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The Transformative Effects of FTTP

The real benefits of FTTP (fiber to the premises) are more than about doing the same things faster. The most significant gains from FTTP occur after 2 years of use once organizations have adopted new business models to realize new revenue streams and to transform their business operations for cost avoidance. While the greatest gains are realized when moving from dial-up to FTTP, there continue to be significant gains for businesses that move from other forms of broadband access.

In addition to these direct benefits, there are economic multiplier effects (increases in GDP, jobs, tax revenues) that can be calculated. In SNG's research since 2003, we have found significant increases in local economic activity attributable to broadband. In fact, the increase in local GDP is more than ten-fold the value of the investments in broadband infrastructure.

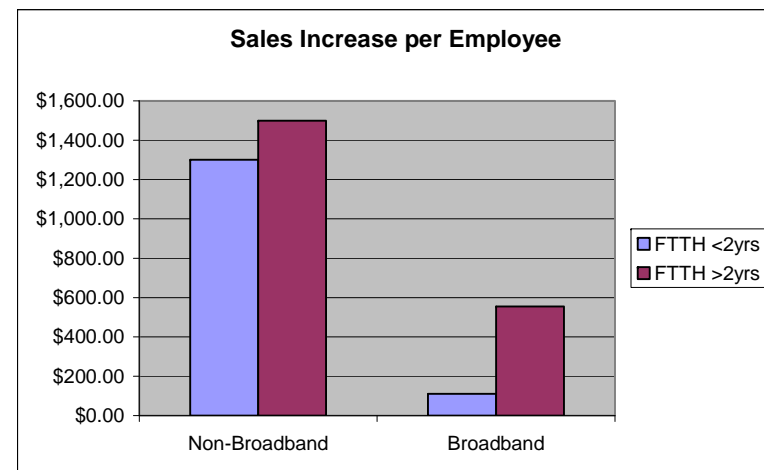
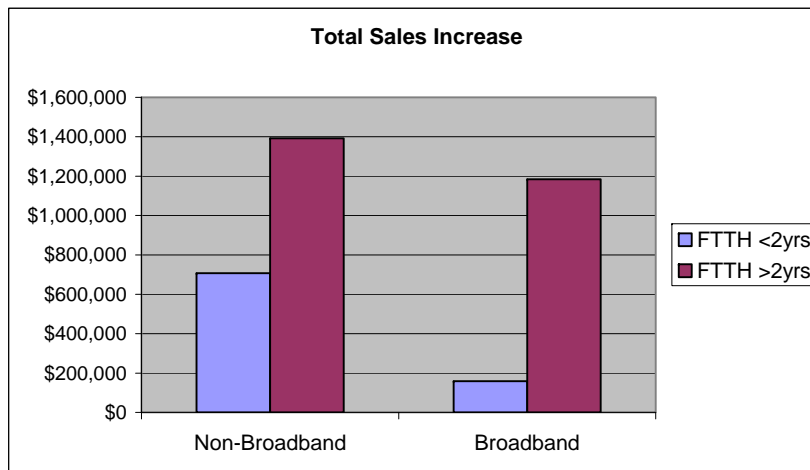
The following analysis is derived from SNG's database on broadband impacts. The data was collected by SNG in Spring 2007 from 223 businesses and organizations currently using FTTP in three communities in the U.S. Prior to FTTP, 91 of these businesses had broadband (e.g. DSL, cable, etc) while the other 132 businesses did not have broadband (e.g. dial-up).

Impact of FTTP on Business Sales

Dial-up users experience greater incremental benefits from FTTP. Broadband users (xDSL, cable, etc.) are already benefiting from improved relationships with their clients from high-speed, always-on connectivity to the Internet. For both groups the most significant impacts are realized after 2 years of using FTTP – it is the **reliability** of FTTP that allows them to transform their business models to more fully leverage the Internet. These businesses have increased sales by improving customer service, reaching new customers, reducing time to market, etc. The charts below show the 12-month impacts on sales.

Sales Increase	FTTH <2yrs	FTTH >2yrs
Non-Broadband	\$707,950	\$1,392,000
Broadband	\$158,300	\$1,184,000

Sales Increase per Employee	FTTH <2yrs	FTTH >2yrs
Non-Broadband	\$1,301.38	\$1,500.00
Broadband	\$110.62	\$554.57



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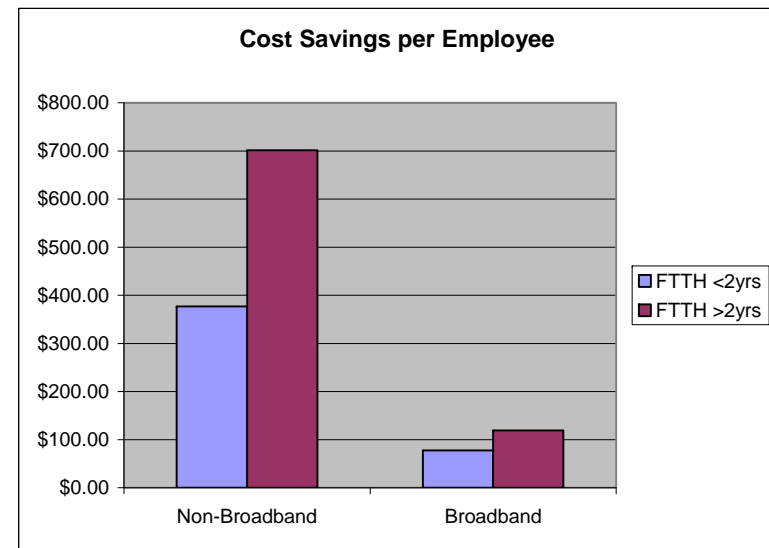
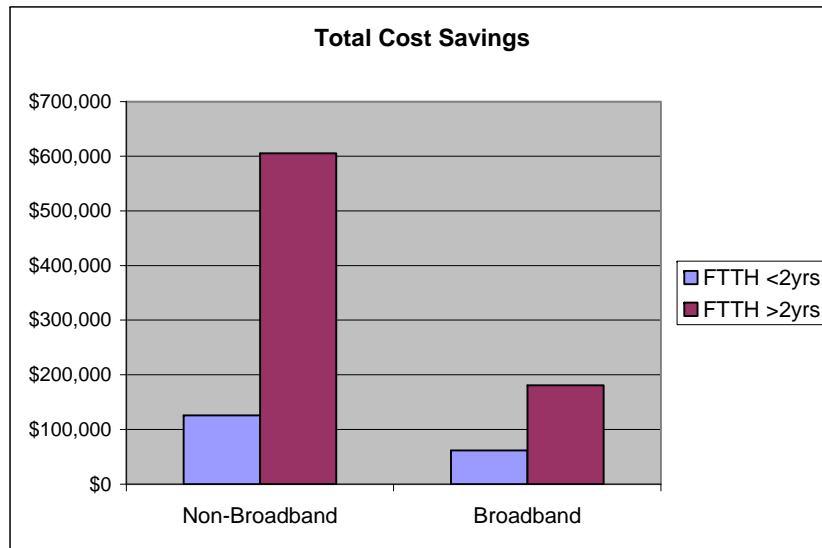
Impact of FTTP on Cost Savings

Dial-up users realize the greatest incremental cost savings from FTTP. The cost savings are greatest after 2 years of usage primarily due to cost avoidance derived from transforming their business operations. Broadband users (xDSL, cable, etc.) that have already implemented some business process transformation continue to realize cost savings from day-to-day operations being made easier, more effective use of resources, improved supplier coordination, improved staff skills, etc.

It is the **reliability of FTTP** that enables the adoption of new processes that transform business operations. Such transformations would only be undertaken once users have full confidence that Internet connectivity is at a 'mission critical' level of reliability (i.e. no downtime) before customer order systems, financial systems, etc. would be integrated with the Internet. The charts below show the 12-month impacts on cost savings.

Cost Savings	FTTH <2yrs	FTTH >2yrs
Non-Broadband	\$125,775	\$605,330
Broadband	\$61,800	\$180,700

Cost Savings per Employee	FTTH <2yrs	FTTH >2yrs
Non-Broadband	\$376.57	\$701.43
Broadband	\$77.44	\$118.96



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