ISPs & broadband access competition in Europe

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EU telecoms competition needs unaffiliated ISPs

Incumbent

OLOs

DSLAM

Backhaul

Global connectivity

- EU telecoms competition needs:
  - Effective regulators
  - Unaffiliated ISPs
- Unaffiliated ISPs need telecoms competition

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Or, le fait que Wanadoo détienne la quasi-totalité des clients de l'accès à Internet par l'ADSL n'est pas seulement dommageable à l'économie des FAI, mais également aux opérateurs sur le marché du dégroupage. […] les opérateurs eux-mêmes pourraient perdre intérêt à investir sur le dégroupage si les FAI […] ne sont pas en mesure d'atteindre un tel volume de clients.

Avis n° 02-35 de l'ART, Jan. 02

Foreclosing EU ISP markets

- Lack of effective access to incumbents' DSL
  - Tied incumbent branding
  - Lack of timely information
  - Enforced homogeneity of service quality
  - Prolonged negotiations and appealing
- Abuse by incumbent ISP: e.g. predatory pricing
- Leverage of retail ubiquity
  - Call centres: e.g.cross-selling even when phoned to report fault
  - Shops: e.g. required to prove identity
  - Traffic databases
  - Regular billing to (virtually) all households

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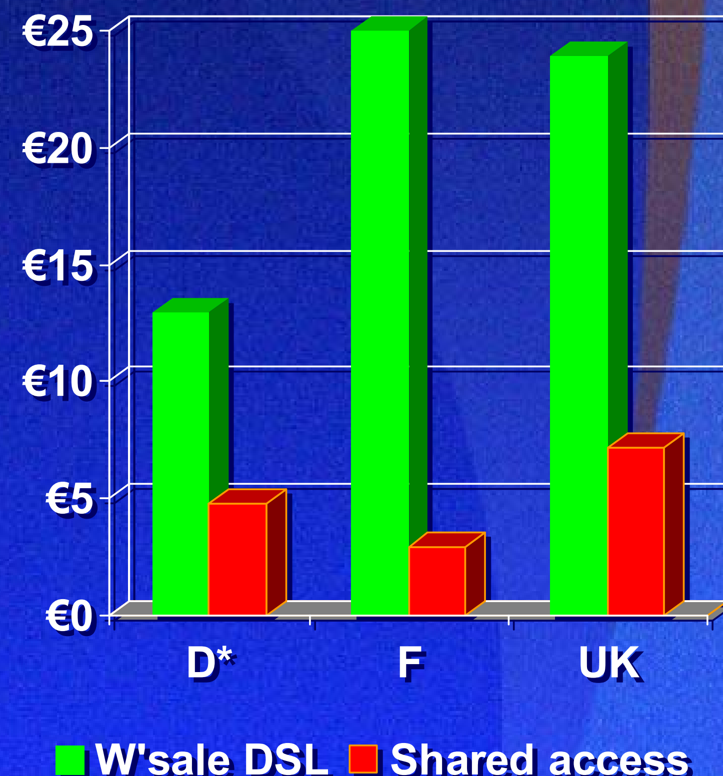
Foreclosure: Germany

- Very low DSL price
  - (Free modem till Jan 02)
  - Line sharing price squeeze
- O incentive to deny access
  - Only available as *T–DSL*
  - Discriminatory agency opportunities
- Entrenching via volume discounts
- 95+% of DSL users at 768/128Mbs



* T-DSL, as no wholesale product exists

Foreclosure: France

- DG COMP: Wanadoo predation (*de facto* ISP price squeeze)
  - NCA focused on abuses due to retail network
- Wholesale (Collect IP, option 5) price squeeze on interconnect (connect ATM, option 3) and line sharing (option 1)
- Regulatory "triple play": DG COMP, NRA, NCA
  - Wanadoo price sustained, but intermediate prices reset to avoid price squeezes - consumer victory?
- 90+% of DSL users at 500/128 Mbs

Foreclosure: UK

- BT previously less ambitious for broadband
  - Failure of line sharing most important here
- Reintegration of ISP activities within POTS business
  - "Arms length" relationship to ISP activities harder to monitor
  - Call centres: cross-marketing
- 90+% of DSL users at 512/256Mbs

Broadband ISP markets

(Incumbent ISP market share)	Narrowband	Broadband
Germany	52%	82%
France	37%	66% (DSL: 82%)
UK	16%	22%

Source: ECTA scorecard, AOL Europe, ART

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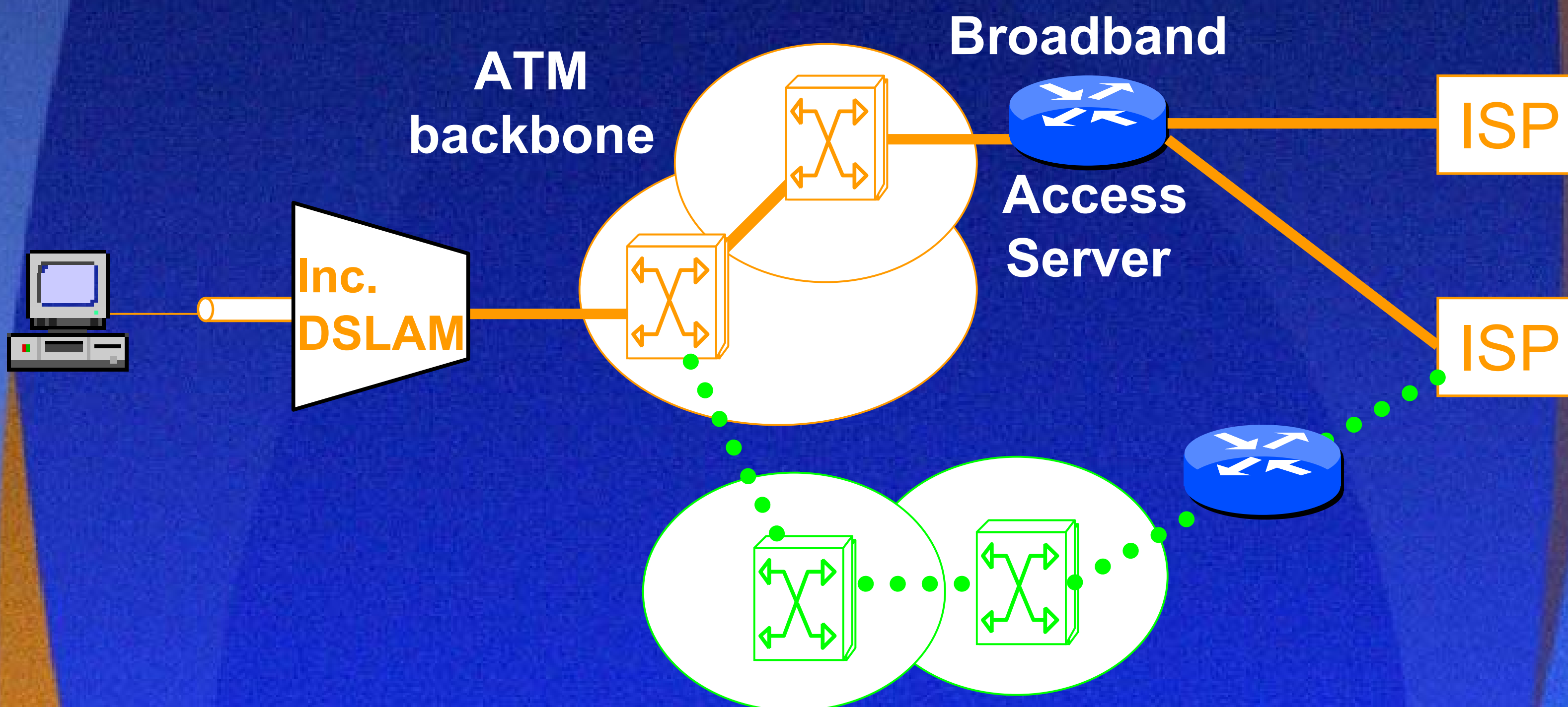
Addressing homogeneity



ATM Interconnect needed to enable infrastructure competition and ISP innovation

Conclusions

- Telcos need ISPs need Telcos
  - The digital economy also needs ISP competition!
- Prevent retail leveraging and abusive ISP behaviour
- Consumer choice: ATM interconnect is key "bit-stream" product

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