



Promoting Competition and Investment

Q&A's on the Best Regulative Framework to Achieve a Gigabit Society for Europe

EU member countries have a number of challenges in transforming to Gigabit societies. Arguably, the greatest of these is determining which is the best regulative market environment to achieve the goals of an area-wide fiber access. Looking into other sectors and into economic history we find competition on all levels is by far the most convincing regulative concept. In the answers to Frequently Asked Questions, ELFA members have explained why and how “competition” has to be flanked by regulation because of the logic and principles behind network economics.

Is competition detrimental for an area-wide broadband deployment in Europe? Is there too much competition within EU 28, as is often said?

ELFA says: Competition is unanimously agreed by all experts to be the regulative concept which brings out the highest degree of innovation, investment, variety of products and consumer benefit. This is also and especially valid in the telecommunication sector. Without strong competition, providers can (and do) raise prices, delay investments, and provide sub-par quality of service. When faced with limited or nonexistent alternatives, consumers lack negotiating power and are forced to rely on whatever options are available. The new US government report on Community-based broadband solutions clearly shows the benefits for consumers and businesses when competition is increased (White House, January 2015)

What kind of competition do we need to meet the EU Broadband targets und tomorrow's Gigabit-demand? Is a solely service based competition on incumbents' networks sufficient?

ELFA says: Competition on all levels of the value chain, infrastructure competition as well as service competition, brings out the highest market dynamics and generates the highest level of investment.

There are a large variety of existing business models in the EU broadband markets including building completely new own next generation access networks, enabling existing copper-based networks via FTTC (rolling out fiber connections to the streets cabinets), providing wholesale products and offering them to retail customers, operating networks, delivering

products such like television, broadband or telephony and whatever else is imaginable. All these existing business models push companies to be more innovative and efficient and offer services at competitive prices, which generate user demand. Demand in turn drives more investment.

Should broadband deployment be an “incumbent-matter”?

ELFA says: Incumbents play an important role in the EU broadband-markets. Enhancements in EU broadband supply are also dependent of incumbents’ deployment activities. But the incumbents alone can never cope with the task of an area-wide broadband roll-out and the transformation to the Gigabit society in Europe: incumbents’ resources are not infinite. They are listed on the stock exchanges and therefore dependent on positive short-term figures, which do not really fit to long-term investments. So there is good reason why competitive market structures with many different market actors are necessary and existent. An area-wide fiber deployment in Europe is not imaginable without the variety of competition.

Do we need a uniformity of market actors to enhance the European single market for broadband?

ELFA says: We find quite different competitive market structures in the different EU member countries: In Denmark for example utilities are active in broadband deployment, in France municipalities or in Germany Stadtwerke. All those market structures have emerged from the particular circumstances in the particular country. And although they are different from country to country, they bring forward the deployment of high-capacity and future-proof fiber networks. So there is no economically reasonable cause to harmonize competitive market structures EU-wide.

Is there any effective reason to cut back regulation? Would less regulation give incumbents more incentives to invest in broadband?

ELFA says: Network economies tend to be natural monopolies: Once a certain network infrastructure has been built up there is no economic reason and little incentive to double it because of scales. Practical experience shows that this is true for all network industries, be it telecommunication, railways, electricity and so on. The access to existing copper networks can have an enormous impact on for example the broadband supply. Thus, regulation must watch over non-discriminating access and wholesale prices which on the one hand give



network owners a benefit for having built up the network, on the other hand give wholesale demand the possibility to market the wholesale products to retail customers themselves. Less regulation, as often demanded by the incumbents, would not lead to more but to less investment: If access to existing networks could be denied or only given at an astronomical price, competitive roll-out of for example FttC would immediately come to an end. So, investment from competitors would be cut down to zero. Without this competition, the incumbent would have no pressure to invest themselves.

Is there a place for an over-arching uniform set of regulations for EU 28?

ELFA says: The situation in the broadband markets in the different member countries within the EU is quite heterogeneous. This diversity spans from the quality of copper networks over the structure of competition, the number of market actors, the market shares of the incumbent and the demand for high bandwidths to the degree of the FttH-roll-out, just to mention a few aspects. Regulatory procedures, which work out in one country, could be without effect in another country. Thus, there cannot be a “one size fits all-regulation” in Europe. National characteristics which are best interpreted by the national regulation authority have to be respected.

Conclusion

Competition is the major element that regulators must drive for, in order to achieve the goals of the Digital Agenda of the EU-Commission and to grant the transformation to the Gigabit-Society of tomorrow. This should be at the levels of infrastructure and service. Competition rules have to consider the national characteristics of the EU member country and must be flanked by regulation in every case where one market actor has significant market power.

About ELFA

ELFA, the European Local Fibre Alliance, is the shared voice from alternative public and private local fibre operators of currently eight EU member states. ELFA has been founded to call for a more ambitious European Digital agenda and the acceleration of fibre deployment in Europe to power ultrafast broadband to citizens and businesses. Our vision is to create sustainable fibre based infrastructures in both urban and rural areas across Europe. Members support open access business models and technology neutral access networks.