

Comparison of Telecommunications Service Models

Leave it to the private sector - Let existing incumbents provide traditional, mostly old-fashioned copper-based infrastructure. Users have limited choice in voice, video, and broadband.

Municipal Retail - Local government builds the network and sells services in direct competition with the private sector, offering only traditional “triple play” voice, video, and broadband.

Pseudo Open Access - Government builds the network and provides limited or “pseudo” open access to service providers, who must use Layer 2 Virtual Private Networks (VPNs). Each service must be provisioned individually for each subscriber.

True Open Service Provider Network - Community builds the network and provides fully automated Layer 3 provisioning of services, which dramatically lowers costs. Many different providers offer multiple services in many different categories.

| Features | Leave it to the private sector | Municipal Retail | Pseudo Open Access | True Open Service Provider Network |
|------------------------|--|--|---|--|
| Basic Concept | Three separate services (voice, video, data) with little or no sharing of network. | Three separate services (voice, video, data) with little or no sharing of network. | Network sharing efficiency is limited by requiring VPNs (Virtual Private Networks) for each service provider. | Very high efficiency achieved by end to end automated service provisioning. All providers share network capacity. |
| Government Involvement | No government involvement. Private sector decides where and when to offer services. Some areas get little or no service. | Government competes directory with the private sector. Government decides what services are offered. | Government provides relatively low performance digital road system with high cost of operation. Buyers have limited choice of services. | Government does not compete with private sector. Government provides high performance digital road system that benefits all public and private users. Buyers have rich set of choices. |
| Competition | Little or none in most areas. Cartel-like pricing keeps prices high. | Government bureaucrats pick providers of each service. No incentive to lower prices. | Limited. Very high cost of administering services using VPNs limits market competition. | Level playing field creates robust competition. Service providers drive down costs and provide great service to get customers. |
| Service Options | Limited. Providers can offer triple play at most. | Limited. Government resells triple play services. | Limited. High cost of providing services and customer support effectively limits service options | Unlimited. Low cost of market entry and high level of service automation attracts new service providers and encourages innovation. |
| Revenue | Limited by low returns on the individual services. | Limited by low returns on the triple play services. | Limited by low returns on the triple play services. | Unlimited. Revenue directly linked to demand. As services demand increases, revenue increases. |
| Service Area Expansion | Limited to high density population areas. Rural areas at a structural disadvantage. | Limited by triple play approach, which keeps funds for expansion low. | Limited by small number of service providers. | Unlimited. Expansion completely supported by revenue sharing. OSPN systems can provide funding for community and economic development projects. |