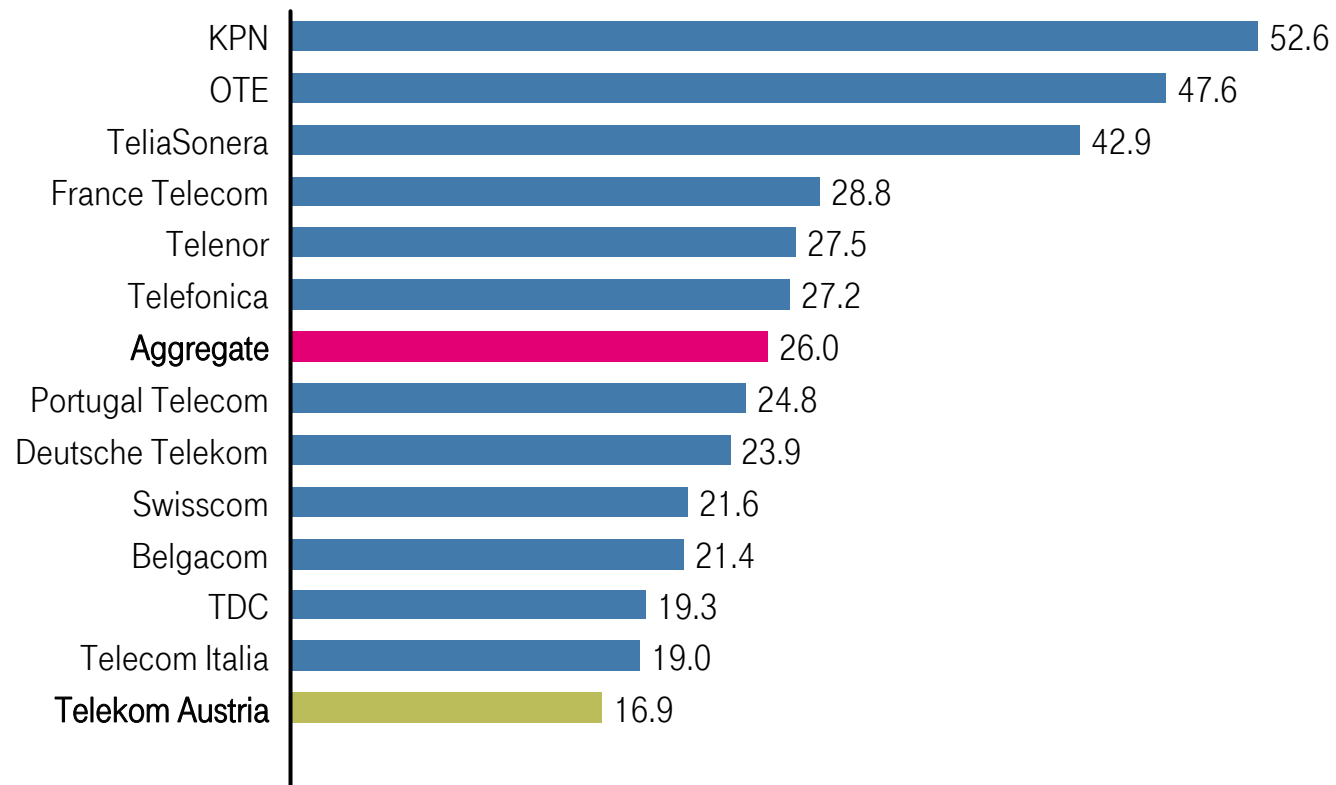
Source: New Street Research estimates



ROCE mobile of the incumbent.

Austria is worst. Local competitors are below incumbent.

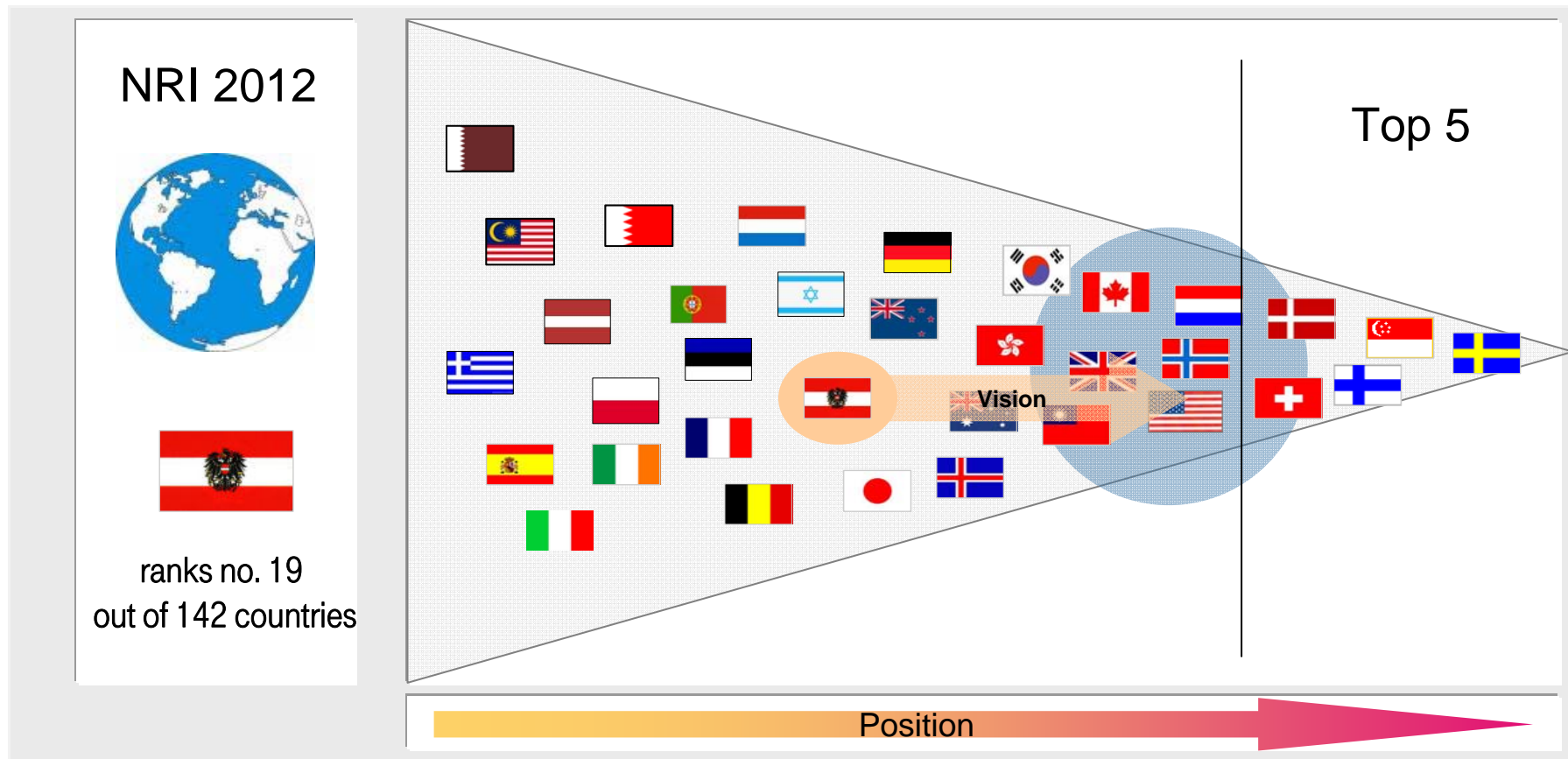
Domestic mobile ROCE 2011 in %



Source: New Street Research estimates



Austria's ambition is to become one of the Top 5 Countries in ICT ranking.



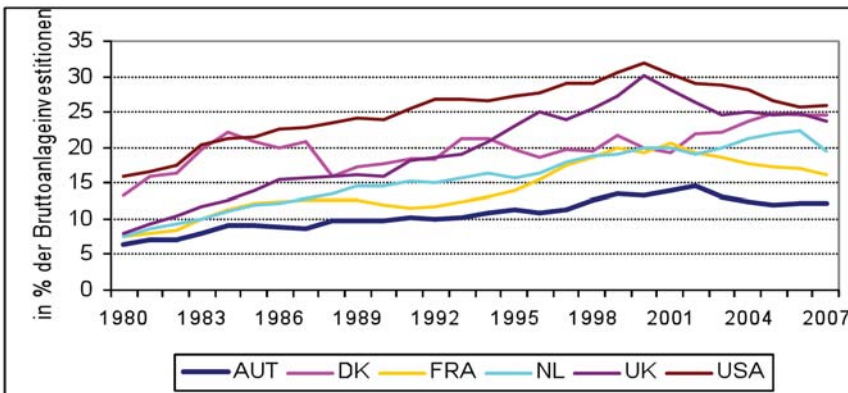
Source: Internetoffensive Österreich



Austria's ICT investments and growth effects are below average.

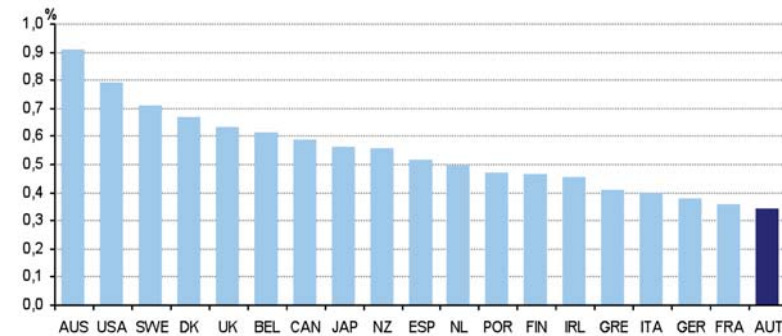
Shares of ICT investment in non-residential gross fixed capital formation, total economy

The ICT investments of Austria are low and flatter compared to other OECD countries. Thus Austria missed some part of the ICT induced growth effects.



Growth effects of ICT investments Austria compared to other OECD countries

For Austria the contribution of ICT investment to GDP growth was 0.35 percent.



Source: Austrian Economic Center, OECD



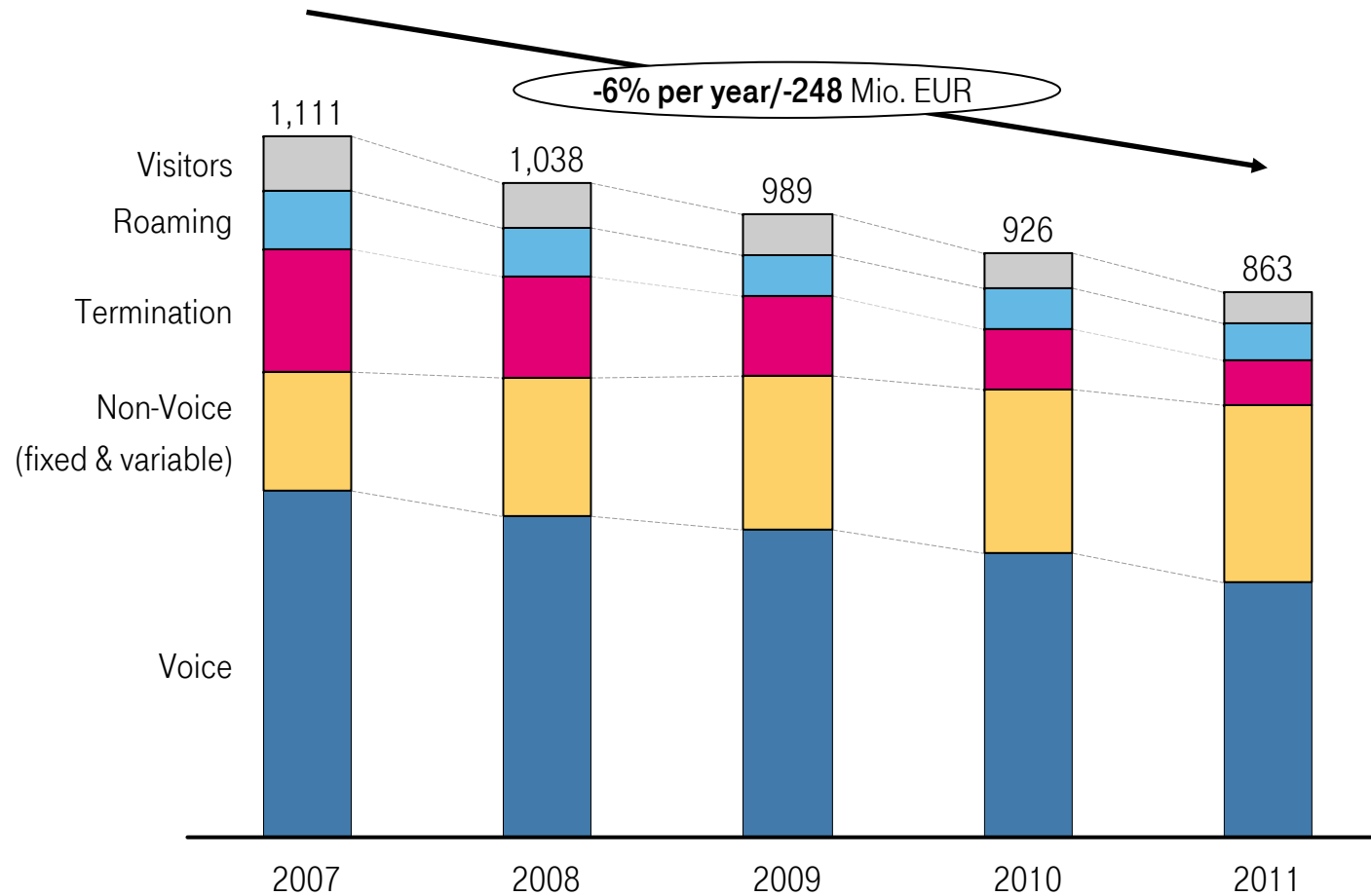
Let's switch perspective.

The micro view.



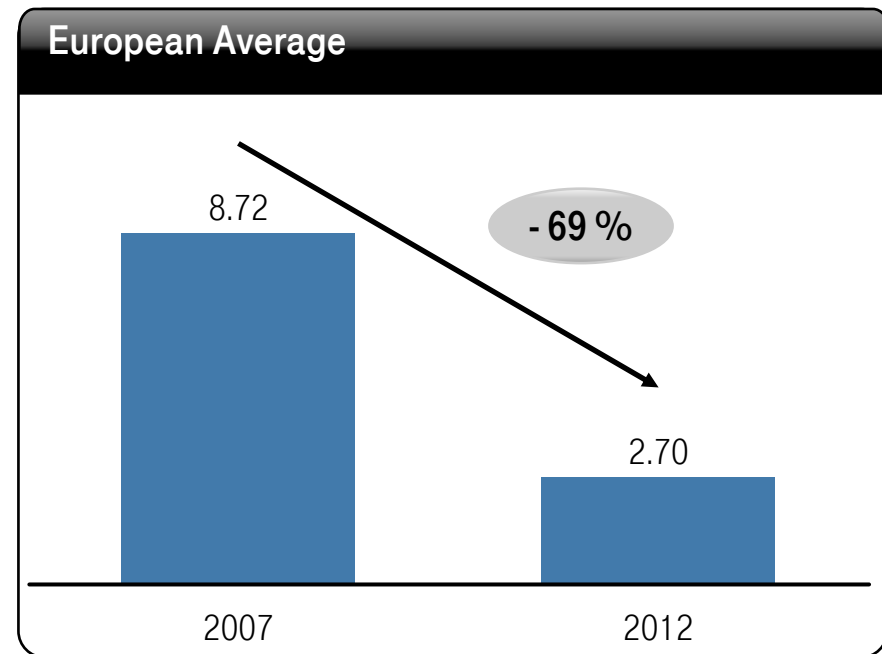
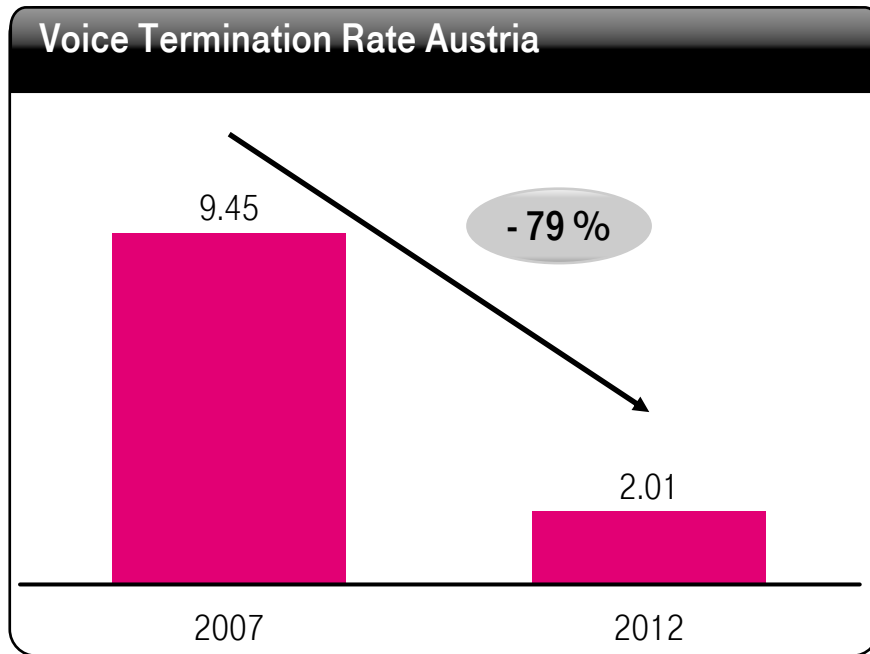
Micro View from one of the operators: T-Mobile Austria.

Service Revenues.



Excursus - Termination Rates.

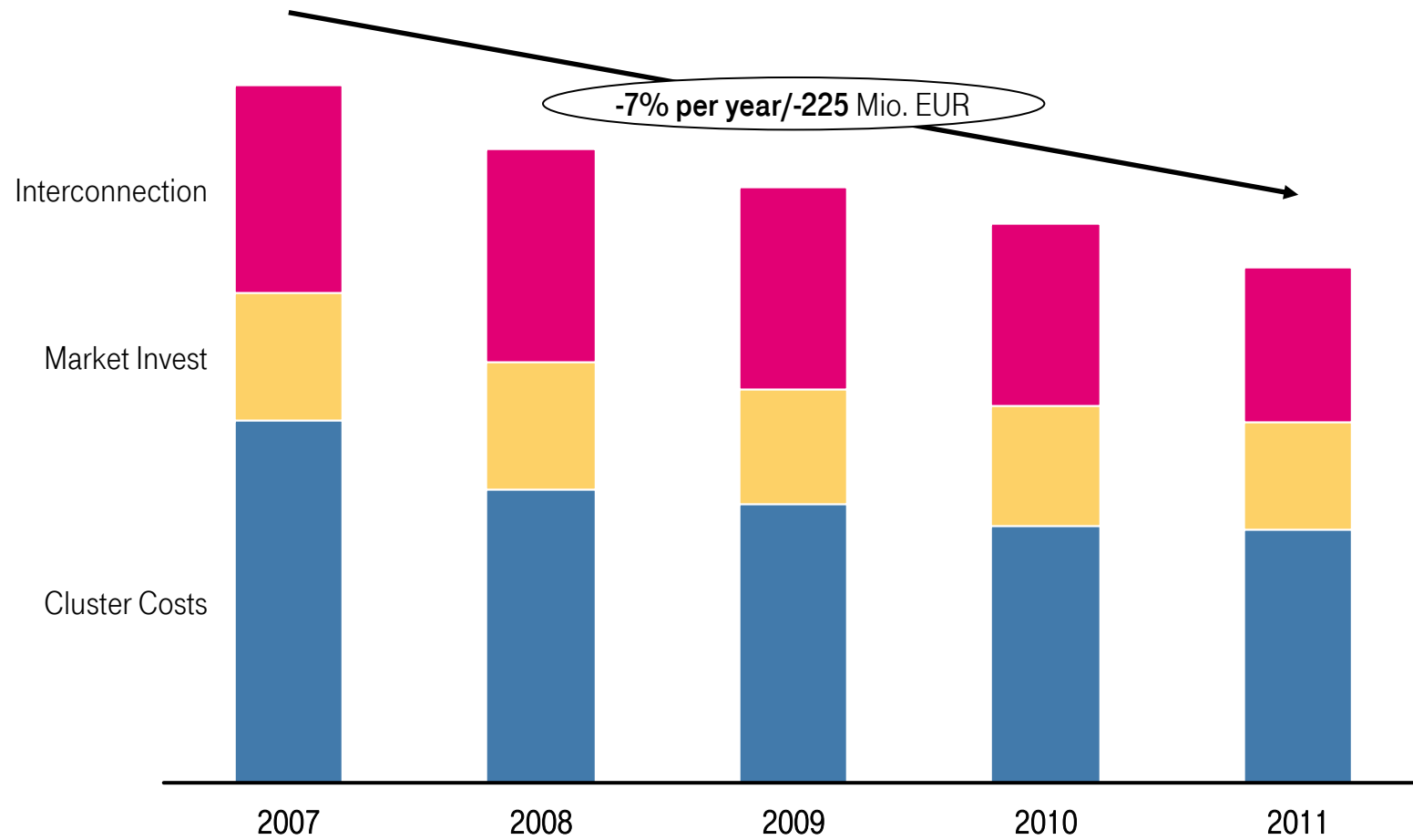
(in Eurocent)



Source: T-Mobile, Barclays



Relevant Cost Development.



Conclusion.

- Returns of a lot of Telco Players within the EU ist below cost of capital.
- Austria is one of the worst markets within the EU.
- Investment in broadband is a needed precondition for economic growth.
- Markets compete for investments even within Telco groups.
- Shareholders do not support value destructive investments.

Maybe something is wrong?

- How much regulation do we still need?
- How to get to a regulatory regime which leads to private investments in broadband infrastructure?



Back-up.

- Credit Suisse investor study:
Justin Funnell, Christopher Wright (February 8, 2012)
- Bernstein open letter to Mrs. Kroes:
Robin Bienenstock (April 5, 2012)
- New Street ROCE:
Russel Waller (March 22, 2012)
- Barclays Summary of European MTRS:
Barclays Research (April 18, 2012)



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Barclays termination
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