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NGN in a Regulatory Perspective: Casus The Netherlands

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Agenda

1. **Activities ERG on NGN Access networks**

2. **Country Case: The Netherlands**

Activities ERG on NGA

ERG published a Common Position on Regulatory Principles of NGA in October 2007 in response to Commission's request:

- **The document deals with the economics and regulatory implications of NGA networks and includes detailed guidelines to make the Regulatory Framework fit for the new challenges posed by NGA networks**
- **Two scenarios: Fibre to the Cabinet (FttCab) and Fibre to the Home. New forms of access remedies are considered (Access to ducts, fibre).**
- **Economics of NGA networks are likely to vary across different technologies and different geographies, i.e. between MS and within MS.**

⇒No one size fits all approach

Furthermore the EC has announced a Recommendation on Next Generation Access Networks.

Casus NL: The Dutch Broadband Arena

High Network Density:

•Cable networks cover 94% of households
•Incumbent network KPN covers 99% of households
•Networks alternative DSL operators cover 50-70% of households, based on LLU
•Over 40 local FttH/FTTB initiatives, 170.000 connected/passend and 70.000 activated (1-2% of households)

High Broadband Penetration:

•5,5 million broadband connections (Q3 2007), 73% of households
•60% DSL (10% non-KPN), 38% Cable, 2% other
•Among the leaders of the world (EU Implementation Report, OECD)

Casus NL: Regulatory Environment

- Regulation tailored to infrastructure competition incentives
- Building block: regulation of local loop unbundling since 1997
- Success of LLU meant lesser or no regulation of Wholesale Broadband Access (since 2005): light touch regulation ‘high-quality’ WBA (access, transparency and non-discrimination), ‘low-quality’ not regulated
- Next Generation networks & current market trends require new tailor-made decisions and possibly coregulation

Casus NL: Regulatory Environment

Important issues for the upcoming regulatory period:

- **Future of infrastructure competition: is fibre the end game?**
- **Consolidation of market parties**
- **Convergence and bundling**
- **End user interests**

Casus NL: KPN's migration to NGA (All-IP)

Nationwide single technology multi-service network

Affects both core (IP / Ethernet) and access network

- **VDSL2 on existing sub loop (FttC) and FttH**
- **FttH in new housing developments**

Evolution of plans of KPN: combination of FttC and FttH

Sale of MDF locations (expected revenue ~ €1.0 billion); gradual phasing out

Access to the All-IP network:

- **KPN voluntarily offers access via its Open Wholesale Model (OWM) → wholesale broadband access (WBA)**

Casus NL: OPTA's view on NGA (1)

NGA is an important and welcome development:

- **Incumbent invests in innovative and efficient technology**
- **Promise of broader service portfolio, lower prices**

But:

- **MDF access is an important building block for present competition in broadband internet and increasingly so for TV, telephony and leased lines**

Casus NL: OPTA’s view on NGA (2)

Questions on the extent of infrastructure competition:

- **Without nationwide MDF access:**
  - **Can be relied on a cable / KPN infrastructure duopoly to ensure enduring effective competition?**
  - **Also in general, a duopoly has certain risks of non-competitive behaviour**

- **Two infrastructures seem *not* enough**

Casus NL: OPTA's view on NGA (3)

- Question on how to regulate copper and/or fibre to ensure future proof regulatory environment

- Ensure proper migration from copper to fibre

- Provide for incentives for innovation and new investments not only by KPN but also by alternative operators

- May involve regulation of fibre: strict where a SMP needs to be disciplined but mild where incentives for investments are important.

- First thoughts: Only real bottlenecks, e.g. unbundling of fibre loops. Maybe differentiation in regulation of copper and fibre.

ERG

Looking forward

•Europe: Workshop EC and ERG about draft recommendation June 5th

•Europe: Draft recommendation expected in July, public consultation in the fall

•Netherlands: New Market Analysis Decisions are expected at the end of 2008, draft decisions expected in the summer.

•Regulation may be lighter or withdrawn if there is proof of adequate co-regulation (public offer that is agreed upon by the market).
•Regulation will be strict in areas where stronger market positions are concluded (possibly business markets).

•Open question: What does NGA imply for other regulated services (CPS, WLR, IP-interconnect, etc.) ?
•Open question: What does NGA imply from the perspective of the end user (QoS, Universal Service, etc.) ?