



GRAND DUCHY OF LUXEMBOURG  
Ministry of Foreign Affairs

Directorate for Development Cooperation



European Union Africa  
Infrastructure Trust Fund

# Internet Carrier Business Models



# RECAP: Transit is easy to sell

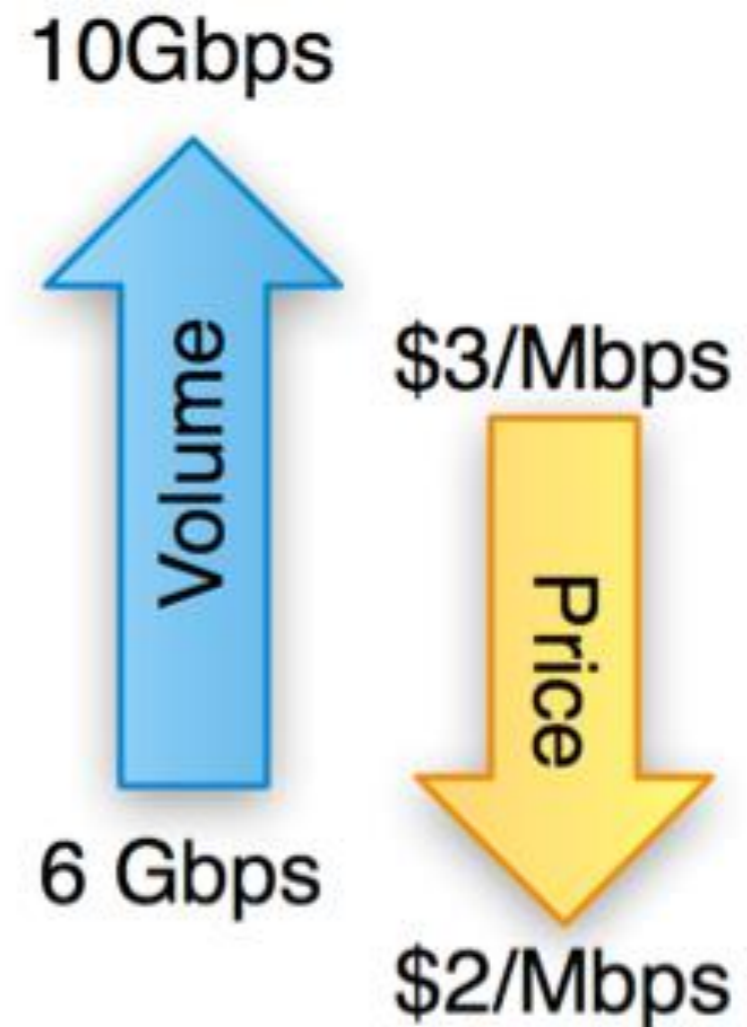
**Definition: Internet Transit** is the business relationship whereby an entity provides (usually sells) access to the Internet.

**"Internet this way"**

**Definition: An Internet Service Providers (ISP)**, also called a "Transit Provider", is an entity that sells access to the Internet.

# RECAP: Does it make sense to peer anymore ?

- Price drops 30%
  - Volume increases 60%
- > Transit bill increases



# The rationale for building beyond your border

- You're paying less to a transit operator, to move traffic between networks (but you pay more for infrastructure!)
- You have new business opportunities in new areas and the chance to grow your brand
- You have better control/reach of where/how the network traffic flows through your network.  
Simplifies operations.

# Early examples of regional interconnections: African Internet Experiences

- Early African Internet experience - US/EU organisations provided “from-continent” connectivity to ISPs/Telcos.
- Not a significant number of players; poor choice for African ISPs.

“a strike against  
techno-colonialism...”

# Point to point transmission

- Simplest case; cross border/national operator selling end-to-end circuit between two locations. (or half circuits to their national borders).
- RIC purchases point-to-point connectivity and establishes an IP network over this

# Point to point transmission

## Pros:

- Easier to get operational faster
- Lower CAPEX needed
- Leverage existing networks
- Lower Risk

## Cons:

- Susceptible to artificial inflation of prices
- No long term control on cost



# Establishing your own infrastructure

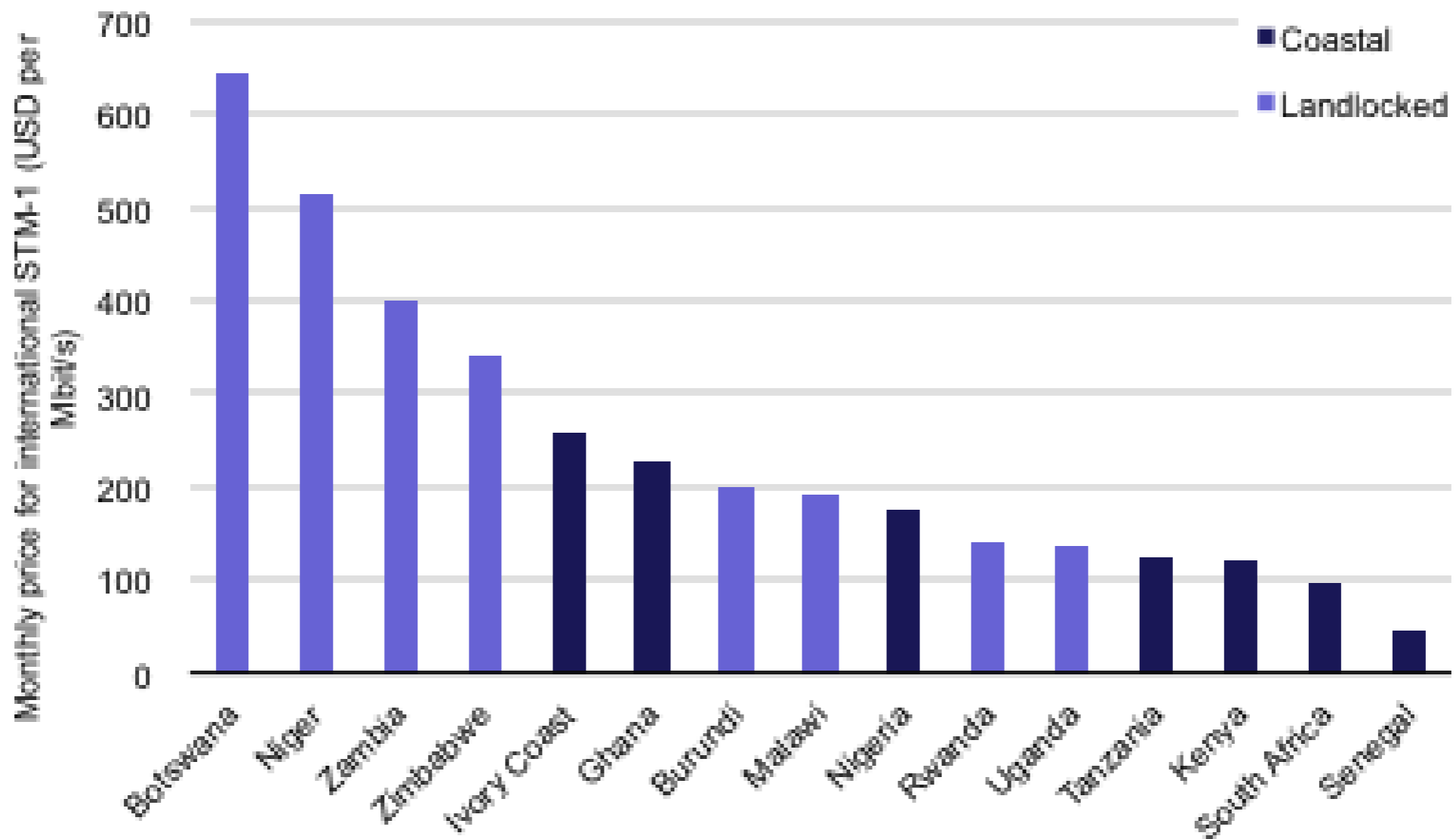
- Has better cost control measures.
- Economies of scale through consolidated human capital costs.
- Freedom to innovate
- ...

# Historic Issue

- Traffic has traditionally followed the path of satellite/submarine fibre.

Overseas investment has driven the growth (and flow of traffic)

# STM-1 pricing to EU

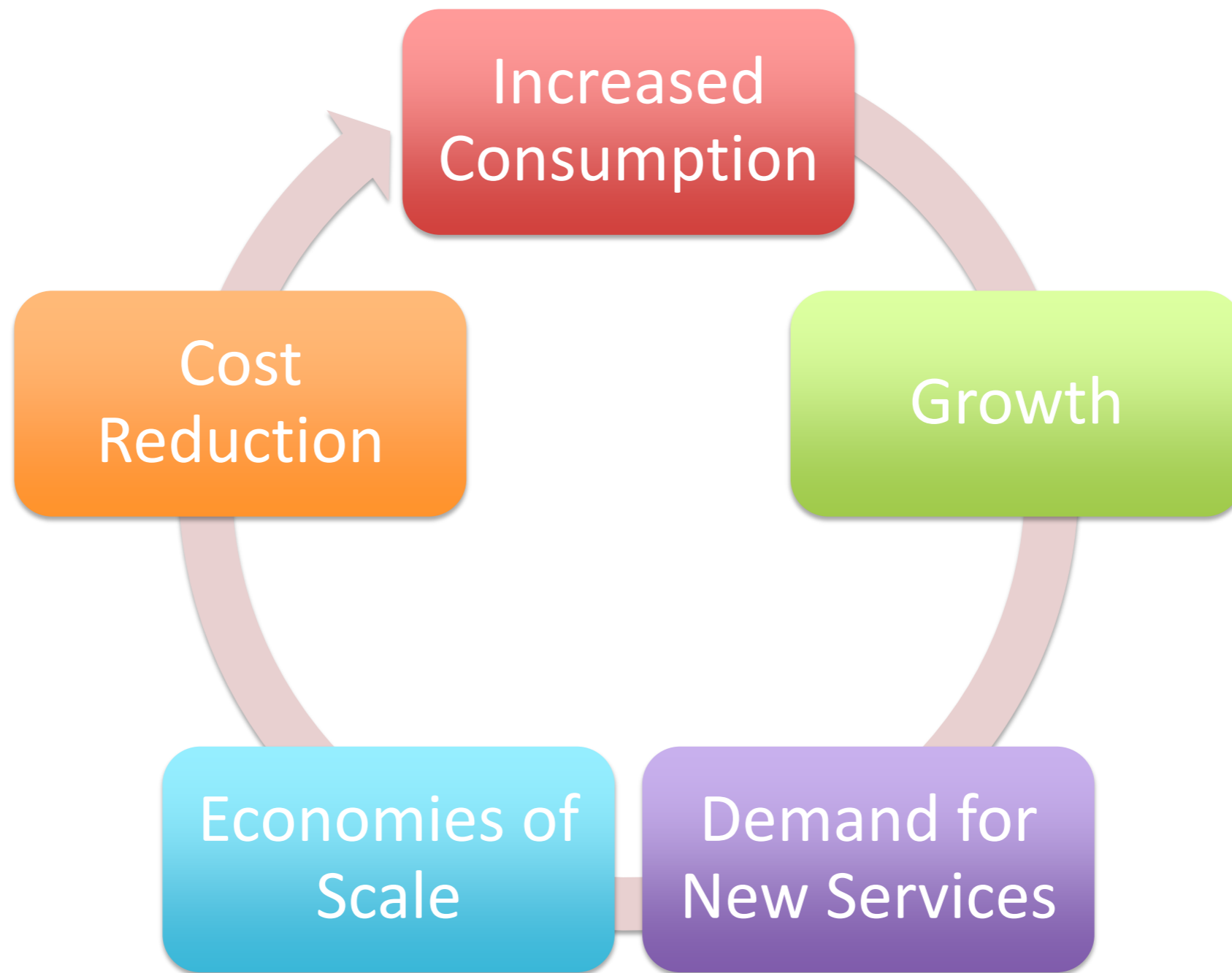


Source: Analysys Mason, 2012

# Historic Issue

- Ex-colonial countries still look to their colonial ties for content / expertise (eg. very little Internet related traffic between ZA and MZ).

Non-visionaries may not always see the opportunity for change/investment to bridge local content.



# Achieving Successful ROI

- Capitalise on existing spend in infrastructure through complementary services
  - eg. home-user and business users have very different Internet usage patterns. Spending on infrastructure to suit just \*one\* type is wasteful.
  - Other ISP services (VPS, Content, etc).

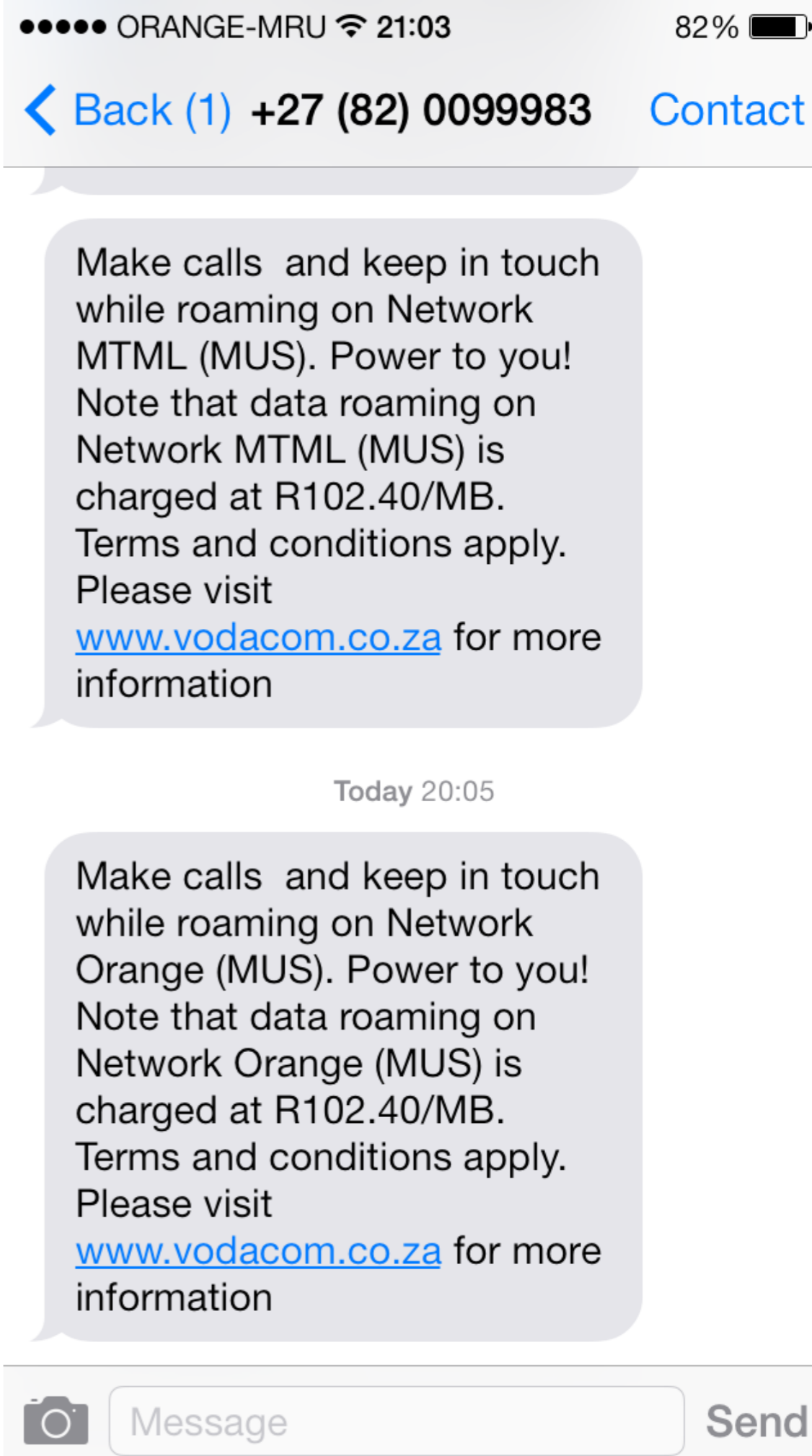
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- Home-user networks can argue that their focus is within their own market, and not outside their national boundaries

This is not the case in the connected, global economy.





# Traditional business cost

- How much of our business roles and models are stuck in the past? What traditional / bad habits have we continued to use apply in modern day networks?

# The RIC should be able to offer flexible services

- Dark fibre could be sold across borders.
- Traditional capacity on terrestrial basis (end-to-end owned and managed)
- Remote peering services to allow participants from other countries to get access to the IXes in your home country.

# The RIC should be able to offer flexible services

- For those with restrictive peering policies, transit locally; peer regionally - still encourages the build and spread of local connectivity
- Sell to competitors :-) (LEC)
- Sell \*into\* your home market



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**END**

