NGN deplyoment in Europe: the ultimate regulatory challenge?

Roberto Viola
Chairman of the European Regulators Group

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The “main” challenge for ERG

- Accelerate identification of best regulatory practices
- Intensify efforts to disseminate best practices
- Focus on challenges of today but plan for challenges ahead
  - Next generation networks
  - Convergence
- Engage in debate started by Commission on future institutional framework for regulation

"Some" of the challenges for 2007

Regulation

Review of Framework

Article 7 processes

Recommendation on relevant markts

International Roaming Regulation

Review of Universal Service

Harmonisation

Broadband access

VOIP

Regulatory accounting systems

Mobile termination

Fixed termination

Wholesale leased lines

Monitoring and evaluation

Innovation

NGN access

NGN core

VOIP

Convergence

Bundling (abuses)

Broadcasting (Access to content)

Service Convergence

& Consumers

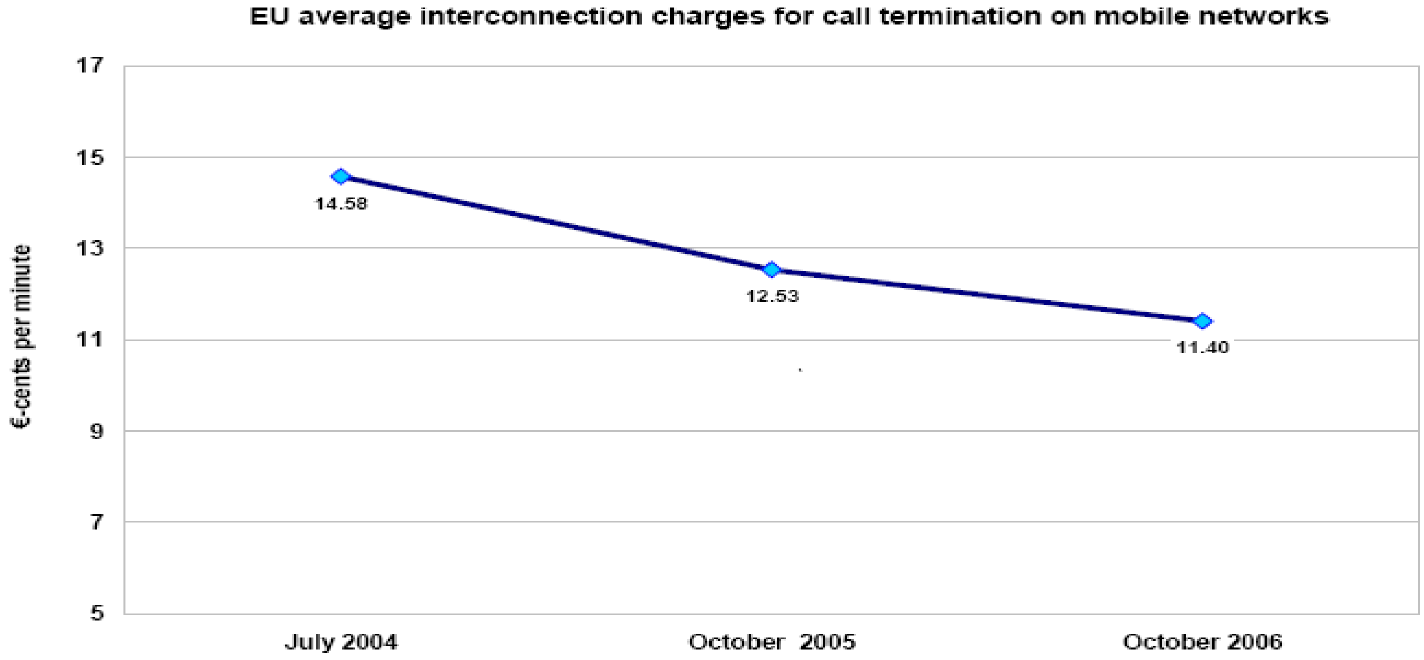
Is ERG doing enough on harmonisation?

- Lot of ERG effort

  - Reports, common positions / statements on specific topics
  - “Madeira commitments” and Article 7 expert groups
- Natural limits on harmonisation – remedies must take proper account of national circumstances
- Focused effort to strengthen harmonisation in priority areas
- Renewed effort to disseminate best practice, not only to identify it

Regulatory consistency should be judged on results

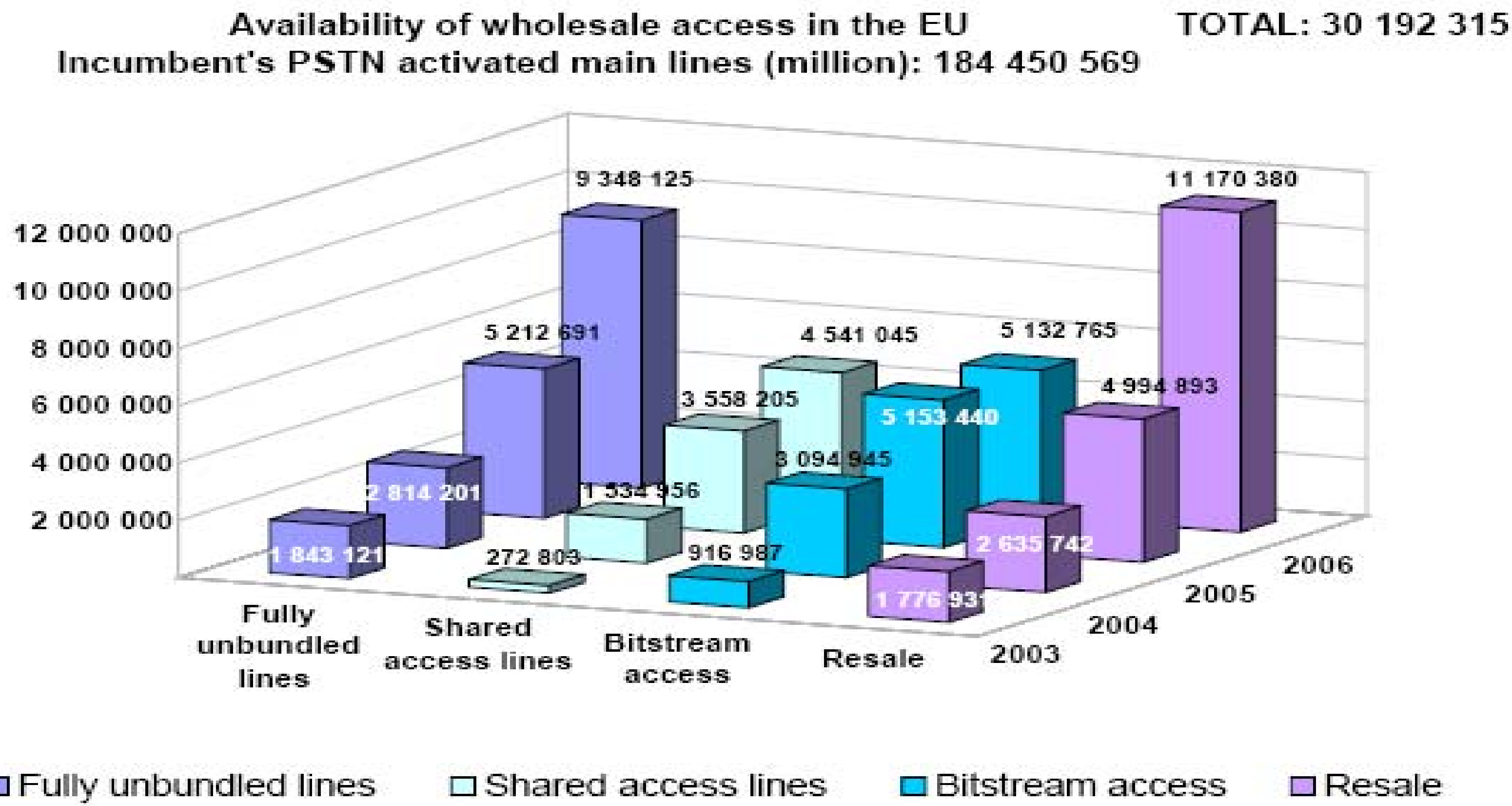
- Mobile Termination rates continue to reduce. 9% in 2006



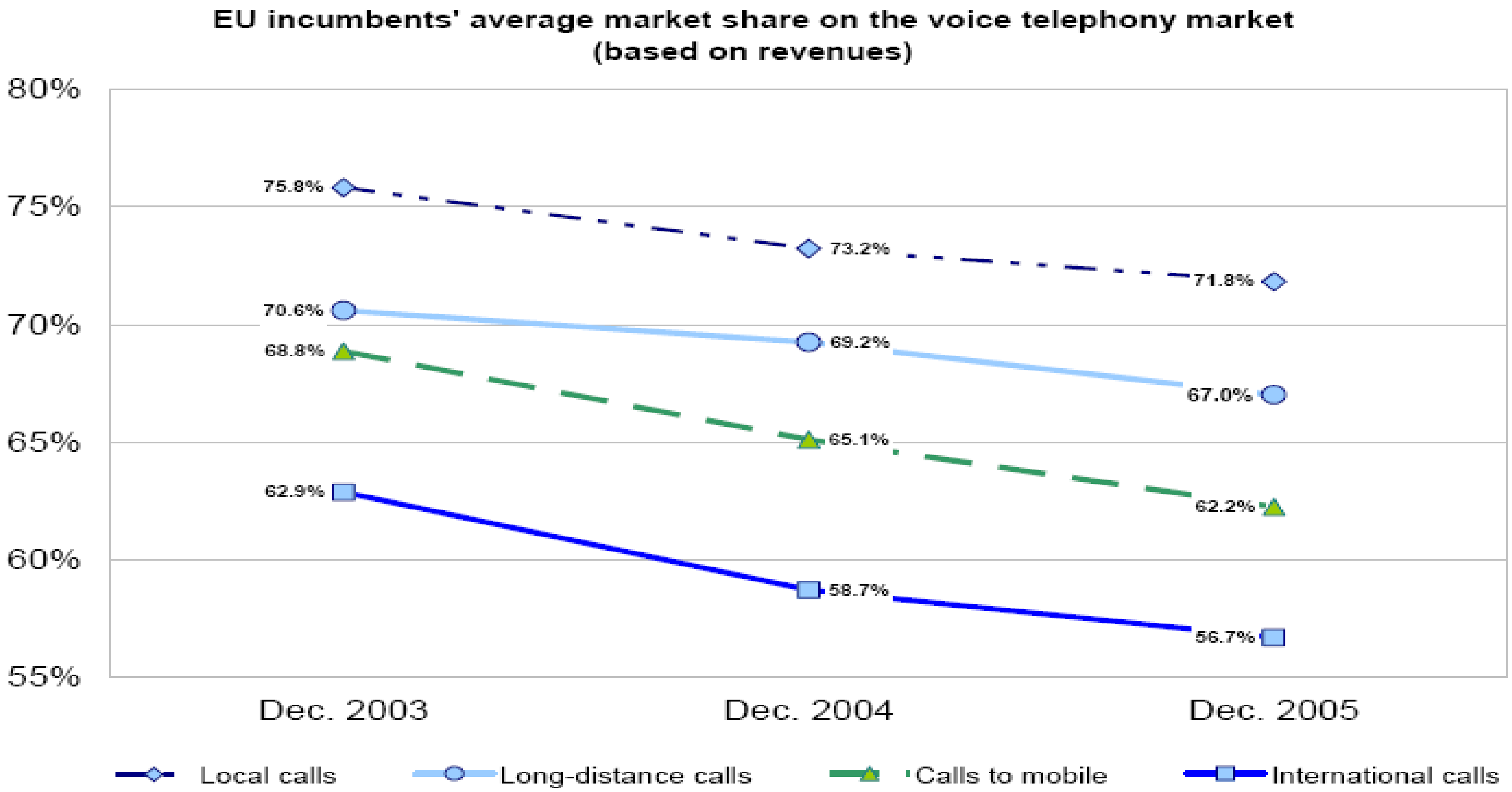
Framework is sound – where are we today

- **Growth in Sector 2.3% (€649 billion revenue)**
- **Broadband penetration 15.7%**
- **Investment 5% (€47 billion)**
- **Convergence becoming a reality – 19% of EU households subscribe to at least one bundled service**

Effective Regulatory intervention underpins growing broadband markets



Problems remain: Incumbent Market Shares remain high



Dangers of too much harmonisation

- Policies that do not reflect local circumstances
- Lose ability to learn from experience from other sectors
- Deter emergence of good new approaches

Prioritising harmonisation of approaches to regulation

Benefits appear greatest in the following circumstances:

1. Services with pan-European potential where a high degree of uniformity required, e.g. Voice over IP (VoIP)

2. Services with a significant cross-border dimension e.g. international roaming

3. Key access services needed for efficient national markets
   - in this case, near-uniformity of remedies is often undesirable and impractical
   - but there is a strong case for consistency and transparency of methodology for choice of remedies ….
   - … and effective dissemination of best practice

ERG ERG priorities for the Review

- Improve the Remedies Tool Box – Functional Separation will ensure discriminatory practise by incumbents can be addressed effectively
- Simplify the market analysis process – concentrate on key internal market notifications, not on reducing markets
- Problems remain (expecially in light of fixed-mobile integration) on Mobile access & call origination – more service providers but still 10 member states where no service providers exist
- NGN: promote investments and investments and investements..

ERG agenda on NGN

- Commissioner Reding has requested the ERG to deliver an opinion on the regulation of NGN access by the 14th of September 2007.
- Public consultation on NGN is open:
  - Focusing on Access Issues
  - Country Case Studies
- Report on IP-Interconnection
  - Interconnection considered the most crucial challenge for regulators regarding NGN - Core
  - Adopted by the IRG Plenary Feb 2007 and published

The NGN development options

- Overlay vs. substitution
  - Overlay: parallel deployment of IP-based networks and legacy networks for a certain period
    - More common among incumbents (legacy infrastructure still functioning)
  - Substitution: replacement of legacy networks with NGN architecture within a relative short time frame
    - Direct migration towards NGNs easier for operators with no/less PSTN networks
    - Drivers: possibility to offer new services

The NGN development options (II)

- Network intelligence:
  - Centralised control functionality in all countries foreseen

- Number of network nodes, points of interconnection:
  - Not yet decided upon in most/all countries
  - Assumption: less PoI than in PSTN

The NGN development options (III)

- Access networks
  - In general: limited knowledge of plans for NGN access network
  - In several countries incumbents plans to roll out fibre closer to the premises (with copper being used for the last mile)
  - Alternative access technologies like wireless may also gain relevance in some countries
  - Alternative wholesale access models such as subloop unbundling may become relevant

The NGN access network

- Access network perceived as main bottleneck by several countries
- Stranding problems may occur with fibre being brought closer to the end user
- Innovative regulatory solutions are necessary

Functional Separation: the ultimate remedy?

- ERG has proposed that FS to be a remedy under the new NRF
- ERG is studying FS effects in parallel with the work on NGN access
- UK example shows the advantages of the model. Italy and Sweden are evaluating the introduction of FS.

Functional Separation: the debate

- Debate on Fs remains open in Europe. The AGCOM public consultation on FS has summarised the main points:
- Is FS necessary to ensure effective non-discrimnation?
- Is FS capable to guarantee (better) stability and predictability of the regulatory environment?
- Will FS cause the transaction (wholesale) costs to rise?
- Will FS create the risk of a new access monopoly?
- Who should mandate or propose FS?
  - The incumbent through voluntary commitments?
  - The NRA's?