

EU Telecom Framework delivering for the future

The views expressed on costing, pricing and FTTx technologies represent those of alternative telecoms operators and cannot be held to reflect the views of those members with incumbent interests



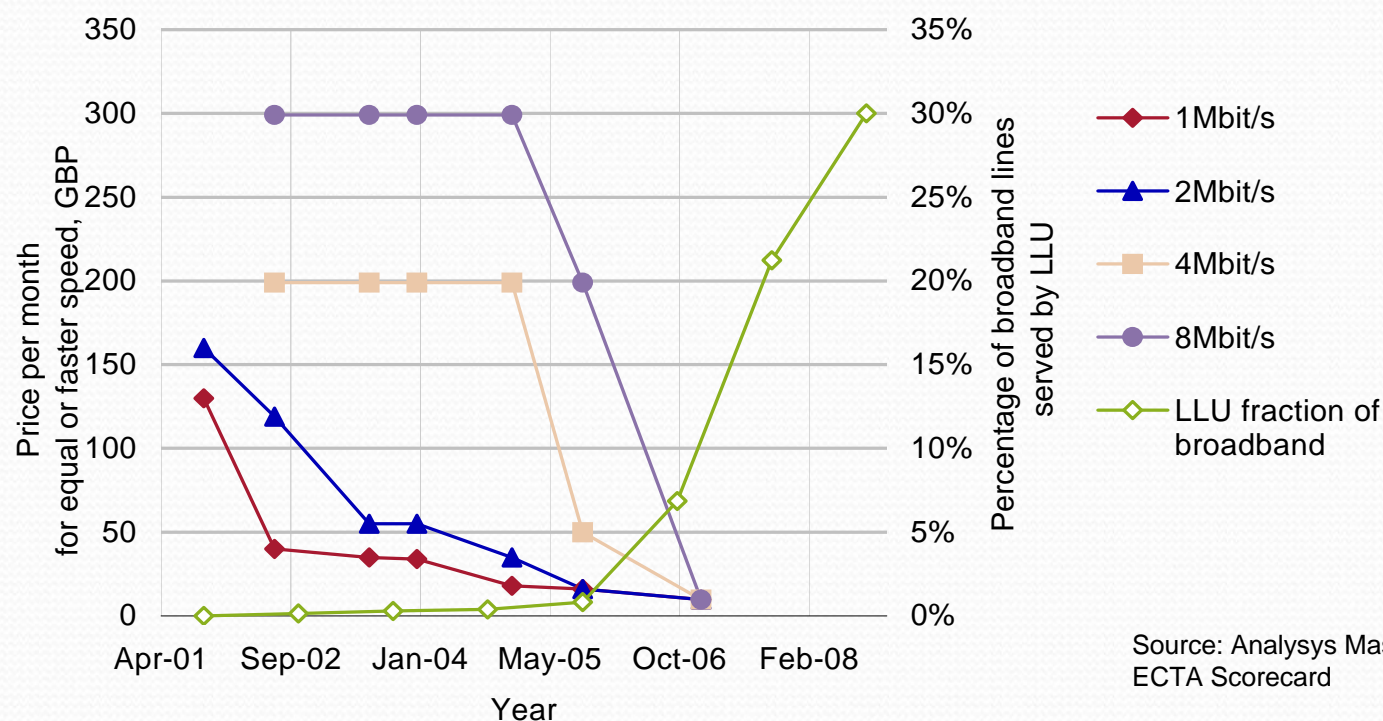
Overview

- EU Telecoms Framework: future proof rules based on competition law principles
- Impact of telecoms regulation on consumers & industry
- Key lessons to be learnt
- Smart regulation for a next generation future

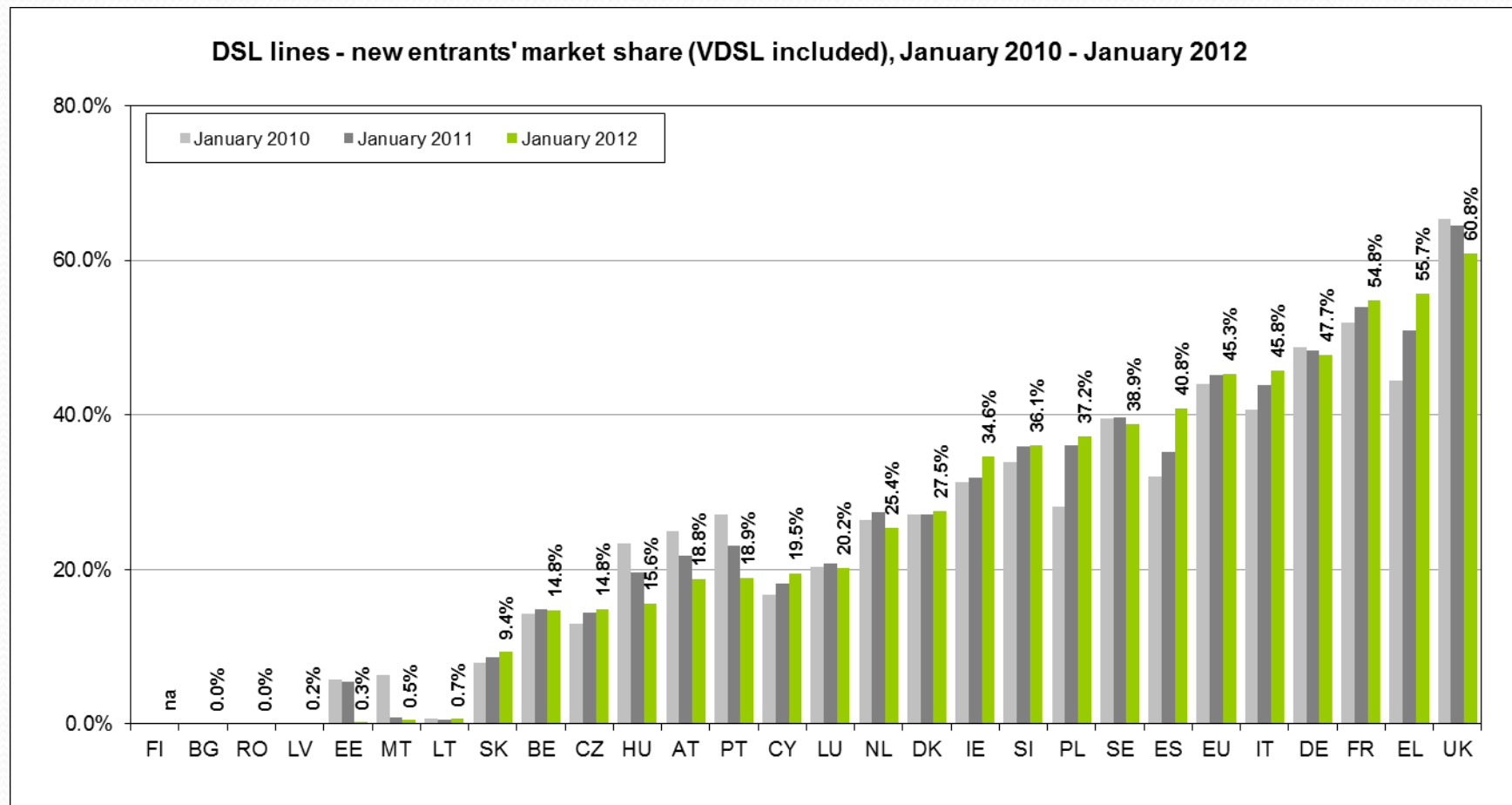
Future-proof framework promoting effective competition

- **Periodical *ex-ante* market reviews based on competition law principles** (market definition; finding of Significant Market Power; imposition of remedies)
 - Transparency
 - Non-discrimination
 - Accounting separation
 - Wholesale access
 - Price control and cost accounting
 - Functional separation
- **Of pre-defined bottleneck product markets** (Recommendation on relevant markets; regularly updated)
- **Notified to the Commission and all peer NRAs for review** (Article 7 process)

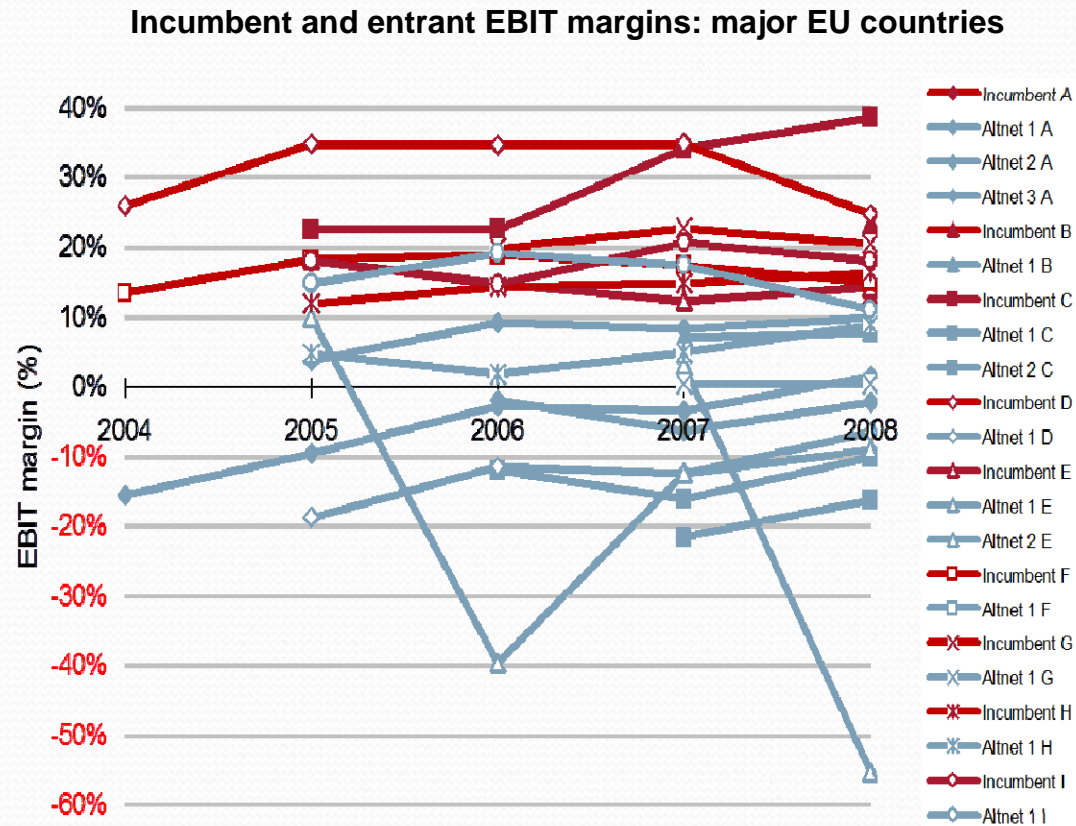
Regulation based competition has delivered significant benefits to consumers



...and led to a more balanced market (DA Scoreboard)



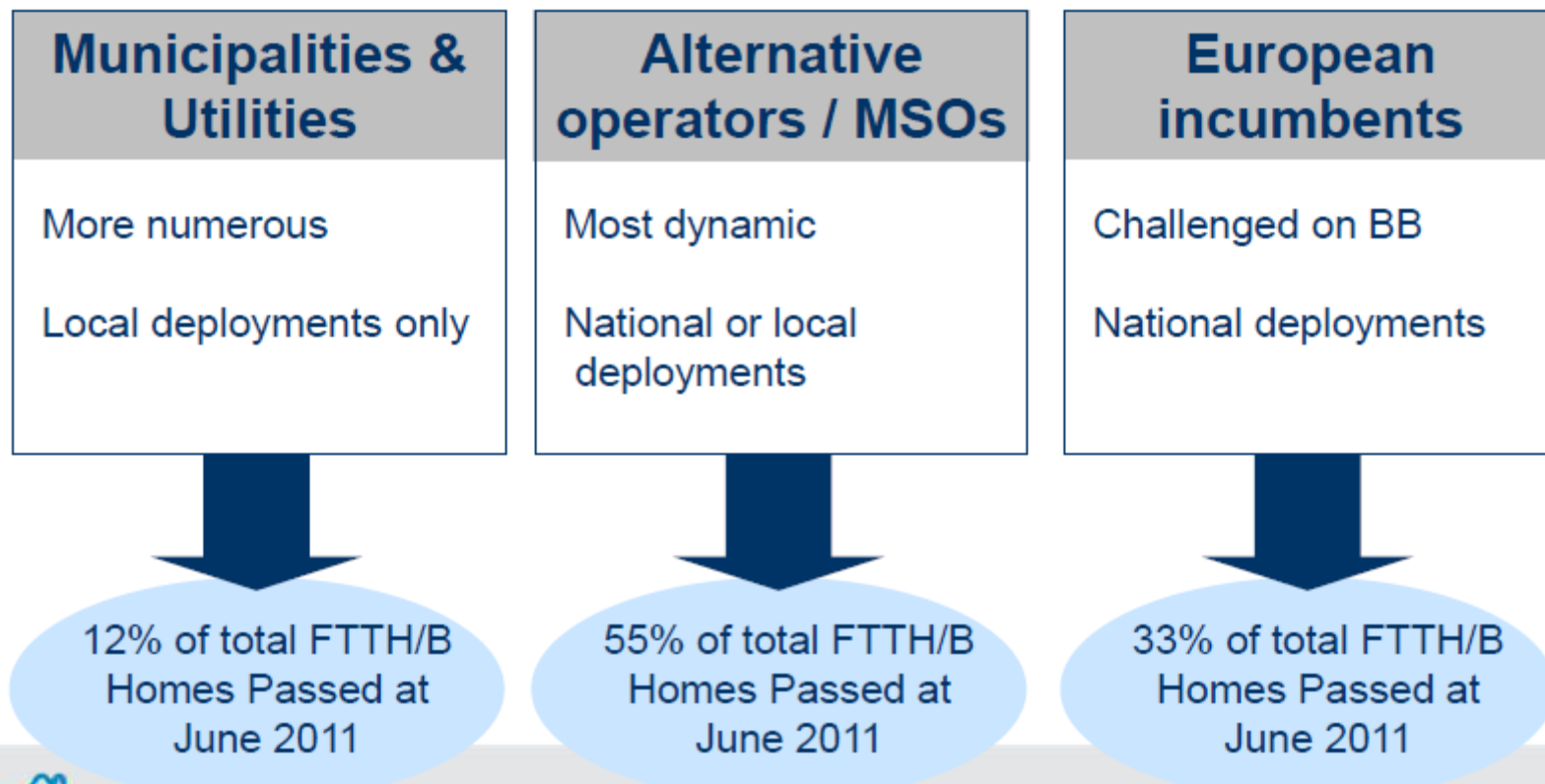
But most of the profit still goes to dominant operators



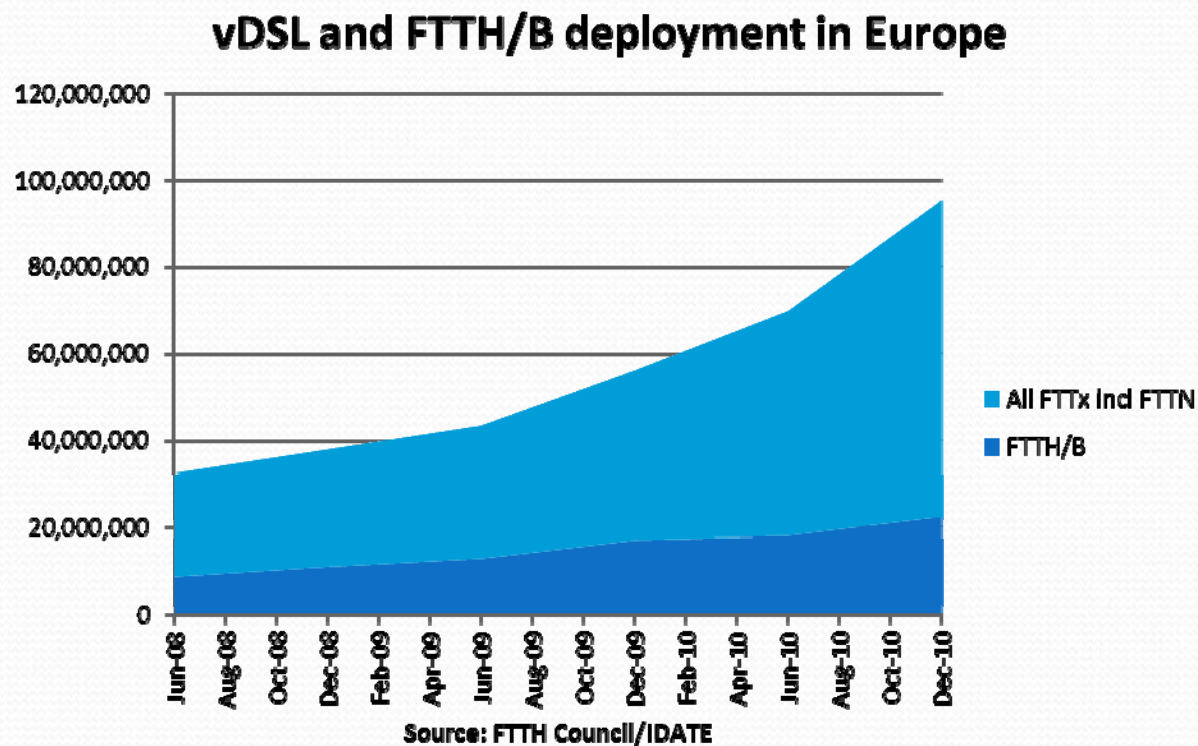
EBIT margin Source: Operator financial reports

Source: Analysys Mason "Europe's Digital Deficit" March 2010

...and investments in FttH are primarily made by entrants



Dominant operators focus on copper upgrades...



... and breaking down competition

	Fibre LLU and fibre WBA in % of SMP operator's FTTH lines	Copper SLU and VDSL WBA in % of SMP operator's FTTN lines	Copper LLU and ADSL WBA in % of SMP operator's copper lines
AT	0,0%	0,0%	20,0%
BE	0,0%	1,0% ⁴	4,9%
CH	0,0%	0,0%	no data
DE	0,0%	<5%	42,9%
DK	no data	no data	24,8%
ES	0,0%	0,0%	37,8%
FR	0,0%	No FTTN/VDSL roll-out	54,6%
HU	0,0%	no data	17,1%
IE	0,0%	0,0%	33,5%
IT	0,0%	No FTTN/VDSL roll-out	45,7%
NL	5-10%	0-5%	26,8%
PL	0,0%	no data	22,0%
PT	0,0%	no data	21,4%
RO	0,0%	0,0%	0,1%
SE	no data	no data	33,6%
TR	0,0%	no data	no data
UK	<1%	no data	47,4%

- Entrant share of incumbent NGA lines minimal even where regulation applies (where data available)
- Compares with shares of 30%+ for copper lines



What lessons to be learnt?

- Evidence shows that entrants are most incentivised to invest + dominant operators invest only where under competitive pressure → **regulation should create a level playing field for entrant investors**
- Access regulation should ensure a **sustainable economic space for competition**: fair access charges & genuinely equivalent access
- **vDSL** positive as mid-term technology, but **should not lead to closed and/or excessively priced, monopolistic networks** undermining today's consumer benefits from competition

Smart regulation for a next generation future

- Level playing field for entrant investors:
 - Stable & predictable wholesale access charges: **Copper LLU charge has a significant impact on entrants' ability to invest in NGA but negligible for dominant operators** (e.g. 5% LLU charge increase reduces entrant revenue by 10% and increases incumbent revenue only by 0.6%)
 - **Effectively available SLU, and SLU charges**, which allow entrant NGA investments (VDSL) on a level playing field
 - **Ducts and other legacy civil engineering assets priced at actual costs**
 - **Equivalence of Inputs regardless of technology**
- Sustainable economic space for competition
 - Wholesale access charges ensuring a **reasonable return on investment also for entrants!**
 - **Effective prevention of margin squeeze**
- Ensuring effective competition over inherently closed networks
 - **Standardised NGA wholesale access products**
 - **At cost oriented or genuinely competitive prices** (no price regulation if clear evidence that the SMP operator is under significant competitive pressure, e.g. voluntary wholesale price reductions)



Thank you for your attention!

Tom Ruhan
Chairman

ECTA Board of Directors
truhan@ectaportal.com