

Competition and investment in NGA

NEREC conference
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Madrid



NGAN duplicability very limited

Viability of NGA roll-out for incumbents across countries and technologies

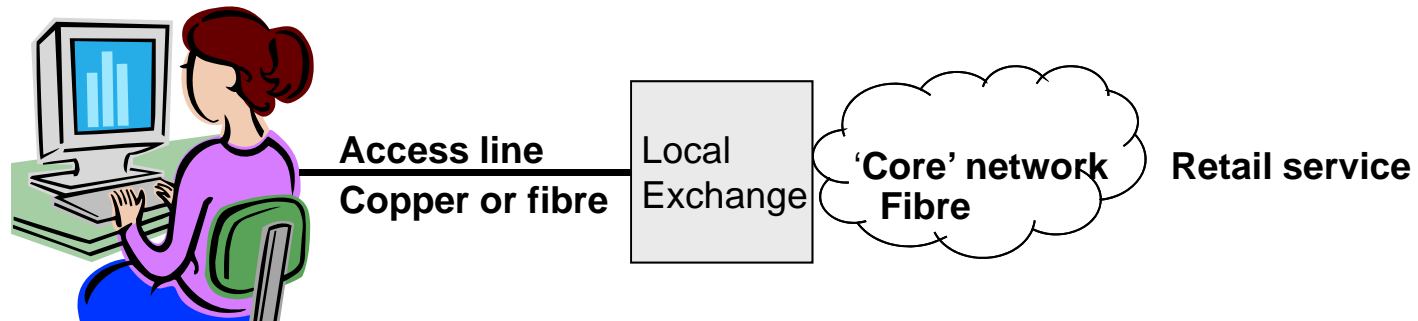
Network Type	Country					
	DE	FR	SE	PT	ES	IT
VDSL	71.5%	n.r.	18.3%	39.0%	67.4%	100.0%
PON	25.1%	25.2%	18.3%	19.2%	12.2%	17.6%
P2P	13.7%	18.6%	18.3%	19.2%	12.2%	12.6%

Replicability of NGA roll-out for a second mover, 80 % access to existing ducts at current cost-based prices

Network Type	Country					
	DE	FR	SE	PT	ES	IT
VDSL	18.5%	n.r.	n.v.	39.0%	n.r.	17.6%
PON	0.3%	6.8%	n.v.	n.v.	n.v.	1.6%
P2P	0.0%	6.8%	n.v.	n.v.	n.v.	0.2%

Source: WIK-Consult

Local loop remains key bottleneck



Incumbent
Market share

80%

56%

45%*

Number of
Viable operators

1 or 2
Incumbent, cable

4+ in cities
1 in rural areas

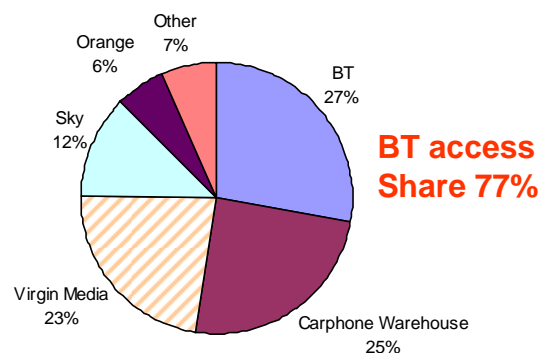
Multiple
Service competition

- “Next generation” fibre upgrade of legacy copper loop costly €2,000 capex per line – will maintain or reinforce dominance (telecom regulators’ group BEREC, Analysys, WIK)
- Mobile broadband not a substitute for fixed (key characteristics, market trends)

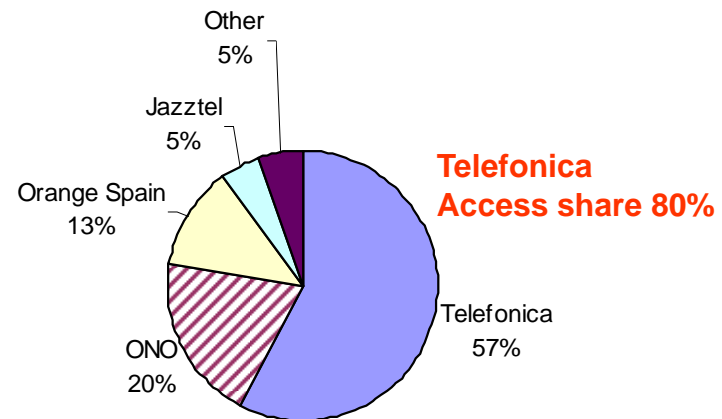
*Source: 15th Implementation Report

No room for further consolidation

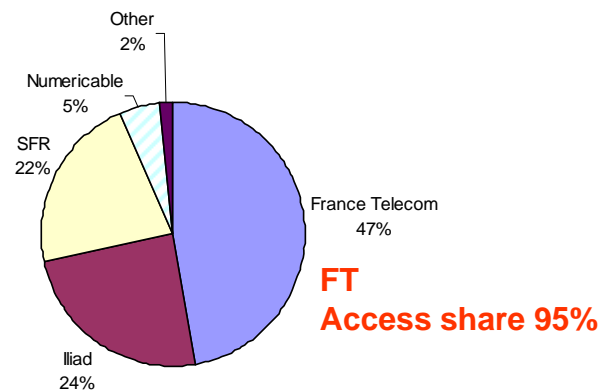
The most competitive: UK



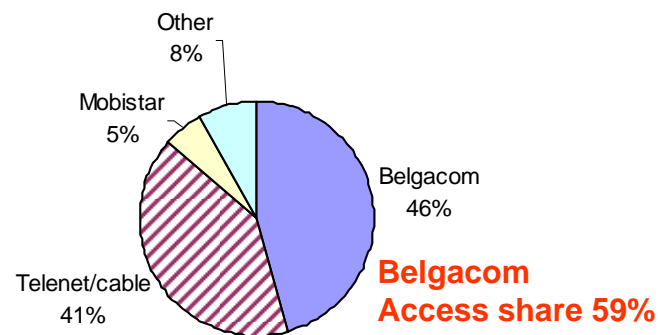
The incumbent squeeze: Spain



The stalemate: France



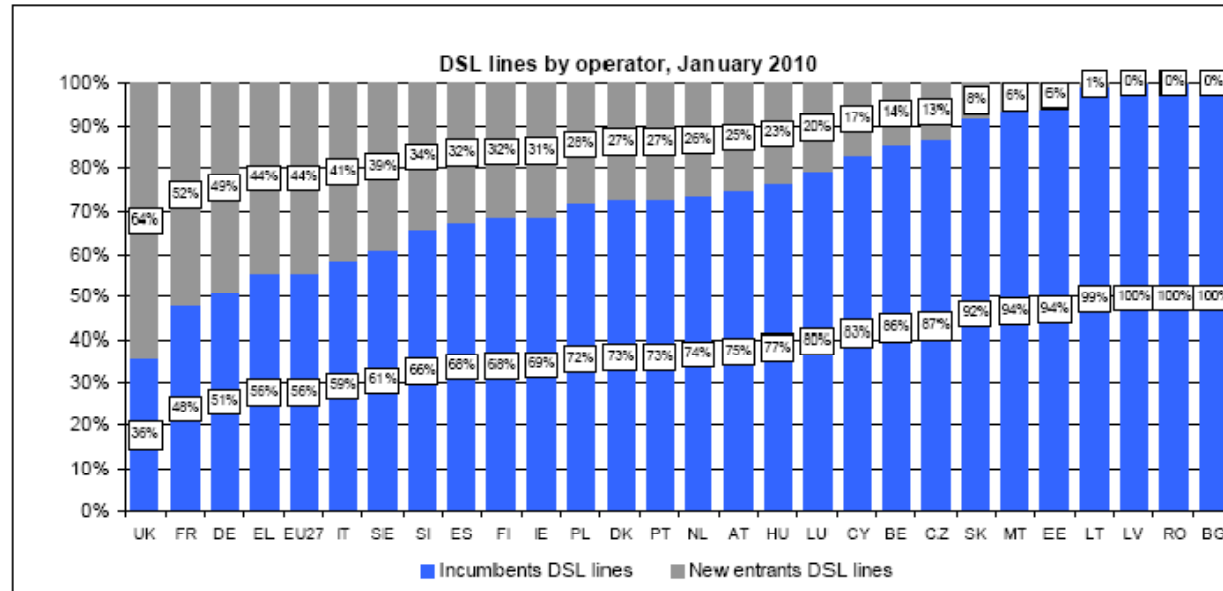
The duopoly: Belgium



Shaded sections show duplicate infrastructure

Market reality: broadband competition is stagnating, reversing

Figure 96: DSL access lines per operator (January 2010)

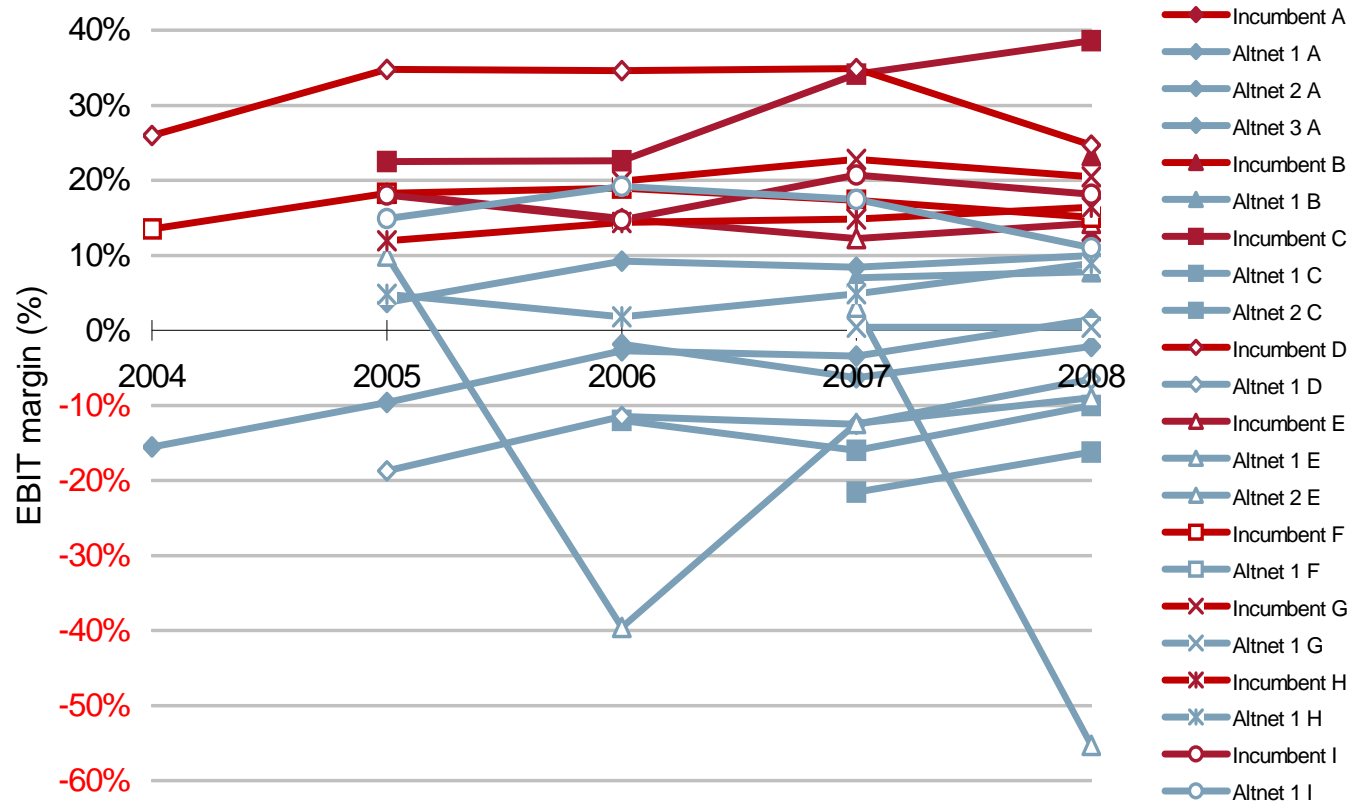


- 15th Impl. Rep.: competition stagnates in the DSL market (79% of all BB lines)
- Dominant firms gain most following deregulation of wholesale broadband access: Malta up 7 points (to 45%), Austria up 6 points (to 51%), Portugal up 3 points (to 44%) within 1 year

Why are traditional incumbents not investing more?

- They can choose not to with average access market share of 80% and stable retail shares of 45%+
- Wrong incentives:
 - Incumbents can make more by sweating existing copper assets than by upgrading to fibre
 - High copper access prices starve competitors of cashflows which could enable them to invest (Suspected overcharging by incumbents for network renewals never made - €2bn per year in Germany (WIK), €800m per year in France)
- Invest more where cable is present but two is not enough to deliver competitive and affordable consumer prices

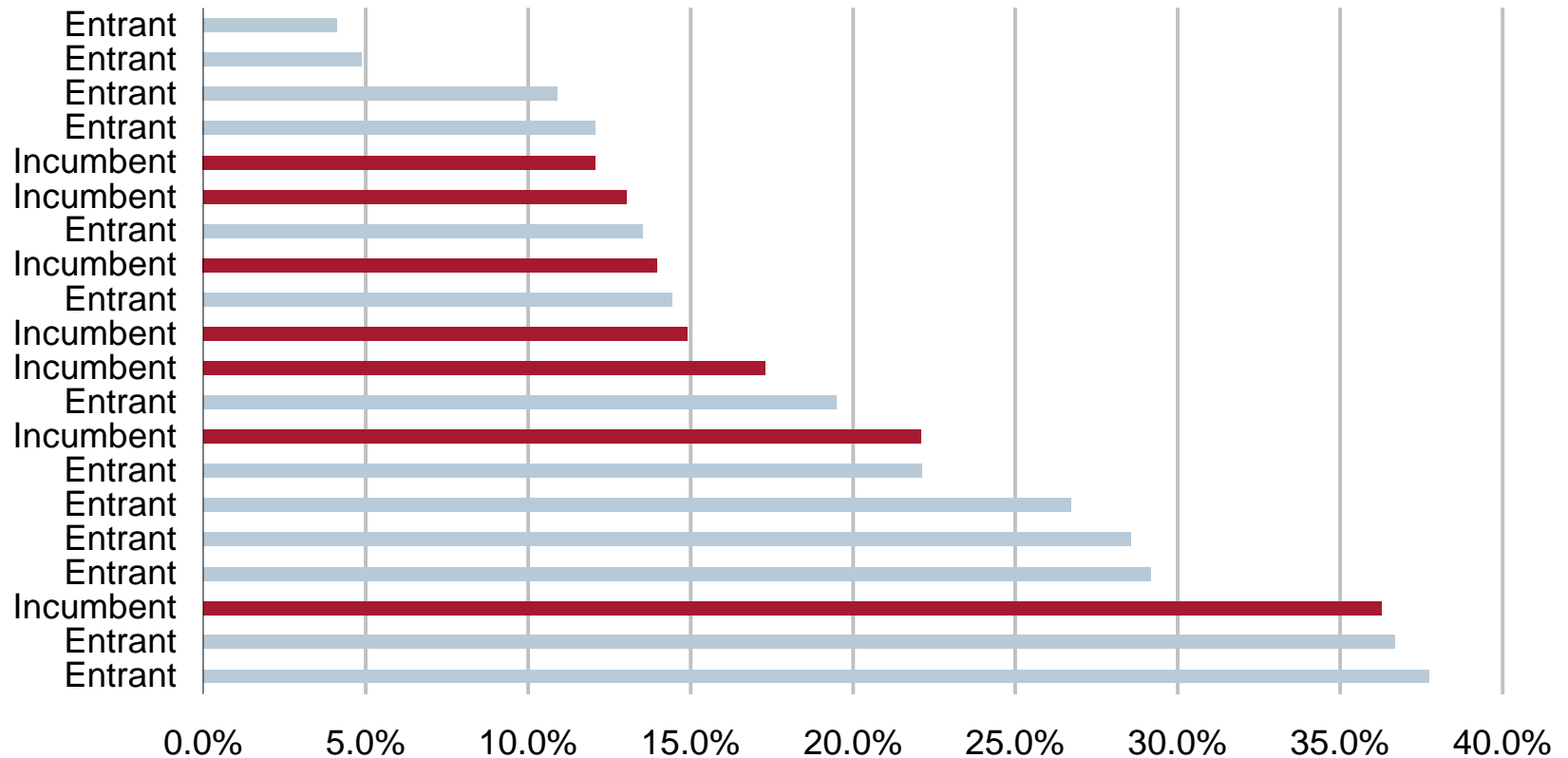
Why are entrants not investing more?



Source: Analysys Mason

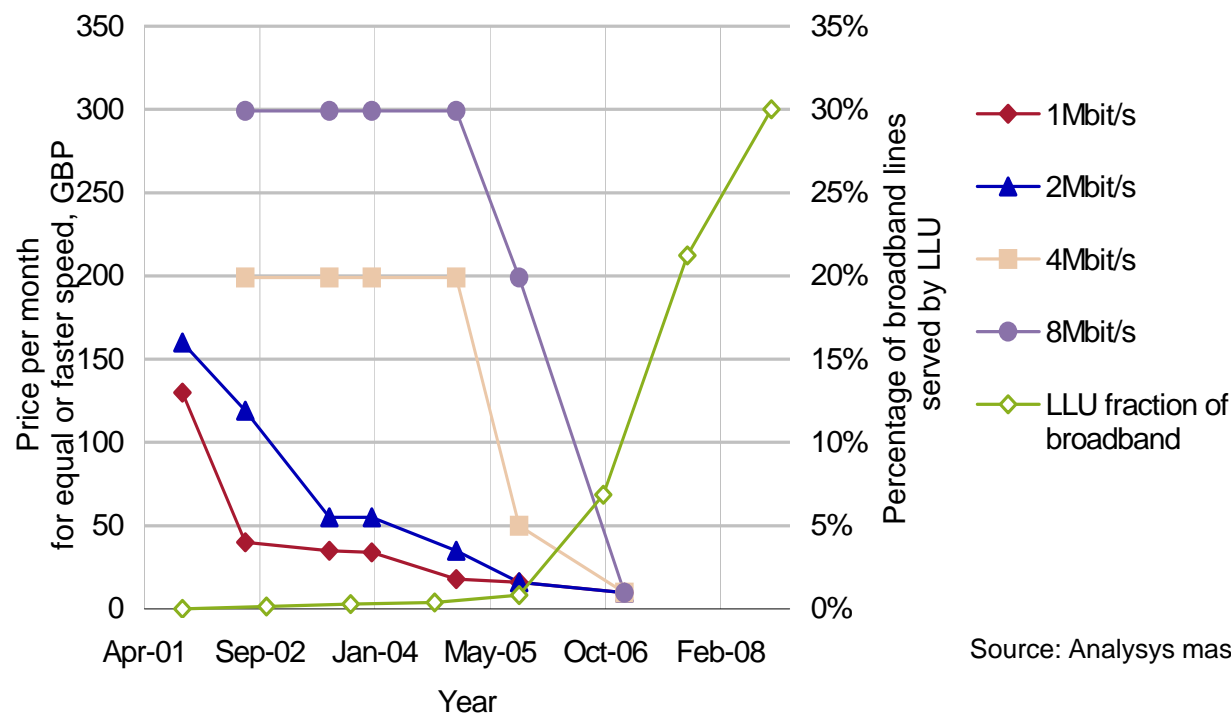
Competitive operators invest in open networks where viable

2007 Capex/Rev



Competition delivers for consumers

UK: impact of unbundling on broadband prices and speeds



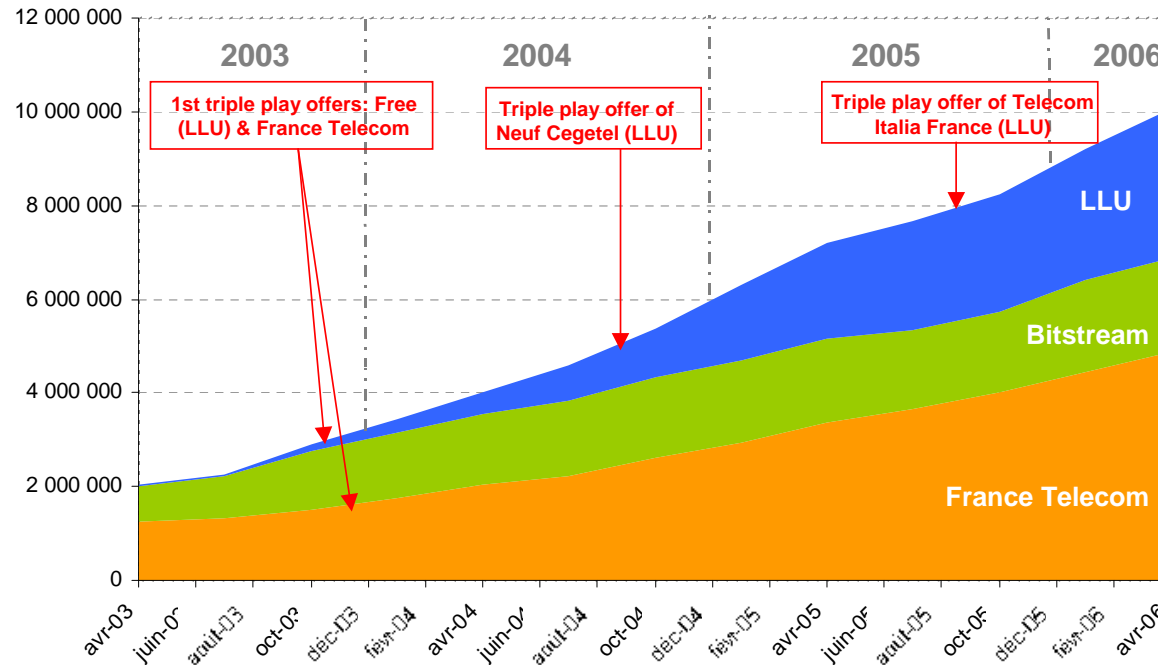
Source: Analysys mason

- Competition also delivers better services, most obviously higher speeds for broadband services
- In competitive countries typical users receive 8Mbit/s; in less competitive countries, they typically receive 2Mbit/s

Competition created the broadband market

France

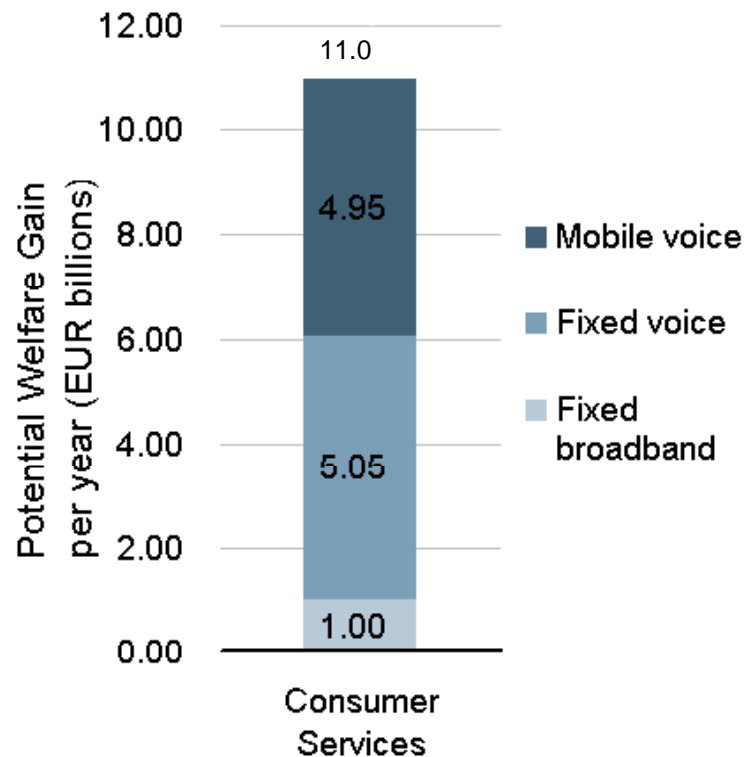
Retail DSL market



- Supply/existence of fibre is not economically or socially interesting without the conditions that maximise speeds, service innovation and take-up. Demand is as important as supply

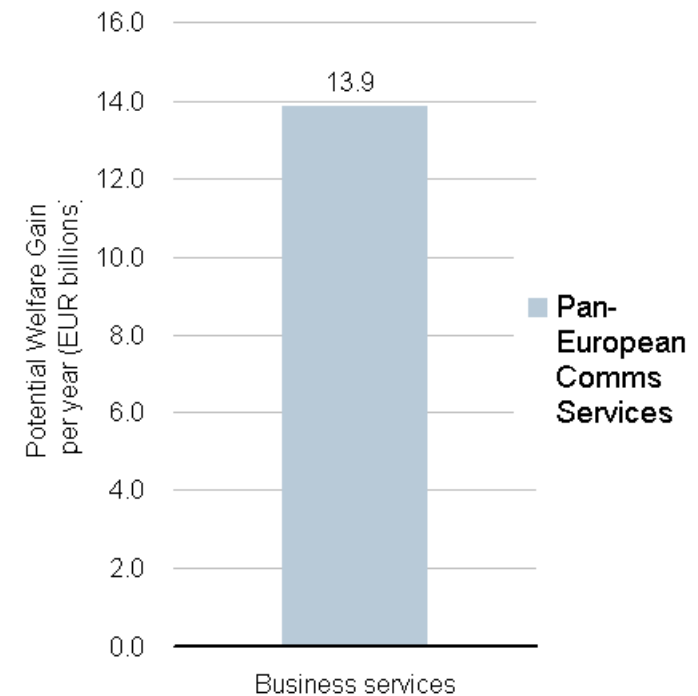
€25bn cost to consumers and businesses of competitive failures

- Analysys forecasts a total of EUR11Bn/annum increases in consumer surplus which would arise from additional competition (ie increased demand and lower prices)



Source: Analysys mason

- Indepen has previously concluded that improved competition in the supply of pan-European communication services would generate a EUR14Bn welfare gain



Source: Indepen

Thank you for your attention!

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