

# 3rd International Conference On Broadband Internet

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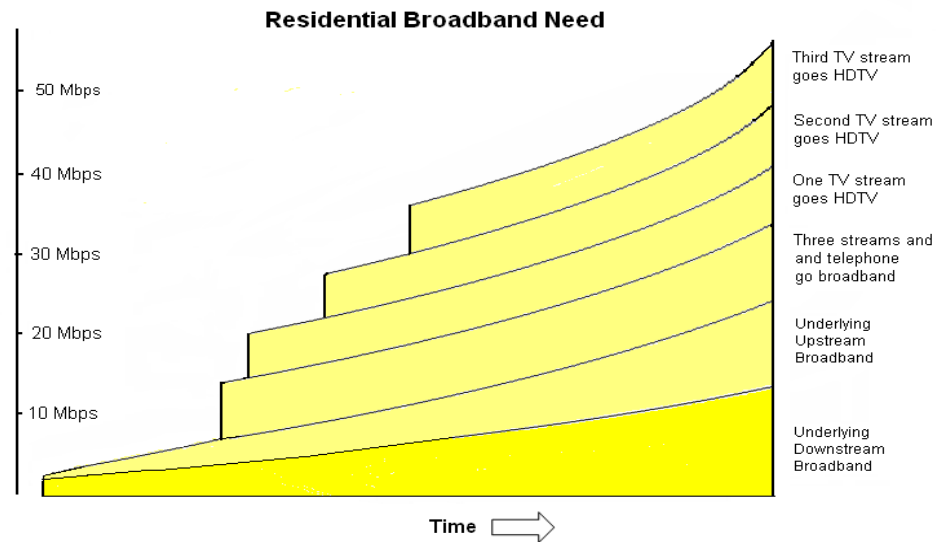


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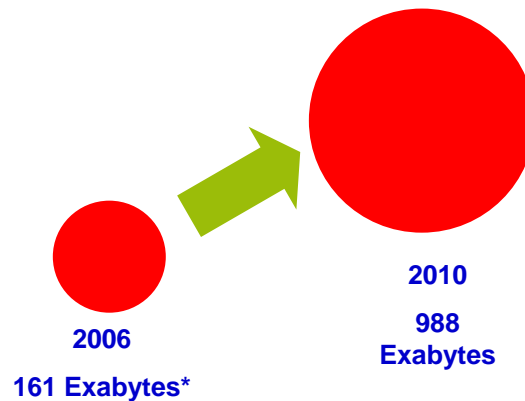
# Tomorrow's services will require increasing bandwidth capacity, beyond DSL ...



Source/ RVP Render and Associates/  
LECG

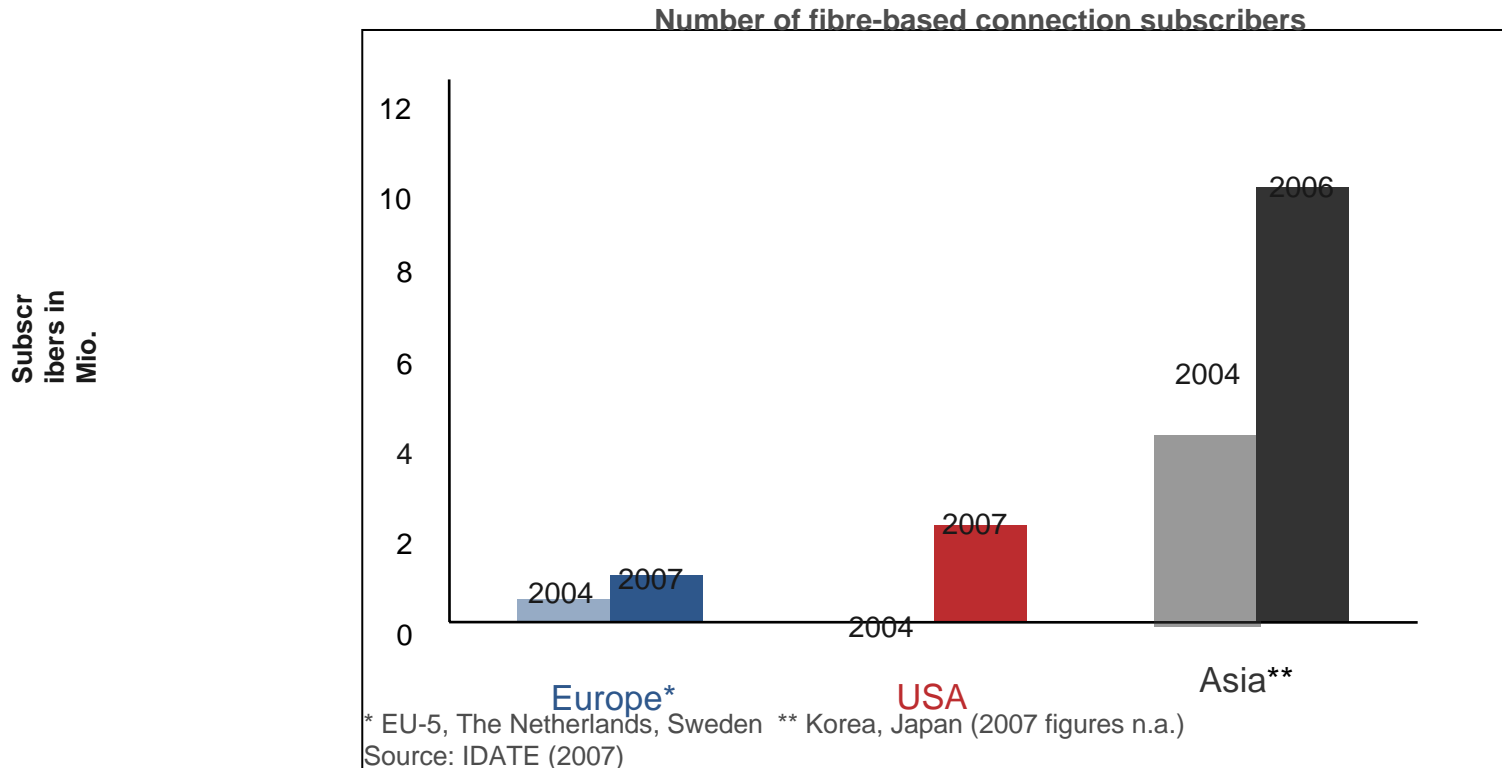
# Telecoms' networks are facing an unprecedented increase in data traffic...

The amount of digital information created, captured and replicated will increase more than six fold from 2006 to 2010\*



\* 988 Exabytes =  $988 \times 10^9$  Gygabytes =  $988 \times 10^{18}$  bytes

# The main challenge for the Review is to catch up in the roll out of high-speed broadband networks

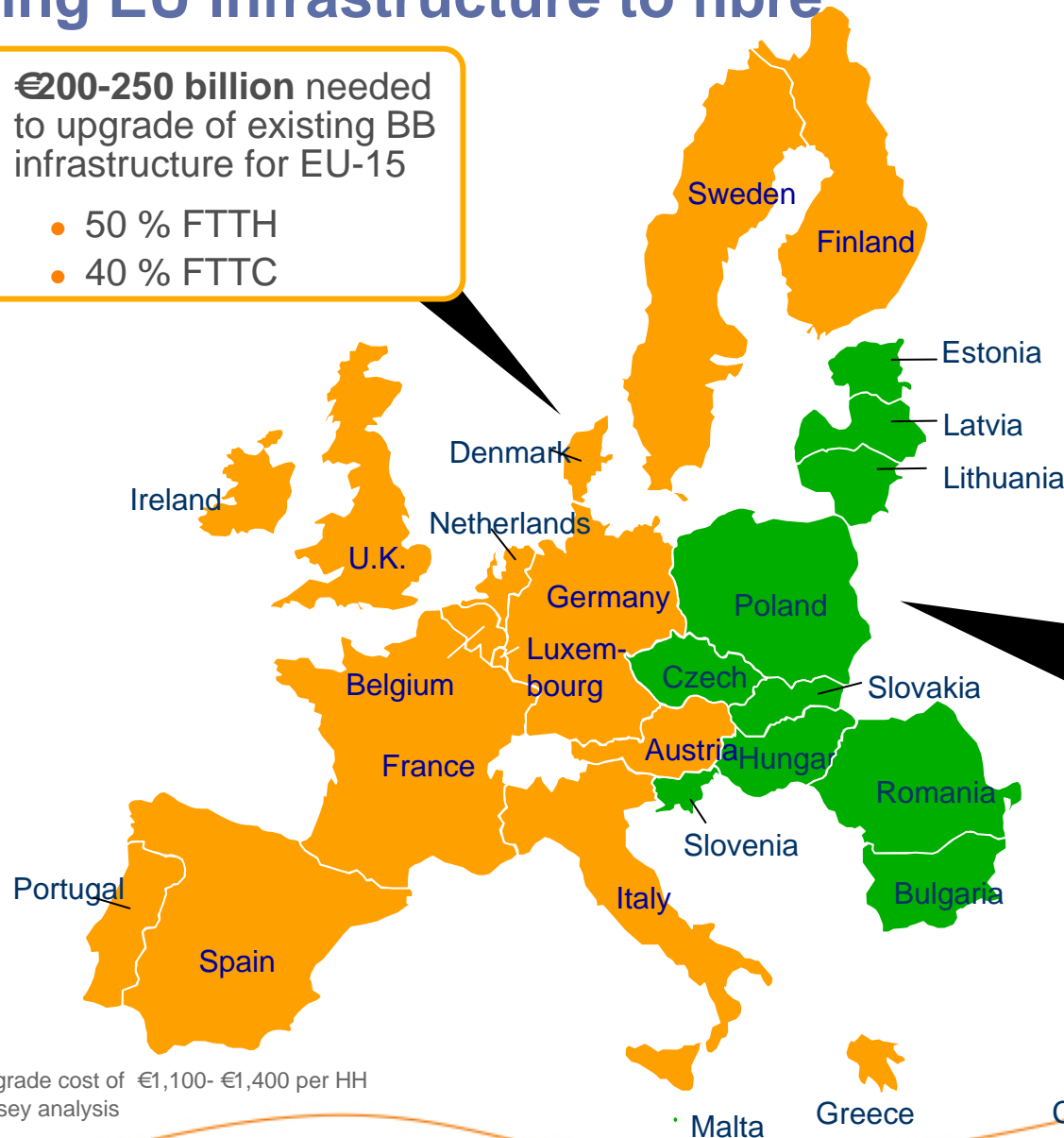


# Up to €300 Billion needed to upgrade existing EU infrastructure to fibre

## HIGH-LEVEL ESTIMATES

- EU-15 countries
- New joiners to EU

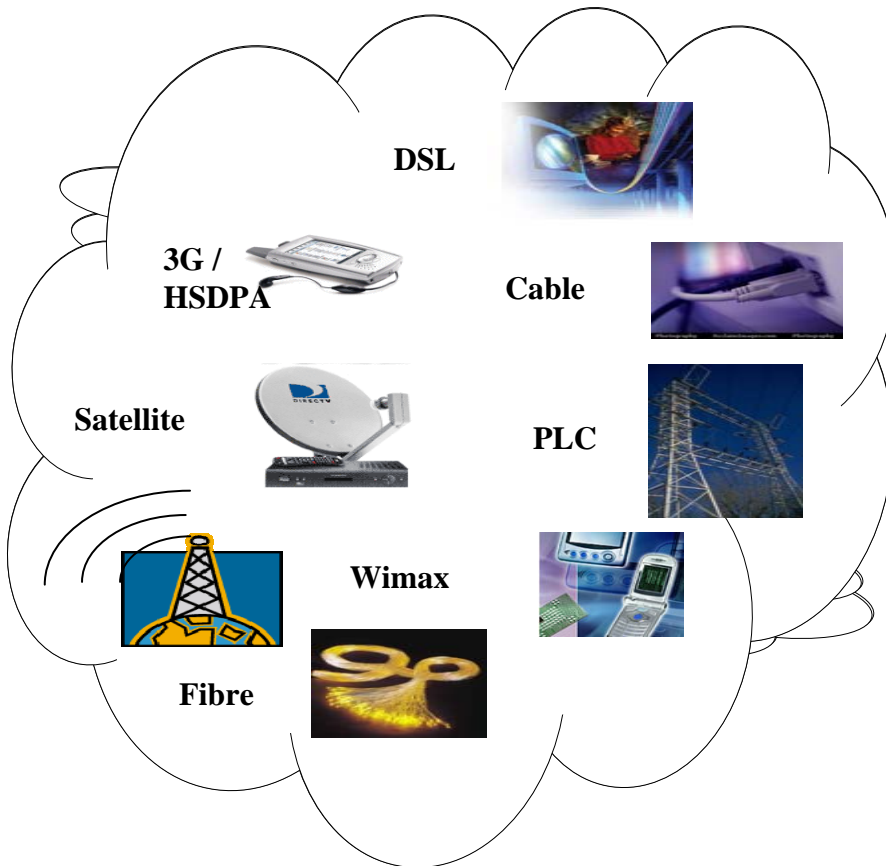
- €200-250 billion needed to upgrade of existing BB infrastructure for EU-15
  - 50 % FTTH
  - 40 % FTTC



- €30-40\*\* billion needed to upgrade BB infrastructure for the 12 new EU members
  - 50 % FTTH
  - 25 % FTTC

\*\*Estimated upgrade cost of €1,100- €1,400 per HH  
Source: McKinsey analysis

# Today, technology offers many alternative ways for offering broadband access



- **New technologies** increasingly allow consumers to access broadband without relying on existing networks
- **Strong infrastructure-based competition** encourages broadband penetration, innovation and consumer choice
- Empirical studies show that **intense access regulation harms investment** in new and alternative infrastructure

# Incentives for investment

## *Geographical segmentation*

ILLUSTRATIVE

### Zone A



- Non competitive area where only one infrastructure exists or area without any NGA infrastructure
- Enhance take up and transmission speed by:
    - Public private partnerships / Demand aggregation
  - Regulated access (no infrastructure competition will emerge)

### Zone B



- Prospectively competitive area, ULL intensive
- Clear message: ex ante is reduced to symmetric facilities access, no eternal regulation-protected business models
  - Alternative moves and incumbent follows, catalyst for infrastructure competition

### Zone C



- Competitive area where platform competition exists
- Hands off, but transparent migration path
  - Commercial wholesale agreements

# Incentives for investment

## *Access to ducts and fair risk sharing*



- Symmetric opening of all ducts including those of other sectors (energy, water, municipal ducts etc.) to promote infrastructure competition

Only where duct sharing does not result in infrastructure competition



- Regulated access: access conditions must allow for flexible pricing by the regulated operator and fair risk sharing between investor and access seeker
  - Long-term contracts with minimum quantities
  - Short-term contracts with a risk premium

# NGA: Main needs for change

## Network access

- Symmetric opening of all ducts
- No regulatory intervention in case of existing or emerging infrastructure competition at local or national level
- Access only at one level of the value chain (ducts or BSA)

## Pricing

- Allow significant return for the investing network operator when defining conditions for access obligations by sharing of investment risks between network investor and access seeker
- Stable wholesale prices and conditions enabled by remedies decisions for longer periods

## Retail

- No regulation

# Mandatory Functional separation is detrimental to new network investment and long-term competition

- It renders regulation permanent: **irreversible by nature, functional separation is not in line** with the transitional nature of the regulatory framework
- **Current rules** already contain a set of remedies aimed at ensuring non discrimination
- Despite safeguards, regulators **risk focusing on this remedy** instead of applying existing ones effectively
- It increases the reliance on existing network, **discourages roll out of new alternative networks.**
- Mandatory separation of access networks from services functions may lead to **losses in efficiency** and ability to co-ordinate complex investment decisions.
- It risks recreating a **de facto monopoly** around the access network
- Functional separation entails a **very costly and time-consuming reorganisation** of the company



**Functional separation should remain a voluntary decision by companies**

**For more information:**  
**[www.etno.eu](http://www.etno.eu)**

