

VIA NET.WORKS Launches WiMAX Trials in Switzerland

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Analyst: D. Kehoe

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Module: Business Telecom Services - Europe - Central Europe

Current Perspective: Positive

Vendor Importance: Moderate

Market Impact: Very Low

■ Summary

Event Summary

October 24, 2005 -- VIA NET.WORKS, a Solution24 AG company, is introducing WiMAX trails in the cities of Zurich and Geneva to a select handful of customers. The operator intends to work with investors and partners to secure a permanent license next year in Switzerland and acquire other WiMAX concessions across Europe. WiMAX, based on the IEEE 802.16 standard, can support a connection speed of up to 70 Mbps across a 50-km radius.

Analytical Summary

- **Current Perspective:** Positive on VIA NET.WORKS' launch of WiMAX trails in the cities of Zurich and Geneva, because the carrier is one of the first to market with the cutting-edge technology for delivering last mile access whilst bypassing the incumbent PTT, Swisscom. However, the real challenge will be to acquire a permanent license from the Swiss regulator amid tough competition and competing interests.
- **Vendor Importance:** Moderate to VIA NET.WORKS, since the operator needed to test WiMAX as a means of gaining a better understanding of the technology, both from a commercial and technological perspective, before the Swiss regulator formally issues commercial licenses in March 2006. Trialling WiMAX was also important for attracting potential partners and investors.
- **Market Impact:** Very low on the Swiss broadband market, as the trial will only be limited to a handful of select VIA NET.WORKS customers within the cities of Zurich and Geneva. The impact of WiMAX will not be felt until March 2006, when successful bidders gain three licenses for a 10-year term.

■ Perspective

Current Perspective **Positive**

We are taking a positive stance of VIA NET.WORKS' trial of WiMAX in the cities of Zurich and Geneva, because the move will provide the operator with a greater level of understanding of how it can potentially leverage WiMAX in the Swiss market for offering high-speed local access, enabling new applications (e.g., e-mail services) or delivering innovative capabilities (e.g., audio/video streaming and triple play) through partners. Trialling WiMAX can also improve the operator's chances in gaining a WiMAX license during the auction process, devising a pan-European rollout strategy and attracting new partners and potential investors. The introduction of the WiMAX also coincides with the Swiss regulators plan to auction off three national licenses in March 2006. However, the Swiss authorities have yet to communicate the actual terms and conditions. The expected date is November 2006. WiMAX provides an extended wireless reach (possibly up to 50 km from a single WiMAX base station) and high bandwidth attributes (e.g., up to 70 Mbps).

While the introduction of WiMAX can be an important strategic step for VIA NET.WORKS Switzerland, it is likely to face a challenging bidding process from competing carriers (e.g., Swisscom, Orange and sunrise) that may be competing to protect other interests (e.g., 3G investments). There are also other national fixed or cable operators, such as Cablecom, looking to embrace WiMAX to enable new growth areas (e.g., mobile services). Cablecom, for example, is likely to be a strong contender, given the new financial strength resulting from its acquisition by the Liberty Global. While the introduction of WiMAX trials in Zurich and Geneva is generally a positive, the market for IEEE 802.16 has yet to develop in Switzerland.

■ Positives and Concerns

Competitive Positives

- The trial of WiMAX in the cities of Zurich and Geneva will be an important means for VIA NET.WORKS Switzerland to learn more about the technology from a commercial and technical perspective before it hopes to gain a permanent license next year. It can also be important for offering an alternative to DSL, as LLU has not happened in the Swiss market, and providing greater flexibility and mobility for its customers.

- The introduction of WiMAX can also be important for VIA NET.WORKS Switzerland for offering new applications to its business customers (e.g., e-mail services). It can also be an important means for offering new services for the residential market (e.g., TV content, video streaming, etc.) to generate new growth. The trial can also provide a sound basis from which to devise a broader pan-European rollout strategy, which it intends to pursue over the next few quarters.
- While other operators are said (anecdotally) to have had completed trials for WiMAX, VIA NET.WORKS has been the first to announce such a development and detail its plans for the service publicly. This has raised the operators profile in the Swiss market considerably. It will also improve its chances of attracting potential partners and investors to support its WiMAX objectives.

Competitive Concerns

- While the trialling of WiMAX is generally positive, there is no guarantee that the operator can successfully secure a permanent license from the national regulator. While the rules have yet to be published, the process is likely to favour the highest bidder. This comes at a time when the likely contenders (e.g., Swisscom, sunrise and Cablecom) are strong financially (or have powerful backers) and have compelling reasons to win a WiMAX license.
- The introduction of a national WiMAX license is just the beginning of any operator's WLL strategy. Any prospective licensee will need to invest in new equipment installations to increase coverage, develop the product and rollout the service, which will need to be supported with robust backend processes. As such, it will take some time before WiMAX will gain a foothold on the Swiss marketplace. With initial coverage targeted at larger cities, revenue will be incremental in the early stages.

■ Recommended Actions

Recommended Vendor Actions

- VIA NET.WORKS should use its trial of WiMAX as a means of showcasing its product leadership (being one of the first movers in this space) and highlight attractive product bundles for the business and residential segments. While high-speed wireless mobility, wider geographical availability and new applications (e.g., hosted e-mail) may be attractive sweeteners for the business customers, the introduction of audio/video streaming and triple play (via partners) will appeal to the residential market.
- Alternative fixed operators, where appropriate, should stress that the introduction of WiMAX will be an important means of opening up new competition in the Swiss market by breaking the incumbent PTT's monopoly over the last mile. Operators should stress that, as a result of the current environment, the technology choice (e.g., ADSL, SDSL, VDSL, etc), product availability, price and provisioning times are firmly in the hands of one company. WiMAX should therefore be positioned as a powerful interim solution until the broader issue of LLU is resolved.

Recommended Competitor Actions

- Swisscom and sunrise would be wise to compete aggressively for the WiMAX licenses being auctioned in March 2006. Both operators would be wise to acquire licenses to augment their existing strategy for 3G. They may also be keen to reduce the chances of potential revenue cannibalisation resulting from technologies, such as WiMAX, which is perceived to be 'disruptive' to the marketplace.
- While sunrise has been relatively quiet on its plans for WiMAX, a successful acquisition of a new license (at a reasonable price) will definitely boost the operator's stagnant local access strategy in the current regulatory environment where LLU has not taken place. A compelling WiMAX offer may advance sunrise to the number two slot for broadband services, where it currently lags behind Cablecom and Swisscom in the number three position.
- Recently acquired by Liberty Global, Cablecom should also consider bidding for a WiMAX license and conduct trials as soon as possible. The cable operator has an opportunity to leverage the technology to open up new market segments (e.g., mobile services) where it has a strong chance to grow.

Recommended End User/Customer Actions

- There is little reaction required from Swiss customers at this stage, because the VIA NET.WORKS trial is limited to a select handful of customers. At the same time, the introduction of actual licenses will not take place until

March 2006. Once this happens, there is also likely to be further delay when considering the time to build up the network, introduce products and roll out services. However, customers that are interested in WiMAX should keep a close watch on the auction process.

- Once WiMAX is available commercially, end users should raise some concern regarding the level of security the technology can provide to protect against unauthorised access to their data. They should also question what security measures are intact for encryption, key distribution and authentication.

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Current Analysis, Inc.
21335 Signal Hill Plaza, Second Floor, Sterling, VA 20164
Tel: 877-787-8947
Fax: +1 (703) 404-9300

Current Analysis, Inc.
2 rue Troyon, 92316 Sevres Cedex, Paris, France
Tel: +33 (1) 41 14 83 17

<http://www.currentanalysis.com>