Local Loop Unbundling and Broadband Development in Europe

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FT Committed to Accelerating Broadband Takeup in Europe

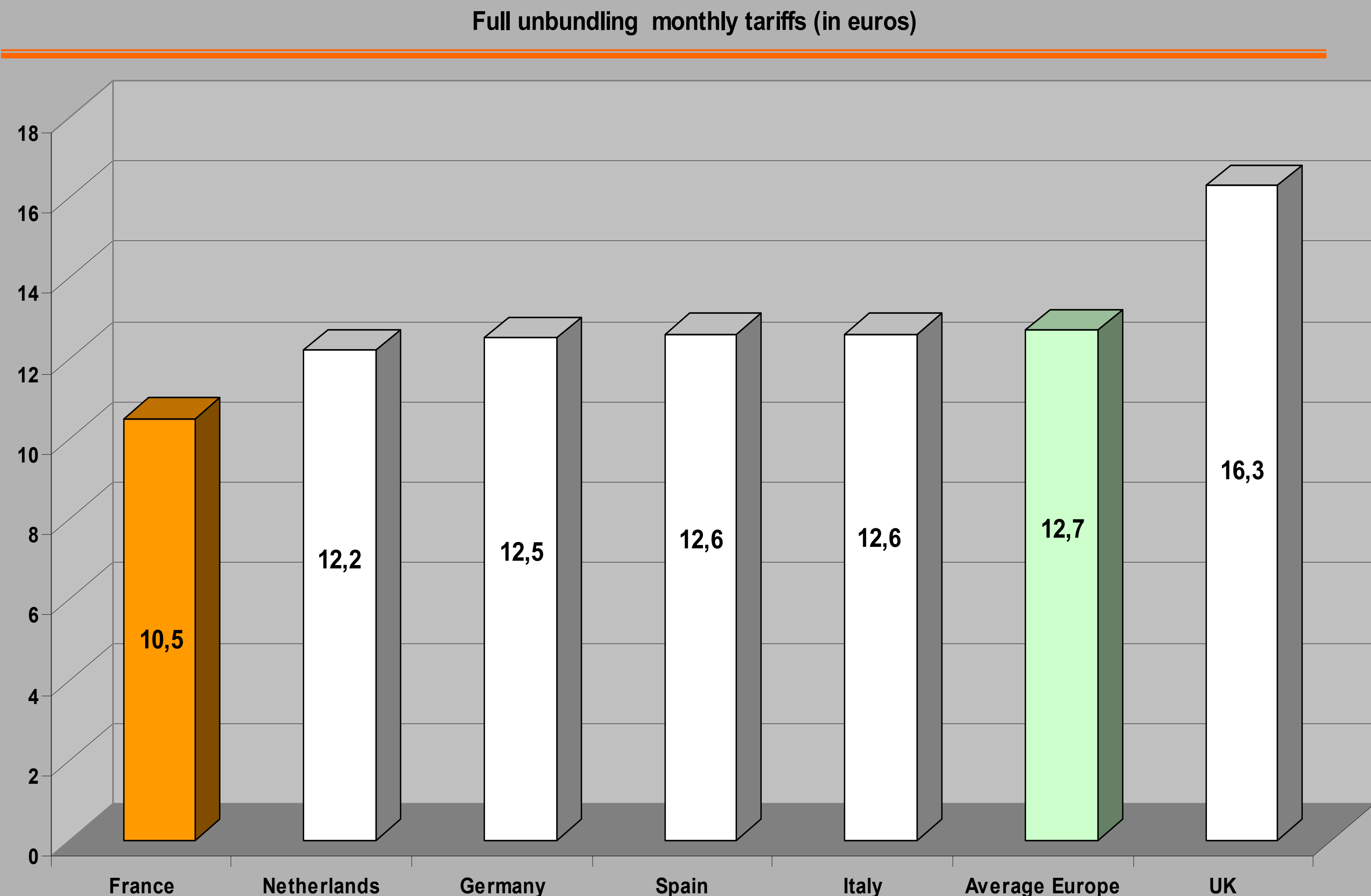
Supporting eEurope 2005: Broadband, a growth engine for the Information Society

- **Stimulating the market in France with**
  - **new unbundled rates that are the lowest in Europe**
  - **reduced wholesale ADSL and bitstream tariffs proposal (-20% to -45%)**
- **A strong broadband competitor investing in European Internet market**
  - **seeking favorable regulatory conditions in other countries too**

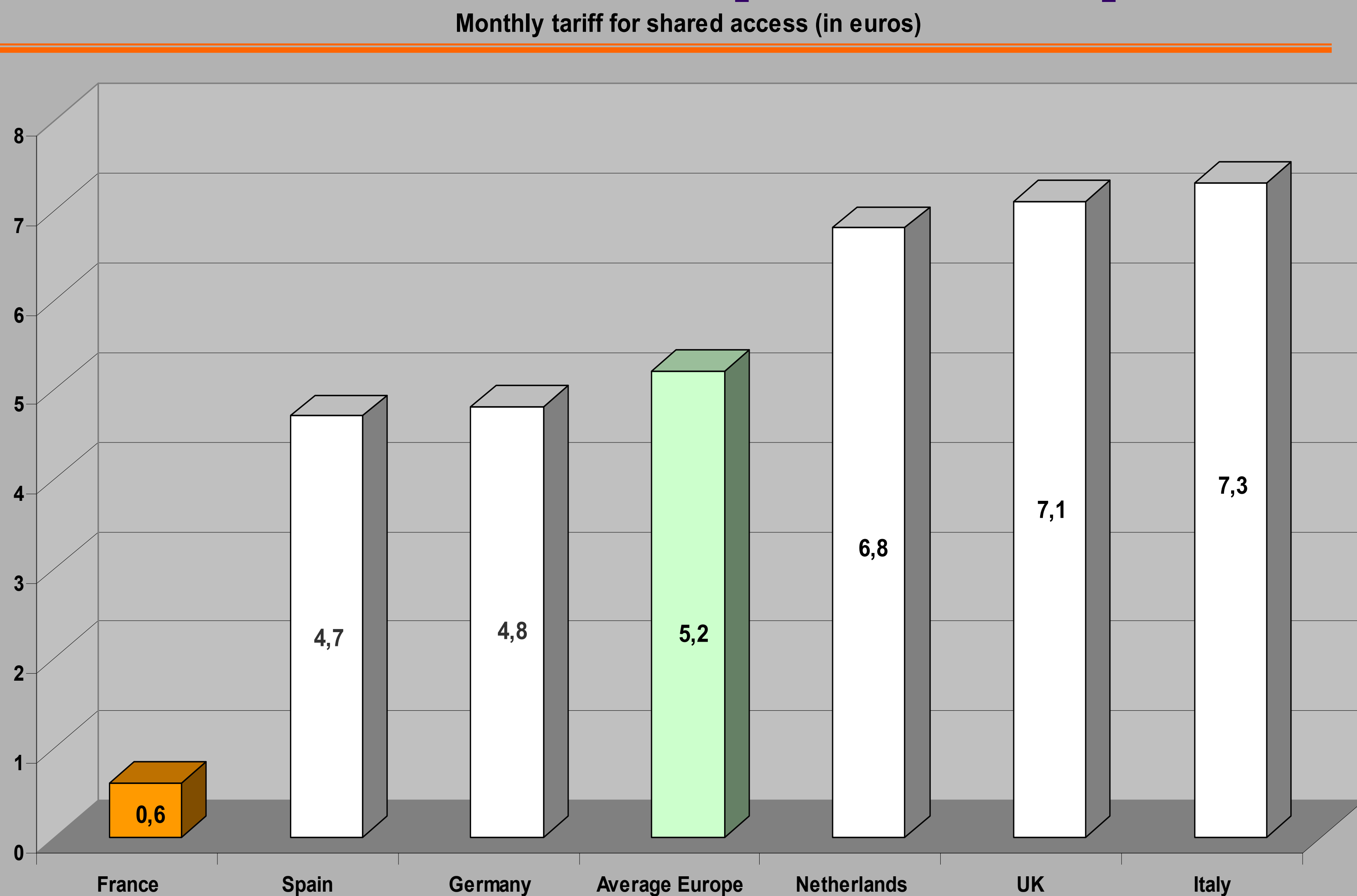
Excellent Unbundling Conditions in France

- **A new RIO that fully meets ART requirements**
  - **Rates now the lowest in Europe**
  - **FT investments have readied the network to meet the unbundling demand**
  - **Measures to facilitate colocation in FT technical facilities (co-mingling)**
  - **Subloop unbundling offered, as requested by the EC**
- **Now, let competition play its role: alternative operators must invest, too**

Unbundling : European Comparison



Shared Access : European Comparison



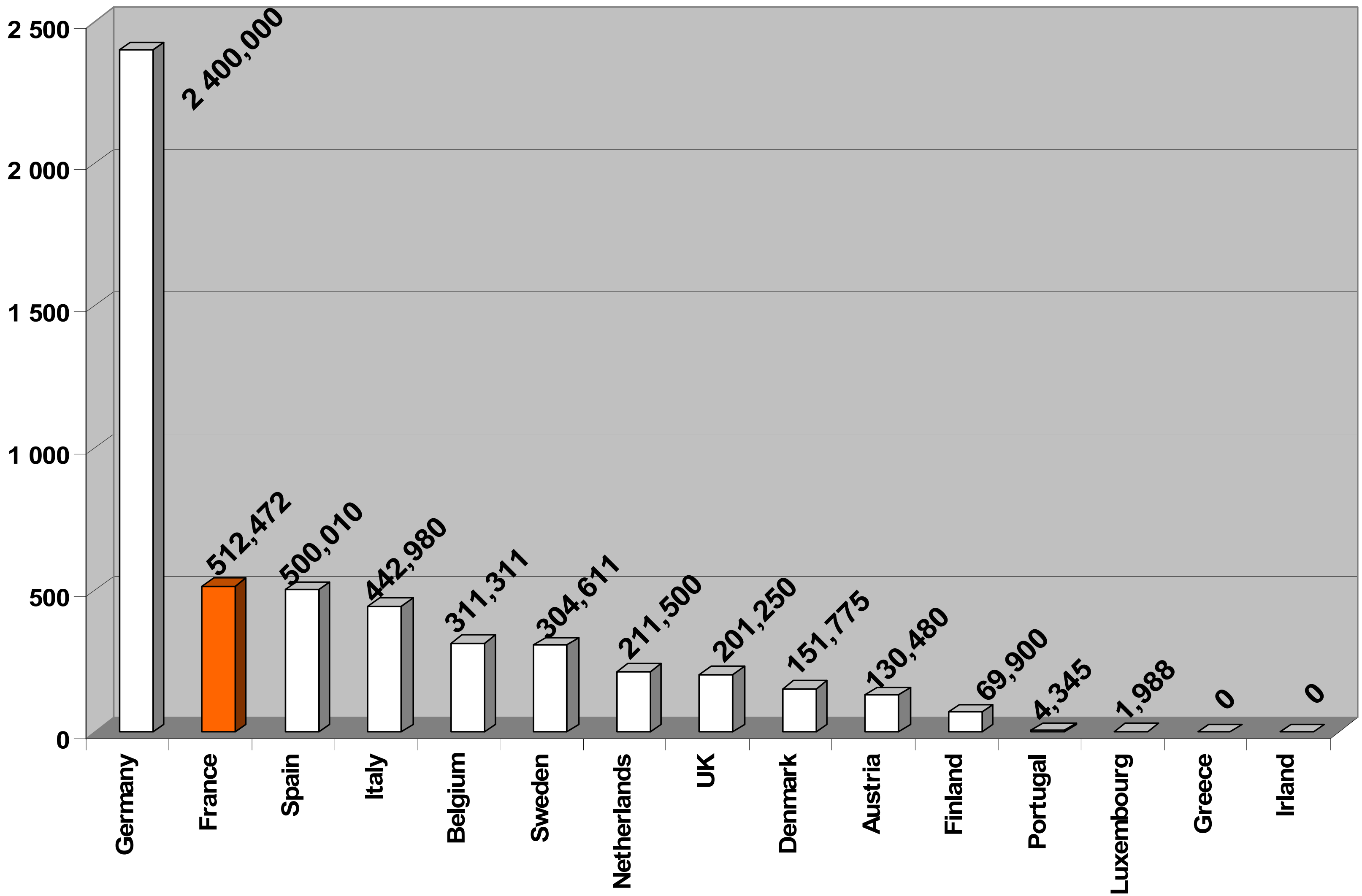
Broadband in France : A Growing Range of Alternatives

- **Various access types:**
  - Cable - 200,000 broadband subscribers
  - ADSL - 512,000 subscribers
  - WLL - 1000 subscribers
  - Optical Fiber - in business centers

- **A full range of wholesale and operator offers:**
  - LLU
  - ADSL Connect ATM (‘ ACA ’)
  - ‘ Collecte IP/ADSL ’ (transport), ‘ IP/ADSL ’ (end user access)

- **A larger choice of retail products** (subject to ART approval) **:**
  - ‘ La Ligne ADSL ’: 128, 512, 1024/128, 1024/256; ‘ Turbo DSL ’

Total DSL Lines by Country



Source ECTA (European Competitive Telecommunications Association) – April 2002

Learning from the Korean experience : A government policy success

- A penetration rate over 50%
- A strong commitment of the State
- Content development via multimedia/network games accelerated spread of broadband Internet
- Competition between players deploying alternative infrastructures (FTTH, LAN, W-LAN) fostered demand, without any mandatory LLU
- Industrial policy
  - A policy that aims to stimulate export of know-how:
  - Hanaro (KT's challenger) building a global strategy

Learning from the US Experience

- **Extensive broadband access coverage, (85% of households), but low penetration rate (7%, of which 63% cable modems)** **(30/6/01. Source: FCC)**
  - **DSL: 93% provided by incumbents, 7% by competitors**
- **Rolling back regulation now seen as one way to reduce the "demand gap"**
  - **Current FCC review and House bills propose "regulatory parity" with cable**

Unbundling and beyond : In search of a viable business model

- No obvious correlation between an aggressive LLU policy and an accelerated broadband deployment: compare Korea and the USA
- Telephony?
  - Competing with both fixed and mobile services
  - Profit margins are thin
- Broadband?
  - Content still lacking for general public
  - A risk that people will wait for the ’killer application ’
  - Operators have not waited for unbundling to build alternative networks for business clients

Success Factors for eEurope 2005

- **Inter-platform competition is key to successful broadband development**

- **Need for strong commitment by governments:**
  - to create a favourable investment environment
  - to help develop appropriate skills and overcome “technophobia”
  - to foster broadband services’ use in gov’t offices (e-government)
  - to help fund broadband deployment in rural areas

- **And an investment-friendly regulatory environment**
  - a light, stable and predictable framework
  - that promotes infrastructure competition, and avoids intervention favouring one technology over another