

# Network Economy Davos Simulacrum

January 2009

## Company Background – Who we are

### Focus

- **Investment and management** group focused on asset based projects in Telecommunications, IT and Renewables, founded 1995
- **7 partners** spread over Europe linked with Remington Capital LLC, USA
- **Co-investments and co-management** roles in the joint businesses with strategic partners

### Key facts

- **Successful track record** of joint public private partnerships over the last ten years - successfully built-up, grown and sold 14 local fibre access ventures with local utilities and municipalities - € 210m invested capital with an IRR > 100%
- Developed **FTTH/C** business cases with FT and DT in 2005
- **Initiated and structured deals in 2007** to buyout incumbent infrastructure jointly with Terra Firma, to restructure an Eastern European Telco jointly with Citibank and in the NL with Waterland Private Equity
- In 2006 founded and funded **Biossence Ltd.**, leading **alternative energy** from waste company in the UK – now jointly with New Earth Solutions

## Fundamental factors to keep in mind

- Exponential growth of human **population** over the last 50 years
- Exponential growth of **energy and waste** consumption,
- Exponential growth of **pollution**
- Strong **Food** demand
- Exponential growth of system **complexity**
- Exponential growth of **computer power**, which needs to be managed

## Culmination of fundamental market change

### Environmental crises

climate change will cost developing countries hundreds of billions of Euros per year in the foreseeable future

### Global financial crisis

largest economic implosion in 70 years

### Automotive industry distress

Dead end street. Cross-border solutions to transportation problems, public and private partnership models, improve public transportation, integrated logistics, green car moves into green transportation

**Market change**

### Food crisis

the pressure of higher demand leads to the production of lower quality, less healthful food and to increasing dependency on cross-border

### Central Energy Production crisis

Efficiency, renewables, smart grid, reforestation, Green IT, mass transit needs local initiatives

### Telecommunications bubble

unwound in less than 20 years, though in the near future it will be an integrated part of other industries

# Bubbles expand and implode together

## The bubbles trends have..

- The vertical integration of infrastructure and services

---

- The housing bubble (financing non-housing assets) and short term uncontrolled complex financial product applications

---

- Food and energy shortages and rising pollution and waste treatment issues

---

- The telecommunication bubble (high cash flow of monopoly infrastructure assets financing bad managed services)

---

- The auto bubble bursts

## ..significant impact

- incorrect assessments of their different risk profiles

---

- Spread high risk into low risk industries and companies

---

- Damage to health and quality of life.

---

- Block of innovative applications

---

- capacity of streets and environmental resources are at the limit. The automotive industry failed to solve the mobility and environmental requirements

- **Decentralized resourcing** and consumption are necessary to remedy problems related to health and quality of life
- **Telco** will become an **embedded part of the different industries** (for example, nearly 50% of a car is IT and communications)
- **Local initiatives and public private integrated solutions** - a kind of “Google Mobility-Connection”

## What we have to change to more sustainability and....

- **Promote a long-term perspective** - Financial creativity is important but there should always be incentives for long-term value creation
- **Distinguish between financial infrastructure services** (long-term asset-driven businesses, standard debt facilities, mid-term equity tools) and short-term fancy applications
- **Develop decentralized renewable energy**, waste treatment, and organic local food production
- **Separate telecommunications infrastructure from services** to create reliable long-term oriented IT utility infrastructure business, for example, delivering shared computer power and applications out of the socket (like separation of energy networks from power production)
- **Transform the automotive sector**, along with IT, utilities, and construction, into an integrated **mobility and transportation service industry** with an adapted working and living environment and **incentives for sharing** private and public resources

## ...to improve

- Value creation between decentralised individual resources, local initiatives, open communities and big organisations
- Integrated thinking combined with specialised experiences confronting each other in cross industry groups (we will learn from other industries, from users and from non-profit organisations as well as from artist and poets)
- Content-oriented value creation and the combination of profit with non-profit activities
- Trusted working and living environment
- Open access to communications and energy infrastructure
- Open cross border urban mobility
- Reliable and transparent computer and application power requiring different office architecture and working environment. We need to implement international tools like “Bafin, IMF, World Bank” for IT infrastructure

# What next?

## Green Economy<sup>1</sup> leads to..

- Smart management of public and private mobility & transportation
  - Create working environments close to living areas
  - Combine public transport and private initiatives to save resources and time
- Decentralized energy, waste treatment and food resourcing.
  - Each household as well as local municipalities will become more responsible and will deliver energy or food as well as consume
  - National power supply and waste treatment will become the backbone function to balance local initiatives
  - Renewables and energy from waste will play a major role in the future of resource management

..

- Green IT
  - Peer to peer efficiency
  - Shared resources
  - Trust
- Green Car
  - Integrated IT logistic
  - Shared resource
  - Public private partnership
- Network Economy has been successful in
  - implementing optical fibre access networks,
  - building energy from waste plants using the latest conversion technology,
  - developing open standard IT platforms and
  - Chinese-European food cooperative to support small family business

1. The United Nations Environment Programme's Green Economy Initiative aims to mobilize and re-focus the global economy towards investments in clean technologies and 'natural' infrastructure in order to produce real growth, combat climate change, and trigger a 21<sup>st</sup> century employment boom.

## Green economy scenario

“At GE, we believe good environmental policy makes good economic sense”  
([www.ge.com/research](http://www.ge.com/research))

Urban mobility;  
Living & working in  
close proximity;  
Sharing facilities;  
Global & local  
sourcing



Trusted  
environment

Open infrastructure for  
IT, energy, transport &  
logistics;  
Open innovation

Local initiatives of local  
production and consumption -  
Decentralized (smart) energy,  
food supply and waste treatment;  
Public-Private Partnerships