

## 5.7 LOCAL OPEN ACCESS NETWORK FUNDING AND REVENUE MODEL

There is no standard template for an LOAN funding and revenue model that can be used for all situations. The LOAN model is based on fundamental principles that have become more apparent with the convergence of technologies, particularly with the increasing dominance of IP protocol. As a result, emerging economies have the opportunity to leapfrog business models that are still dominant in western economies that are clearly economically inefficient and based on historical segmentation of service provision that is no longer relevant.

Both the cable and the telephone industry in Western economies see their long term future in terms of providing Internet, video and telephony services and so they will compete with each other on the basis of service provision. When competition is based on services provided and no longer reliant on dominance in a particular sector because of network architecture and dominance in a specific market segment, the entire business model changes. In much of the telephone and cable industry, the dominant theme is to sweat existing assets, which has been helped by advances in both DSL and cable modem technologies.

If the future business model of both the cable and the telephone industry is to compete on the basis of services provided, rather than rely on market segmentation, the most compelling economic argument is to use a common platform rather than rely on the building of new networks or attempt to sweat existing assets through the addition of advances in technology that will eventually reach their limits. In the final analysis, the only type of system that will provide the bandwidth required in the future will be based on fibre rather than on legacy copper systems.

From an economic perspective, if all service providers can use the same technology platform, it is clearly more efficient to build only one open access network that can be used by all providers, rather than to build duplicate networks.

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