

## REPORT SHOWS INCUMBENT OPERATORS COULD CONTROL 80% of NEXT GENERATION BROADBAND MARKET

### *ECTA urges European policy-makers to approve powers for functional separation as competitive impetus wanes*

**Brussels, 18.02.08** – The pro-competition body ECTA, today called for stronger powers for regulators to implement competition rules, as it publishes the results of its twice-yearly survey on broadband take-up and competitiveness in Europe. The survey shows that while one in five people (20%) in Europe now subscribe to a broadband connection, competitive impetus has reduced across Europe, with the retail market share of incumbents persisting at close to 50% and slow growth of 10% in broadband connections.

The survey also reveals that there is a serious threat to the primary source of competition - local loop unbundling - as incumbents seek a moratorium on unbundling next generation fibre access lines. If granted, this could result in incumbent operators controlling a staggering 80% of broadband lines across Europe or even close to 100% in many countries.

Innocenzo Genna, Chairman of ECTA said, “People often do not realise that the choice they have of broadband provider and speeds and prices available depends on how effectively the regulator has opened up the last mile of the network to competitors. Policy-makers ignore this at their peril, because the choice we have today may be gone tomorrow if we do not act to keep telecoms markets open, and Europe’s competitiveness is at stake.”

The European Competitive Telecommunications Association (ECTA), the organisation representing competitive providers, believes that the European telecoms market is reaching a critical stage as the existing legacy copper network is gradually replaced partly or wholly with next generation fibre lines.

Genna added, “Because fixed networks are particularly expensive to build it is not always economical to duplicate the last mile – the line going into each home – because it will push up the retail cost of broadband and may not be justifiable to financial investors. Instead what we need is a mechanism to share bottleneck access infrastructure on an equal basis. Functional separation could be a way to enforce infrastructure sharing rules more easily.”

The survey reveals that countries with the highest broadband take-up including leaders Denmark and the Netherlands, as well as Sweden, Finland and the UK, have all benefited from competition through effective unbundling of the local loop. These countries are amongst the best broadband performers in the world today.

The worse performing countries include Italy and Poland, where the incumbent operator enjoys 64% and 59% of the retail market respectively. Broadband penetration levels in Italy grew at just 3% in the last 6 months and now ranks the lowest of largest EU economies. In Poland, penetration rates of 7% are less than half of the EU average and local loop unbundling – despite being ‘mandated’ for several years – remains elusive. Regulators in both countries are actively pursuing functional separation as a remedy for the incumbents’ dominance.

ECTA urges the European Parliament and Council to approve measures proposed by the European Commission in its Review of the Telecoms Framework, which would strengthen regulators’ powers to ensure effective sharing of telecom bottlenecks, which are critical in boosting Europe’s competitiveness. Functional separation is one tool that could be used to address enduring barriers to competition in the sector. In the UK, it has contributed to the unbundling of 4 million lines in just two years, a boost in infrastructure investment by competitors, lower prices and a dramatic increase in broadband speeds.

### ***Key findings of the report***

- Total broadband lines increased by 10% in the last six months from 84 million lines in Q1 2007 to 92 million lines in Q3 2007. Overall growth slowed from 16% in the previous 6 months
- Northern European countries remain world-leaders in broadband with Denmark and the Netherlands reaching 35% penetration and Sweden, Finland, and UK all registering above 25% penetration. On the other end of the scale, penetration in Greece, Poland and Slovakia remained below 10%
- Duplication of access lines (last mile) is limited across Europe. 82% of broadband lines rely on the copper local loop of the incumbent operator, whilst the remaining 17% of access is supplied through cable (14%) and mechanisms such as fibre (1.2%), fixed wireless (0.9%), and other means such as satellite.
- When regulated access is taken into account, incumbents maintain 46% of the retail broadband market (unchanged since the last report). Most competition to the incumbent comes from unbundling of the local loop (sharing of the incumbent access line) – representing 21% of all broadband lines. A further 15% of incumbent lines are wholesaled to competitors
- High ranking countries typically have competition from both cable and LLU
- In the EU15, broadband growth was particularly strong in Ireland (17%) and Greece (45%), although in Greece growth is from a particularly low base. However, growth was less than 5% in Austria, Italy and the Netherlands.

## European broadband league table Q3 2007

Ranking Q3 07	Ranking Q1 07	Country	Penetration	Growth (half year)
1	2	<b>Denmark</b>	34.5%	9% (9 months)
2	1	<b>Netherlands</b>	33.9%	3%
3	3	<b>Finland</b>	29.9%	6%
4	4	<b>Sweden</b>	29.5%	8%
5	6	<b>UK</b>	24.9%	8%
6	8	<b>Belgium</b>	24.7%	19%
7	5	<b>Luxembourg</b>	24% (Jul 07)	N/A
8	7	<b>France</b>	23.4%	9%
9	9	<b>Germany</b>	22.4%	15%
10	10	<b>Austria</b>	19.1%	4%
11	11=	<b>Spain</b>	17.3%	8%
12	14	<b>Ireland</b>	16.8%	17%
13	11=	<b>Italy</b>	16.5%	3%
14	13	<b>Portugal</b>	15.6%	7%
15	15	<b>Greece</b>	8.1%	45%

To access the ECTA Broadband Scorecard Q3 2007 please check:

<http://www.ectaportal.com/en/basic650.html>

For further information on the detail of the scorecard, please contact Ilsa Godlovitch at + 32 2 227 2718 or by e-mail [lgodlovitch@ectaportal.com](mailto:lgodlovitch@ectaportal.com).

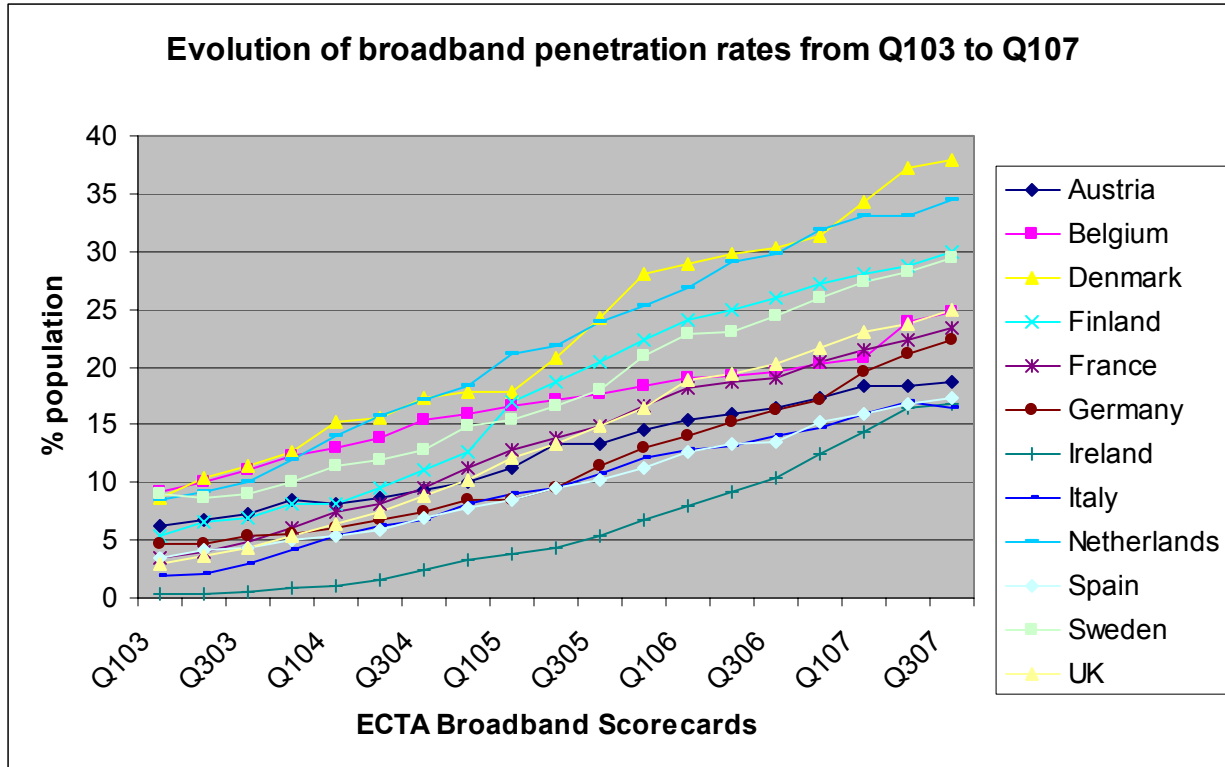


Figure 1: Northern Europe maintains its lead in broadband penetration

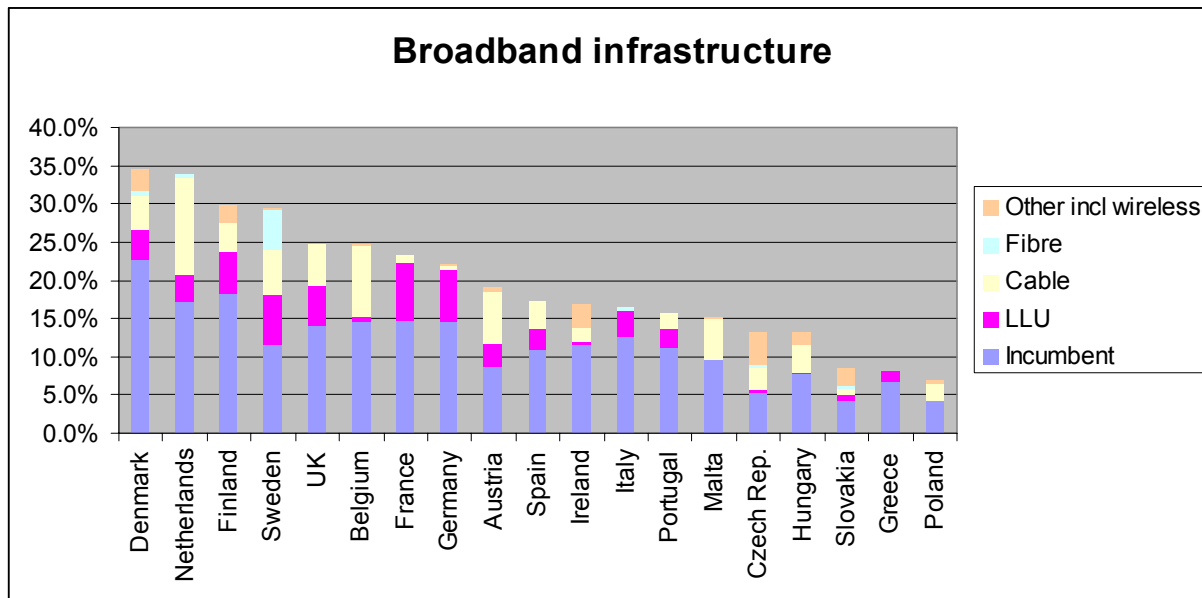


Figure 2: Highest ranking countries typically have strong competition from both local loop unbundling (pink) and alternative infrastructures such as cable (yellow). Conversely lower ranking countries tend to have much less competition from unbundling. LLU progress has often preceded progression up the league table (eg for France and the UK), whilst concentration in markets (eg Netherlands following purchase by KPN of LLU operator Tiscali) has often been followed by slower growth.

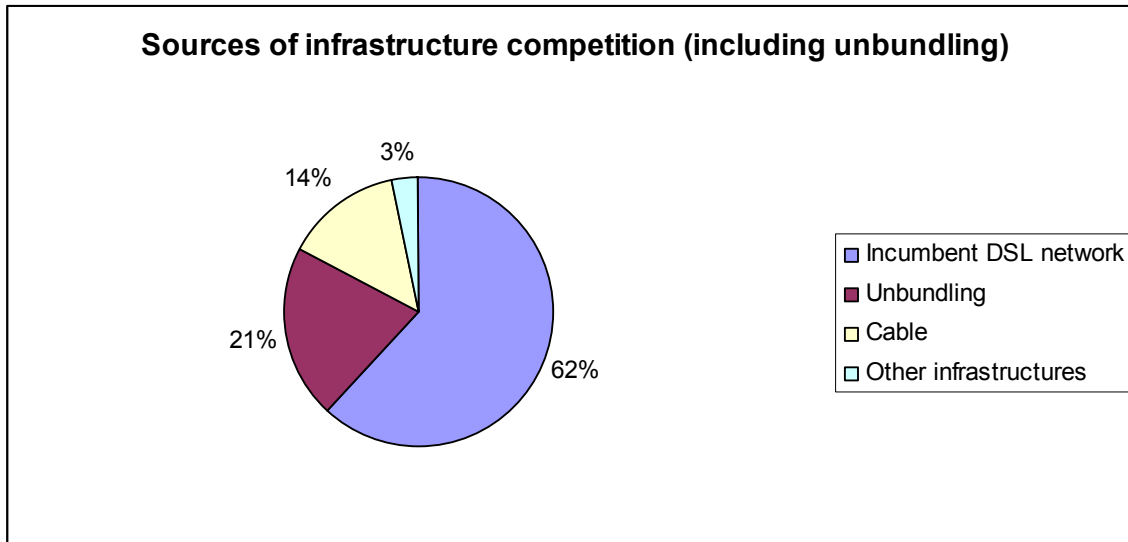


Figure 3: Local loop unbundling accounts for 21% of competitive broadband lines across Europe, whilst cable and other infrastructures account for 17%. If local loop unbundling was phased out in the future, the market share of incumbents could exceed 80%.

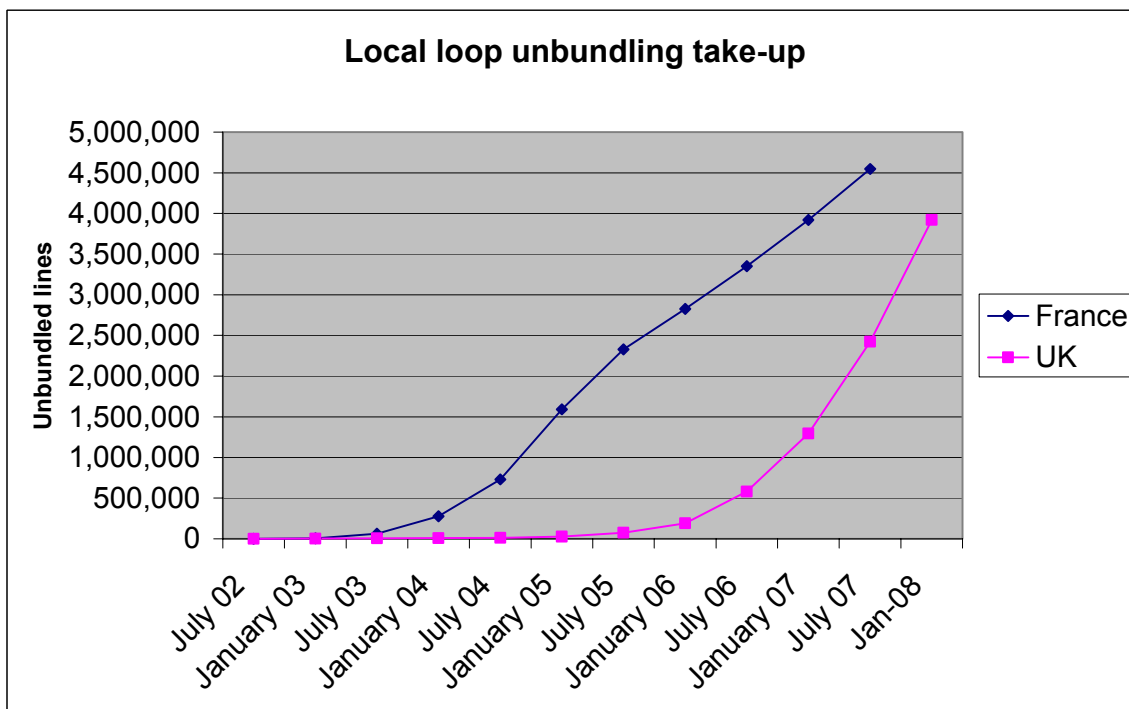


Figure 4: Functional separation introduced in January 2006 helped to accelerate local loop unbundling in the UK – a requirement which was imposed in 1999 but remained ineffective for many years. Here the UK is compared with France – the leading unbundling country in Europe.