GRAND DUCHY OF LUXEMBOURG
Ministry of Foreign Affairs

Directorate for Development Cooperation

European Union Africa
Infrastructure Trust Fund

Internet Carrier Business Models

Internet Society™

RECAP: Transit is easy to sell

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

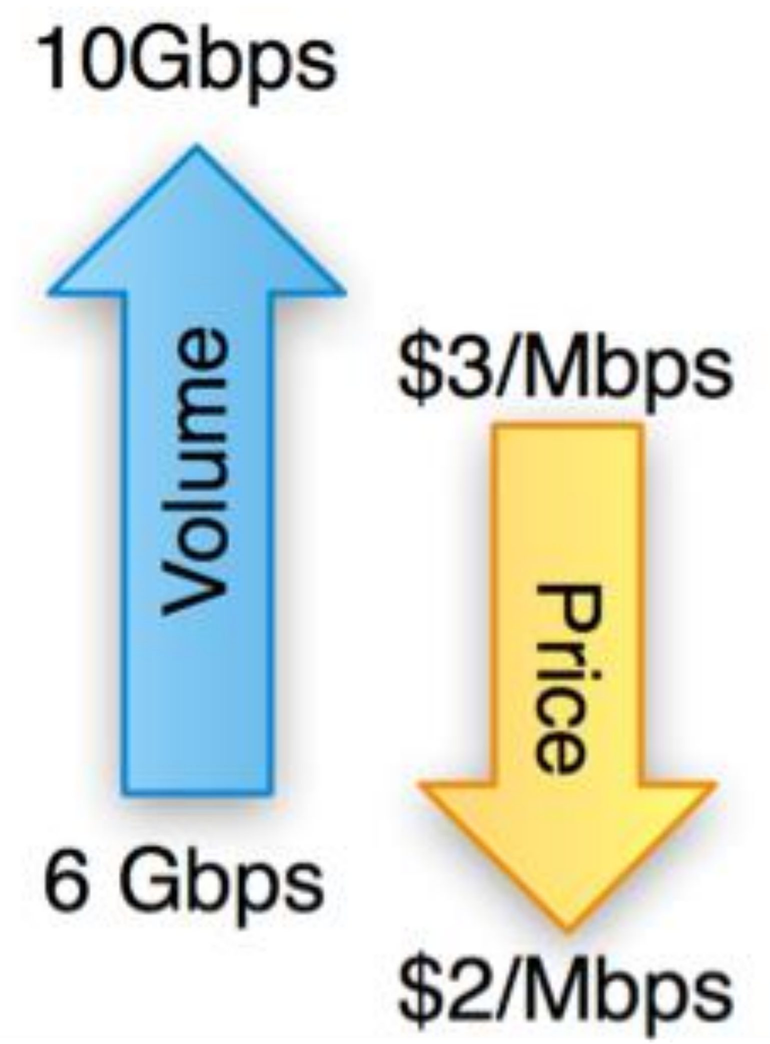
"**Internet this way**"

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

- Costs and fibre access routes.

(Get update from PIDA / AfPIF stats)

Historic Issue

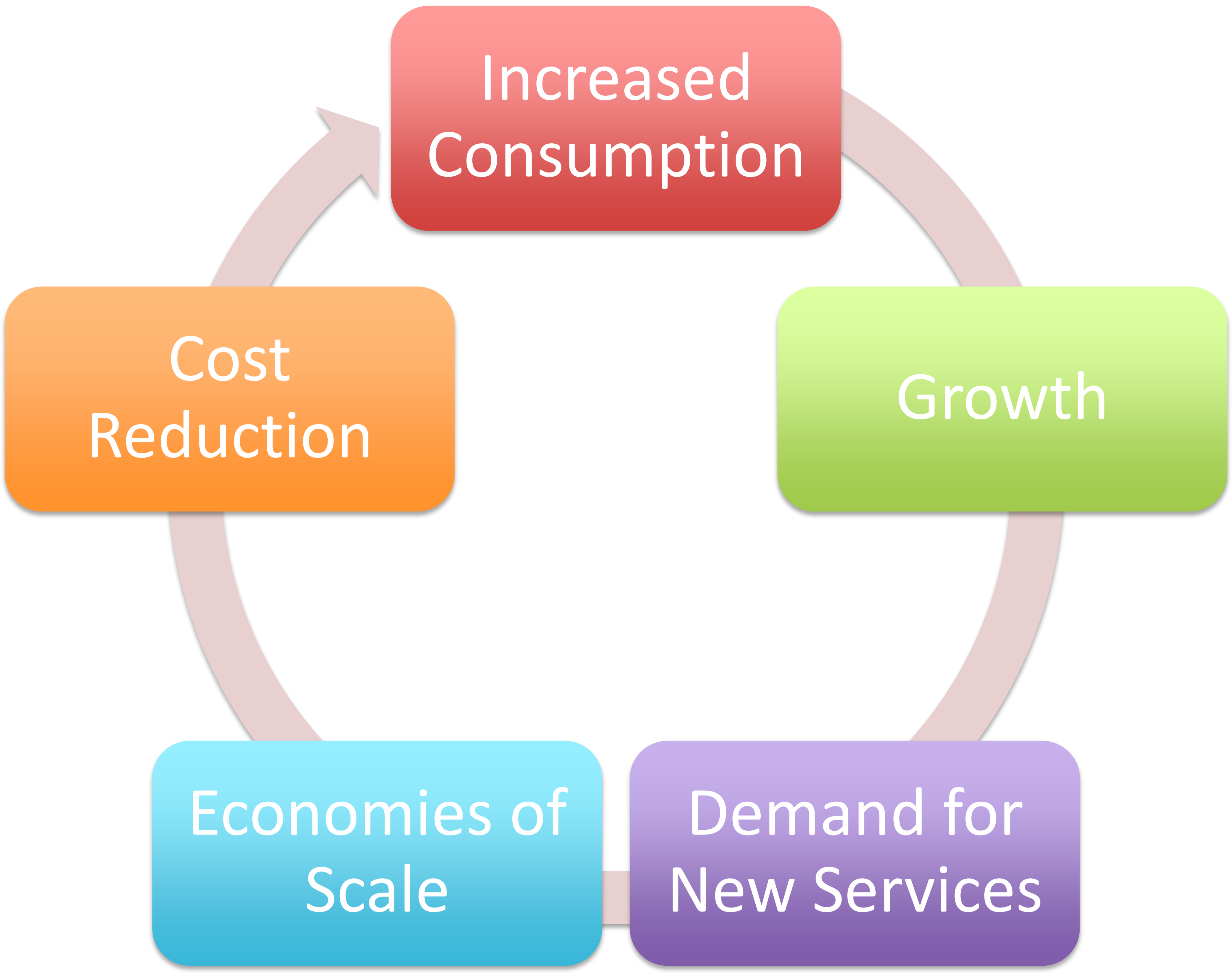
- Traffic has traditionally followed the path of satellite/submarine fibre.

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

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.


Increased Consumption
Growth
Demand for New Services
Economies of Scale
Cost Reduction

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).

RIC Categories ?

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

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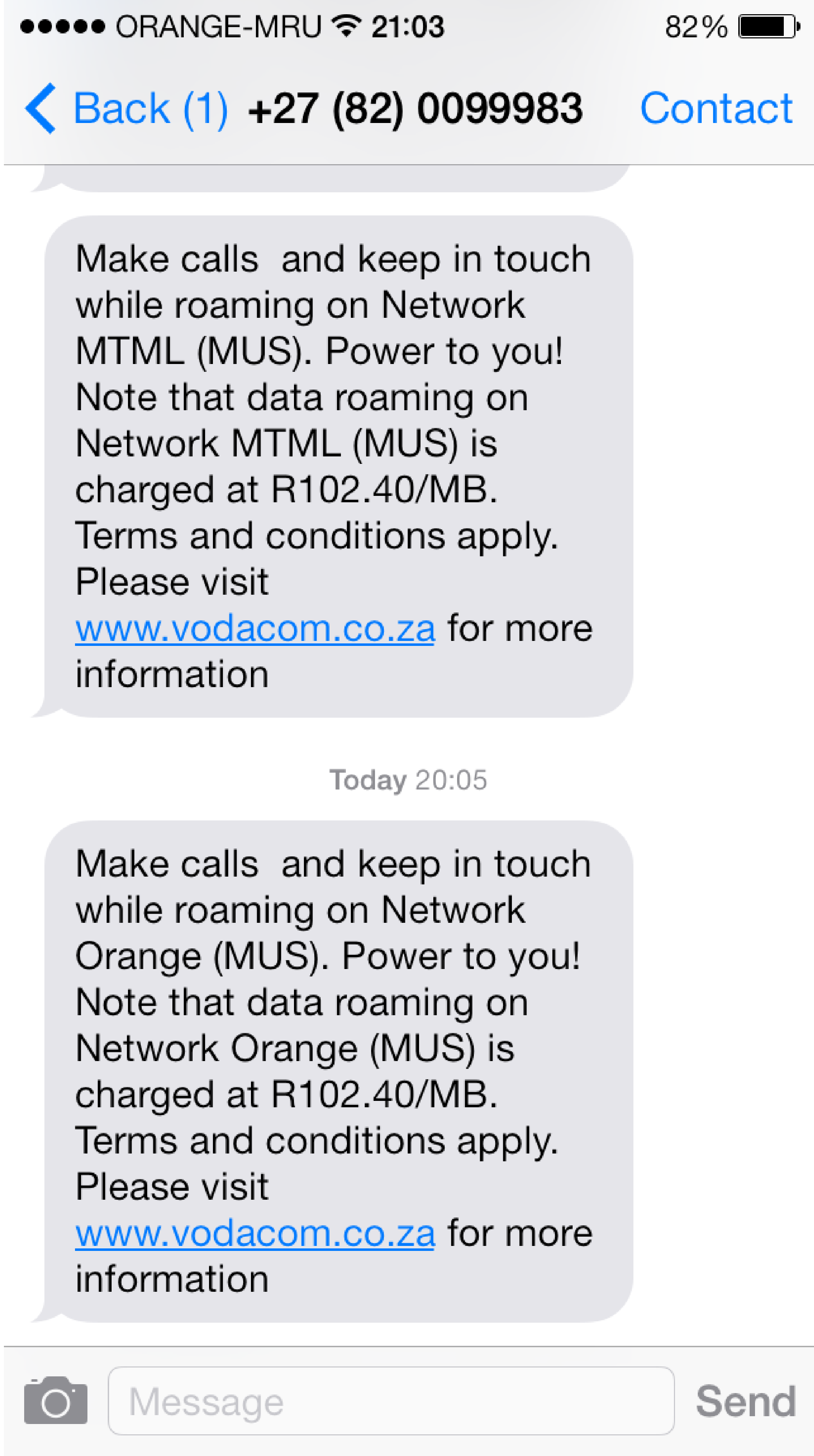
This is not the case in the connected, global economy.



Traditional business cost

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NATs, SDH are two such examples of useful, but outdated technologies.

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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