

“Promotion of broadband – finding the balance between investments and competition” (Chris Fonteijn, BEREC Chair, Chair of OPTA)

A favourable Framework for Investments and Competition

Introduction

Ladies and Gentlemen,

First of all I would like to thank the organisation for inviting me. As you may recall, one of the important tasks of BEREC is delivering opinions to the European Parliament. I would like to underline that BEREC is very willing to do this task.

I am invited to contribute to this seminar both on behalf of BEREC, the European platform of telecommunications regulators, and on behalf of OPTA, the Dutch regulator. This gives me the opportunity to say something about the ambitions and developments in Europe first. After that I want to share with you the experiences in the Netherlands when trying to find the balance between the promotion of investments and competition.

Goals and ambitions in Europe

European Goals

- The Digital Agenda regards Broadband Access as driver for more economic growth and consumer benefits

BEREC Position

- BEREC recognises and fully supports the important role broadband networks can play in the further development of the economies of Europe and the benefits that they can bring to its citizens.
- BEREC considers the important role that effective competition has and will continue to play as the key driver for efficient investments.
- BEREC believes that regulatory certainty and consistency are crucial in order to foster a competitive environment for long-term investments.
- With this approach BEREC pursues the goals of the Regulatory Framework, the NGA Recommendation and the Digital Agenda
- BEREC contributes to a regulatory environment that applies appropriate and considered measures which promote both investment and competition to ensure the roll-out and deployment of NGA across Europe while recognising that Member States are at different stages of NGA roll-out and deployment.
- For that reason BEREC as a platform of national regulators monitors the national experiences and gives guidance to NRAs by formulating best practices. From May 2011 on BEREC will investigate market

analysis decisions from individual NRAs, which are subject to serious doubts from the European Commission.

- The situation today requires regulators to find the right balance in access regulations, to promote both competition and investments
 - Regulatory certainty (predictability) is very important for investors in NGA infrastructure, but should not lead to foreclosure of new entrants.
 - BEREC has always called for flexibility, allowing different regulatory approaches between Member states, based on different situations in Member States.
 - For example in some Member States competition does exist leading to more than one network capable of broadband services, while in other countries it seems to be very difficult to roll out even one national network.
- Different circumstances ask for different regulatory approaches. I will come back to BEREC's approach at a later stage.

Differences across Europe

- Level of (infra) competition (presence of Cable and/or FttH networks)
- Level of (effective) regulations (LLU)
- Level of available network capabilities (DSL, Cable)

- Cost differences:
 - Availability of (re)usable ducts for NGA
 - Type of geographical areas (dense, rural)
 - Type of housing (flats, apartments, houses, ...)
- Roll out (plans) of NGA networks
- Also various national programs for national availability of broadband services and role of (local) governments

Dutch case

Representing also the Dutch regulator allows me to describe into more detail the Dutch situation regarding investments, roll-out and regulation.

Already now more than 3 years ago OPTA was confronted with the challenging question if and how to regulate Fiber developments in the NL. In the NL there was a big ambition to roll out nationwide FttH and there was great uncertainty about (future) regulations.

The challenge became to find the right balance between stimulating investments and fostering competition.

OPTA came up with a practical approach of NGA regulations which included summarized:

- Regulations of Unbundled Fibre Access
- Predictable and stable price regulation regime (for multiple regulation periods), in combination with policy rules for NGA tariff regulations.
- Regulations focussed on infra-based competition, which means no regulated Wholesale Broadband Access for FttH.

But even in fairly good starting position (compared to European countries) the FttH development in the NL is not as promising as it was in its early ambitions.

There are 'no complaints' by FttH investors against access regulations, but...

- ambitions for fast roll out of nationwide FttH tempered; also new investment in copper-network (VDSL) takes place
- No unbundled fibre competition yet
 - competition still based on classical copper-access local loop unbundling (coverage ~ 4 Million Homes)
 - Geographical scale (less than 1 Million Homes Passed) seems too small for national competitors (Tele2, Online)

Nevertheless other type of investments take place, also in the light of providing more broadband services to more customers:

- Investments in FttO roll-out (KPN, Eurofiber, local initiatives)
- Investments in Cable network upgrade (Ziggo, UPC)

- Investments in Cable-FttH upgrade (investment fund Rabobank CiF)
 - Also further investments in upgrade of DSL-network (FttC and VDSL from Central Office) and DVB-T for TV-broadcast services
 - Also extra fibre-investments in wireless/mobile station connectivity (FttS) – mobile data/internet
- Continuously innovation and investments in various infrastructures (Cable, Copper, FttH and Mobile)
- Strong competition between Cable, Copper + DVB-T and FttH

Our goals (as regulator) are not to 'steer' investments into a particular technology (e.g. FttH) but to stimulate (efficient) investments and foster competition.

Although FttH (and competition on FttH) seems 'slower' than expected (or hoped for?) investments are done and level of competition and innovation remains high.

Conclusions

- The European broadband targets are ambitious, but necessary.
- Even in a country like my own, where the circumstances are rather prosperous, one can still see that earlier ambitions are not met when it comes to FttH investment and competition (on the FttH networks).
- As politicians, policy developers and regulators we have to continue to cooperate closely to accomplish the desired level of broadband development.
- BEREC has identified the promotion of broadband as one of its priority areas. It is clear that there are different mechanisms to promote broadband. Those are based on different frameworks and not all mechanisms fall within the remit of either BEREC nor the NRAs. However BEREC will look more into the interdependency between the mechanisms/tools. By choosing a broader focus towards the different mechanisms/tools, BEREC will be able to clearly define its own role regarding each of them.