

Sustainable competition through fibre deployment

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Convergence Think Tank Seminar

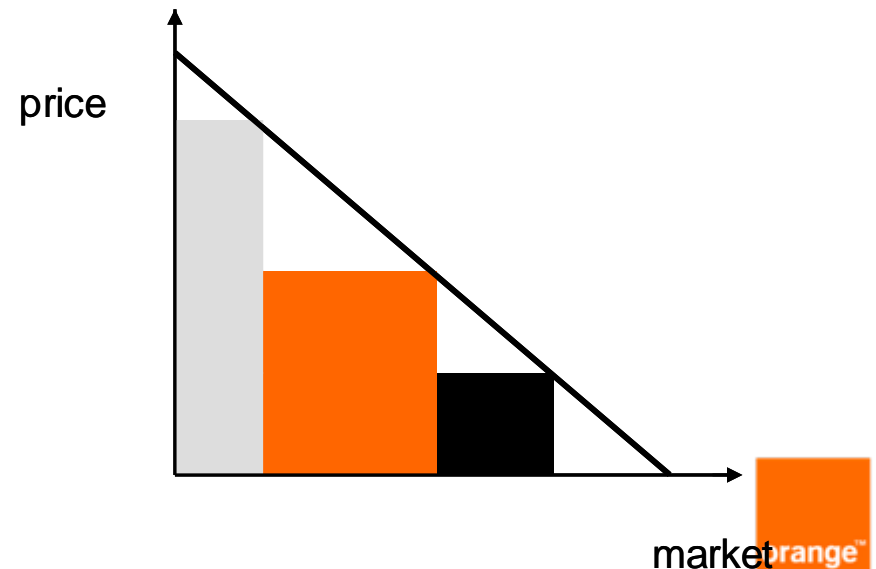
BERR – Department for Business Enterprise & Regulatory Reform

London, 22nd April 2008



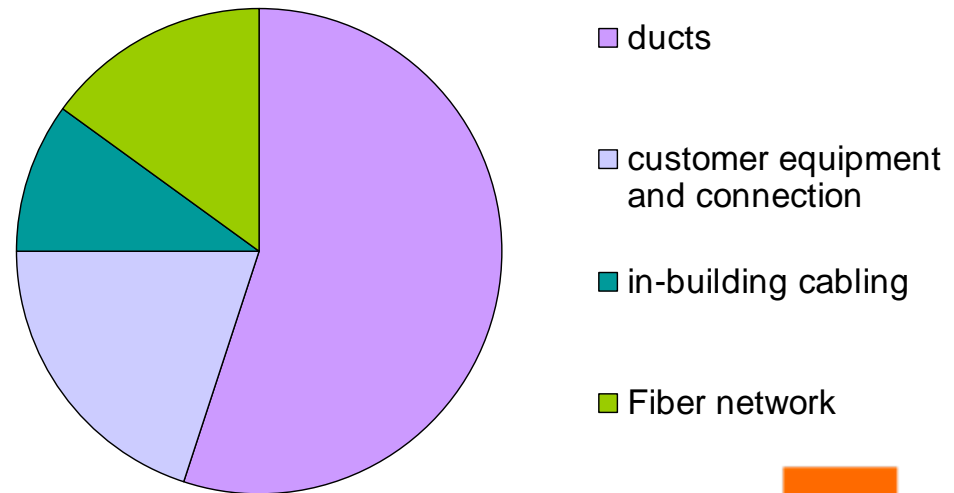
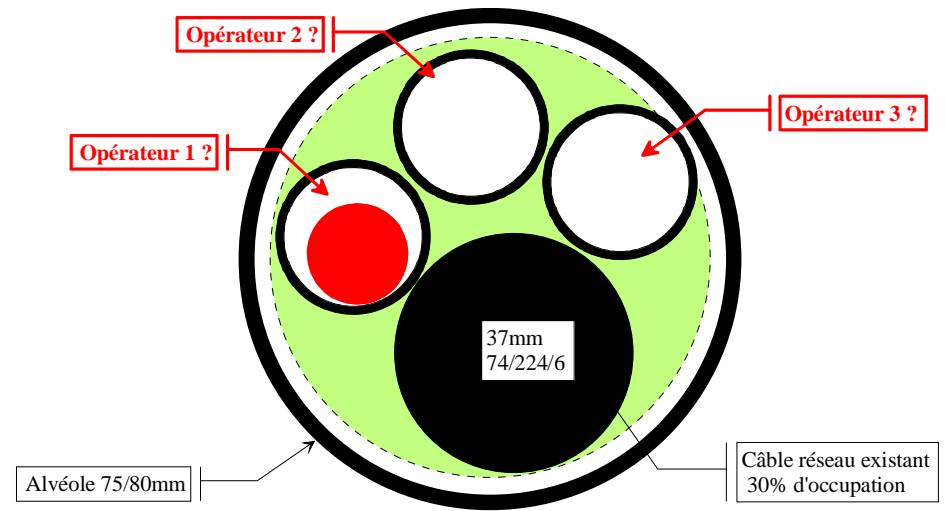
Competition in the fibre access loop is desirable

- A unique “greenfield” opportunity to overcome the monopolistic structure of the copper legacy
- Empiric evidence of the benefits of platform-based competition : mobile!
- Access regulation would kill the key incentives
 - First mover advantage
 - Planning flexibility & innovation
 - Commercial flexibility







Competition in the fibre access loop is possible

- Tapping a gold-worthy resource : vacuum
- Horizontal fibre represents a modest part of the overall investment
- Ensuring the re-use of the major cost block of any fixed local loop roll-out: civil works
- Key elements of public policy and active NRAs' involvement
 - Access to passive infrastructure (ducts & poles)
 - Facilitating access to the “vertical” bottleneck



Competition in the access loop is becoming a reality in France, through FTTH/FTTB

Households passed Capex

| | | |
|--|----------------------|-----------------------------|
|  | 2008: 2M 2010: 9M | €200M/y ear |
|  | 2009: 1M | €300M/€ 400M in 08/09 |
|  | 2009: 1M | €300M in 08/09 |
|  | 2008: 200m | €270M in 07/08 |



numericable
NUMERICABLE : ACTEUR MAJEUR DE LA FIBRE OPTIQUE EN FRANCE
Eligibilité à la Fibre optique
Entrez vos coordonnées pour tester votre éligibilité :
Adresse
Code postal
Légendes
Fibre déployée. NET jusqu'à 100 Mega déjà disponible
Fibre avec basculement prochain au 100 Mega
Fibre déployée en 2008
Fibre déployée début 2009
L'offre du moment
Pack Triple Play 29.90/mois
TV Prima + de 120 chaînes numériques jusqu'à 100 Méga
+ Ultra Haut Débit vers les fixes en France et vers 45 destinations
+ Téléphone illimité 6€ d'économie !
Le sachez-vous ? Vous pouvez aussi composer votre pack personnalisé
Les avantages du Triple Play Numericable

Source : operators

The roadmap to competition & investment

- Promote competitive roll-outs wherever possible
 - Addressing the key bottlenecks (ducts, vertical in-house cabling)
- Allow voluntary sharing agreements to accelerate coverage
 - Does not imply that competition is not sustainable
 - No “last mover” advantage!
- Consider regulation only in the absence of competitive outcome
 - Access at the deepest level of sustainable competition
 - New forms of “wholesale”
 - New approach of time and risks

Functional Separation is the surest way to slow down the roll-out of NGANs

- Creates a wait/wait situation due to the “last-mover advantage”
 - Vertically-integrated operator unwilling to bear a regulatory risk on top of the technical/economic risks
 - Potential competitors in the access loop know they are protected against a competitive roll-out and are interested in keeping ROCE high (and CE low..)
- Re-creates the classical “hold-up problem” (Crandall, Sidak, Cave) in the absence of vertical agreements
 - Will the separated entity – or its shareholder(s) - risk a €bn investment if access seekers keep the possibility not to purchase or to re-negotiate prices?
- Coordination with the separate entity would require agreements between service providers (geography, timing, product, pricing) that are illegal under competition law

thank you

