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A Top Quality Service to Professionals on the Move

Swisscom Eurospot is Europe's leading provider of wired and wireless broadband Internet connections and conference services for business travellers. It operates a cross-border network providing broadband access to more than 2400 locations across Europe. Although Eurospot's business is marked internationally, it is based on typical Swiss values such as quality, neutrality and partnership. This is reflected in the close exclusive working relationships with Eurospot partners.

The interview with Frédéric Gastaldo, CEO of Swisscom Eurospot, was held by Rüdiger Sellin.

What has your experience been during your first year as CEO of Swisscom Eurospot? Which success stories can you claim?

In the first year of such a venture, it is all about establishing presence and building credibility. Our major achievement in the course of that year has been to integrate three companies and keep most employees on board and motivated. Moreover, we have gained the trust of 2400 location partners (hotels, airports, train stations) all over Europe, 1100 of which are already operational to date. This makes us the biggest PWLAN operator in Europe.

Do you find a big difference between the French speaking part of Switzerland and France in the way of working and living?

Tricky question. Well, on this side of the border people are indeed on time at meetings and appointments, this is not a legend. I also realised that Swiss companies have a more pragmatic approach to doing business than French companies. Another difference which comes to mind: you know, I have been living in Paris for thirty years and it is always amusing to hear people talk about horrific traffic jams when they have to wait for just five minutes at a traffic light.

Swisscom Eurospot is a daughter company of the Swisscom Holding. Does Eurospot operate totally independently under the well-known Swisscom brand, or to what degree do you really have a free hand?

We operate under the same basic rules as any other Swisscom subsidiary. We are supervised by a board of Directors composed of three Swisscom Top Management executives, chaired by Mike Shipton, Chief Strategy Officer. As with all other Swisscom subsidiaries, a team from the SGS participation management organisation supervises our development. In that sense, we operate under fairly strict corporate governance rules. However, due to the dynamic nature of

our business, in which speed of decision and action are essential, processes are kept as simple as possible and we make sure that everyone in the organisation has an adequate level of autonomy and empowerment.

How many hotspots does Swisscom Eurospot operate under its own brand, and in which countries is Eurospot directly present? How many additional locations and countries are encompassed by PWLAN roaming?

Currently, Swisscom Eurospot has 2400 contracted hotspots, 1100 of which are already operational. These numbers are constantly increasing. In addition to the hotspots operated by Swisscom Eurospot itself, roaming agreements concluded with other major Wifi operators such as Telia Homerun, Swisscom Mobile and Telia Sonera provide Swisscom Eurospot subscribers with access to a further 1220 locations. The company has subsidiaries in ten European countries: Belgium, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and United Kingdom.

What is Eurospot's main business case?

We provide wired and wireless broadband Internet access and conference services and we certainly use WLAN standards (802.11 b/g) extensively. We focus on delivering a top quality service to professionals on the move in locations where they want to create a productive working environment. This includes services such as printing or self-service PCs for business people who do not wish to carry their laptops. This already suggests that we have a strong focus on the hospitality industry. As regards our standard business model, we carry the cost of investment as well as the recurring connectivity cost, collect user revenue and pay back 10 – 15% to the location partner. Most of our usage today is made through prepaid cards, so it is true that we do not have a large postpaid subscriber base.

How do you manage the operation costs for Eurospot's Hotspots?

If this is so, I do not know how these economists qualify telecommunication services revenue in general. A network is an asset, it is like a factory: operating it produces a service just like manufacturing goods. Is there a value in that? We think so.

Ultimately, operation costs need to be covered by the revenue share collected by Swisscom Eurospot. As we are still deep in our investment phase this is obviously not the case yet. However, through network maintenance, operation center, 24/7 multilingual customer call center (0800 Eurospot), costs are eventually going to be covered by overall services revenue.



Fotograf: Edouard Rieben, Bern

"In principle and in practice, frequency regulation is necessary if only to avoid interferences between systems."

How and in what way does Eurospot ensure that the roaming between hotspots runs seriously?

We have operational roaming agreements with operators such as Telia Sonera, O2 Germany, SFR and of course Swisscom Mobile; so we have had thousands of connections on our network originated by roamers. As of today, authentication of roamers is ensured through the RADIUS protocol as currently recommended by both GSM-A and WISP-R. In addition, we decided to give the exact look and feel of authentication procedure to roamers, as if the user were on his home network.

There are different techniques for the authentication of users in WLANs. Which one does Eurospot prefer and for what reasons?

Currently, the only authentication technique applied by Swisscom Eurospot is html-based, as this method is recognised by all kinds of computers and PDAs. We are also working on EAP SIM authentication as an alternative to html.

How – technically and economically – does Eurospot handle the financial clearing processes with its resellers and roaming partners?

Currently we do not use the services of a clearing house, but invoice our locations and roaming partners directly. Technically speaking, we send and receive radius accounting summary usage (CDRs).

WLAN security issues are quite often discussed publically. What appropriate action is taken to ensure security in the WLANs of Swisscom Eurospots?

Offering professionals on the move secure and above all easy-to-use high-speed Internet access to their corporate network, as well as to the public Internet, is a key matter of concern to Swisscom Eurospot. To prevent data eavesdropping, connection hijacking and unauthorised access to the corporate intranet, Swisscom Eurospot offers encryption solutions such as VPN (Virtual Private Network) or managed security middleware. These solutions, already in use at



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offices (wireline connection) can now also be used on the move, facilitating remote connection through Swisscom Eurospot's wireless network.

During the Telecom'03 exhibition in Geneva the partnership between Microsoft and Swisscom Eurospot as the exclusive PWLAN partner for Europe was widely announced. Since then, have there been any measurable developments within this partnership and does Eurospot plan any further partnerships, e.g. with WLAN equipment manufacturers?

Swisscom Eurospot's collaboration with Microsoft during the Telecom'03 exhibition was very fruitful. Now, Swisscom Eurospot is working actively with its main equipment supplier, Colubris Networks, in order to finalise the integration

of Microsoft 802.1x authentication features into the network. Those changes will of course be perceived by users installing on their laptop the latest upgrade of Windows XP integrating the client software of that solution. Our other key partners in this area are IBM for system integration, Colubris Networks for access points and gateways, Cisco for access points and Service Factory for the core system.

Some companies like Cisco sell VoIP phones to be used in WLANs. Do you regard VoIP in WLANs as a threat or as a serious business case for Eurospot?

It is indeed another niche opportunity. Technology still needs some fine-tuning and technical equipment needs to be more widespread. Certainly, it is going to happen for real for specific types of users.

Most wireless operators offer or plan to offer mobile broadband services based on GPRS/EDGE or UMTS. Could this be upcoming competition for PWLAN operators?

We are not a PWLAN operator; we provide broadband Internet access for people who are not mobile at all when they use it. We believe that WLAN applications (802.11b/g) are fairly different from the other technologies you mention. WLAN is much faster (11Mb/s for 802.11b, 54Mb/s for 802.11g) than GPRS/EDGE and UMTS. From our perspective, WLAN is limited to in-building coverage, whereas GPRS/EDGE and UMTS provide ubiquitous coverage. In addition, WLAN does not support natively cellular hand over (like GSM), hence it does not apply to a true mobile application in a simple manner. WLAN occupies a space of its own.

Compared to UMTS, how does Swisscom Eurospot position its PWLAN services?

Faster, bundled with a laptop, a chair and a table, less latency.

The ISM band (2,4 MHz) is free for use worldwide, for example for WLANs based on IEEE 802.11b. Despite the fact that many other applications like Bluetooth and microwave ovens are operating in the same band, is the regulation of frequencies required, or a necessary evil in your respect?

In principle and in practice, a frequency regulation is necessary if only to avoid interference between systems. In the specific case of the ISM band with the current power limitation on devices, there is no significant interference issue reported, even though millions of Bluetooth, WLAN and microwave ovens and the like are currently in real life operation. All European regulators came to the same conclusion; in our view that is why ISM remained an unregulated band up to now, which is the right approach, as we believe. However, technologies such as UWB (802.20), which are of a very different radio-emitting nature and have a strong disruptive potential, should be banned from the ISM band. In summary, technologies using ISM band should remain regulated as they have always been.

Does Swisscom Eurospot plan to offer higher speed PWLAN services based on 802.11a, -g or -h?

We have rolled out the 802.11b equipment and are now shifting to 802.11g, thus following the market trend. This latest and fastest standard is now replacing 11b in the mass market. To date, we do not have any plans to roll out 802.11a or 802.11h.

Wireless Metropolitan Area Networks (WMAN) as described in IEEE 802.16x are said to be the next generation for the provisioning of broadband wireless access. Is there already any ongoing activity for the implementation of this new technology?

Not within Swisscom Eurospot.

Finally, could you please give us an impression of Swisscom Eurospot's strategy for the next three years?

This year, we will still be looking for an improved coverage in

Swisscom Eurospot's Values

The business activities of Swisscom Eurospot extend throughout the length and breadth of Europe and are based on values that are typical of a company that has its roots in Switzerland:

Neutrality and partnership

Swisscom Eurospot occupies a neutral position in the market. Through its collaboration with strong wholesale and retail partners with large customer bases (for example mobile operators), Swisscom Eurospot is able to generate a high user and market share.

Quality

The core competences of Swisscom Eurospot are the construction and operation of high-performance broadband networks both within and outside of the core markets of central Europe.

Sound financial footing

Swisscom Eurospot's sound financial basis enables it to implement a long-term business model.

Roaming

means that Swisscom Eurospot's customers can use the networks of other providers and the wireless LAN services outside the coverage area of Swisscom Eurospot. The company is concluding new agreements with roaming partners on an ongoing basis in order to ensure that the range of Eurospots available to customers is continuously extended. Currently, Swisscom Eurospot operates a total of 1220 Hotspots in Europe in collaboration with roaming partners like Swisscom Mobile, Telia Homerun, SFR, O2 Germany, GRIC, iPass, Telia Sonera and others.

Southern Europe. We are very focussed on revenue generation and on maximising revenue per access point based on fast Internet access. The coming years will witness the introduction of value-added services targeted at professionals in the network of locations that are operated throughout Europe. ■

Frédéric Gastaldo (40), CEO of Swisscom Eurospot, is married with no children. He holds a Master of Science degree from Ecole Polytechnique and Master of Science degree in metallurgy from Ecole des Mines in Paris. Frédéric Gastaldo worked in telecommunications with Cegetel Enterprises (Vivendi Group) as CTO. Afterwards he then founded Louis Dreyfus Communications (LDCOM), an alternative telecommunications provider in France where he served as CEO, President and in a supervisory board position from 1998–2002. Prior to that, Gastaldo was a manager for the Boston Consulting Group in Paris and held various management positions for UGINE, a global stainless steel manufacturer. Frédéric Gastaldo likes chocolate and dislikes arrogance. As a hobby, he enjoys watching rugby.