Infrastructure competition in Austria - The Incumbent´s view on the liberalised market

Public Hearing
Brussels, July 2002

The current Austrian regime does not foster infrastructure investments by the fixed incumbent

Fixed Service providers can act in the Austrian market under privileged market conditions

Fixed Incumbent

The numerous broadband player face different degrees of scope to act

Other than the Incumbent the fixed service provider can offer significant products with out own infrastructure investments

CbC, CPS in local area

Dial in internet access

Fixed Service Provider

Broadband internet access

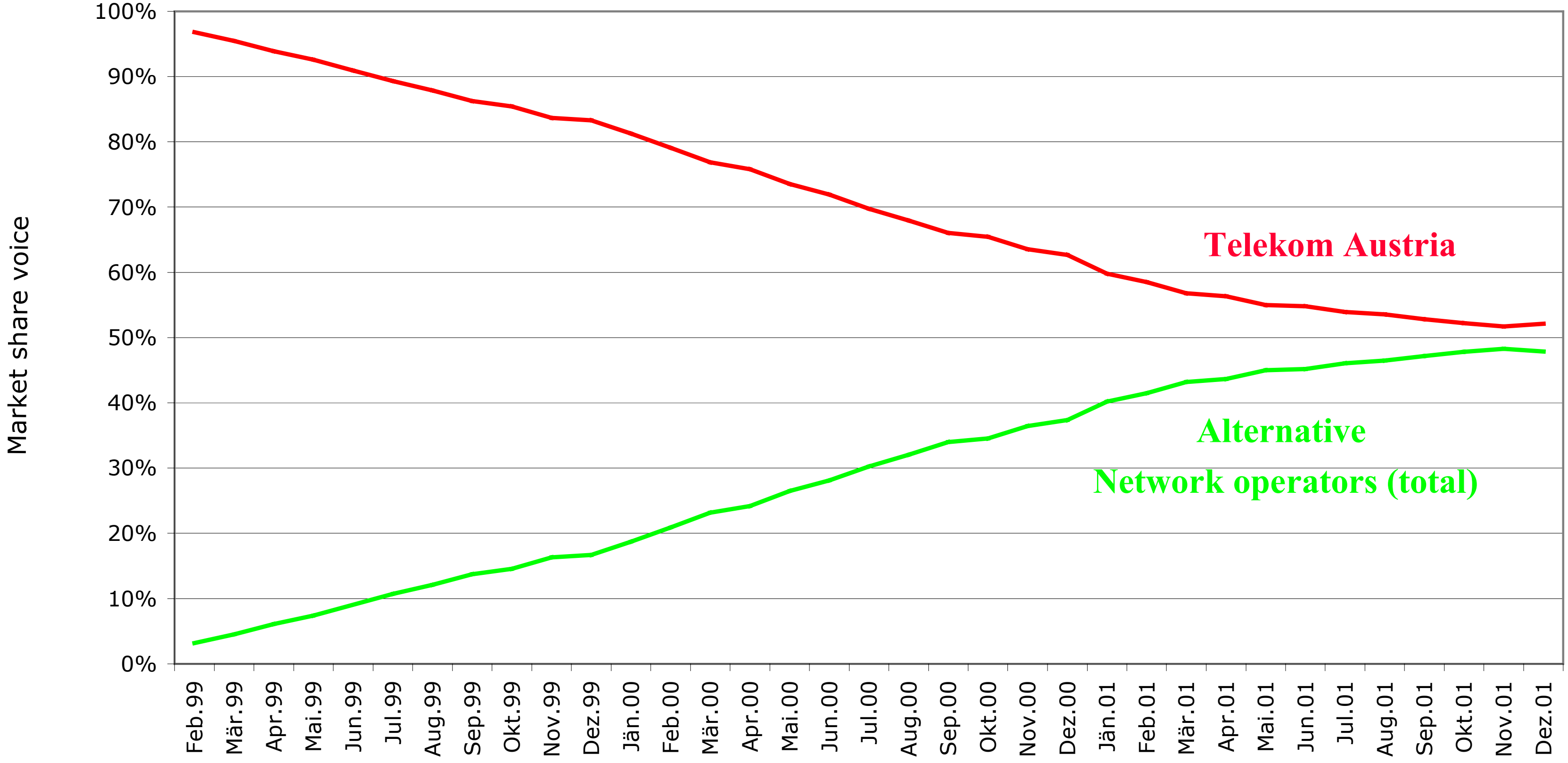
Unbundling Local Loop

SP undermine investments in ULL and local infrastructure

low cost competitors drive prices down and cause bankruptcies (i.e. KPNQuest, Cybertron, MCN)

Incumbent looses significant market share

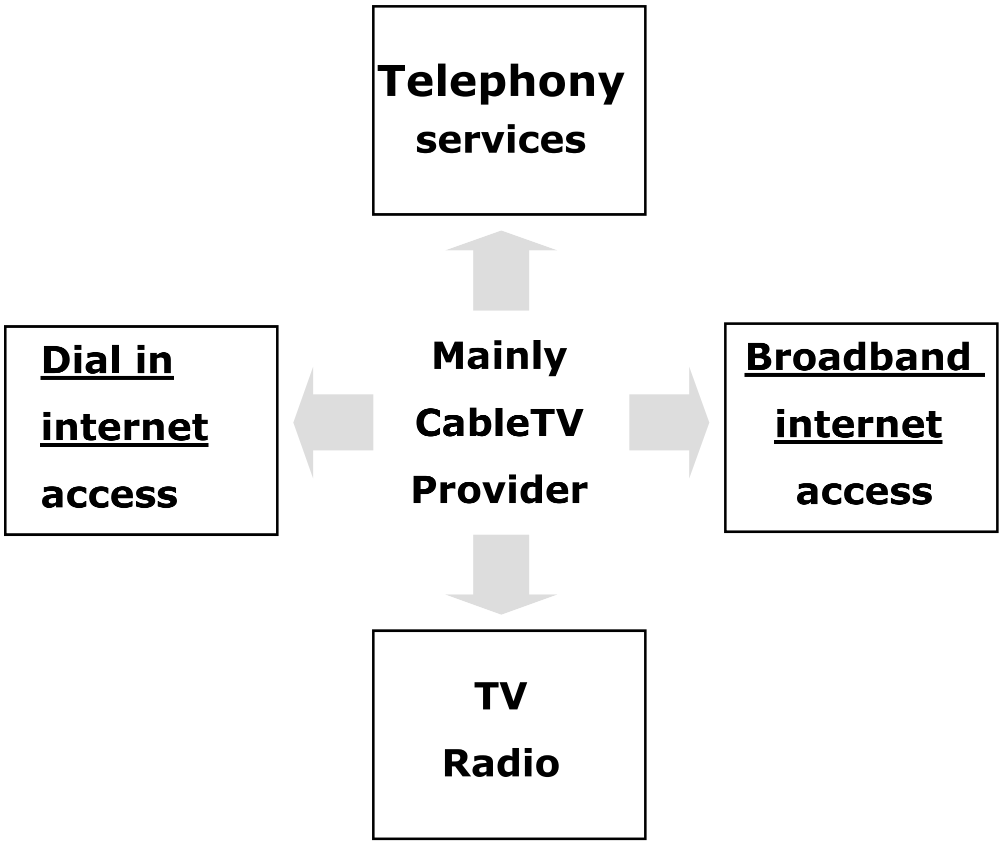
Due to the current regulatory regime in Austria the Incumbent lost 48% of its market share



Fixed voice telepony in Austria (voice minutes)

Source: Telekom Austria

The Austrian broadband differentiation (twisted pair vs "other") has a significant market impact

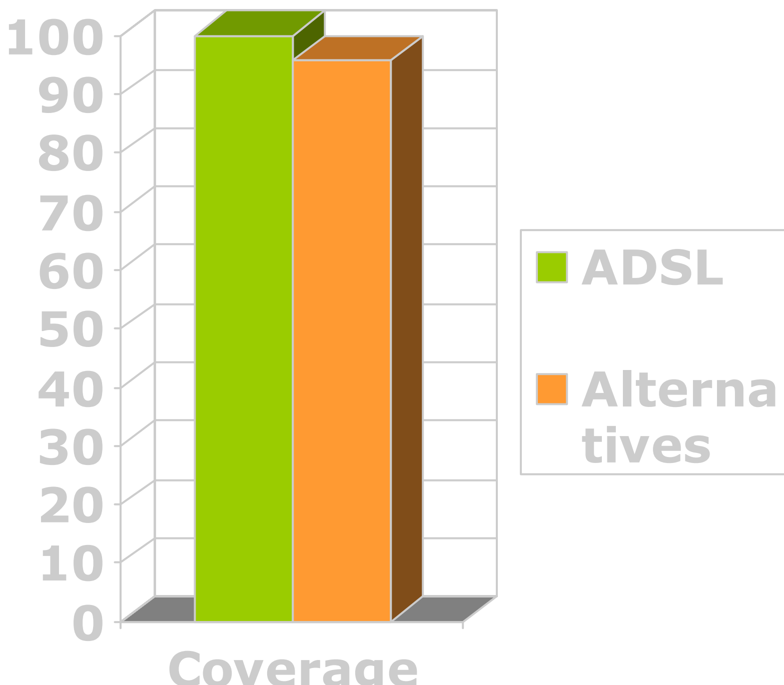


first mover advantage through a large "exclusive innovation" period

Return of investments for infrastructure and innovation under unregulated market conditions

Service monopoly i.e Bundle offers of CableTV, Radio, Telephone, Internet

95,7% of the main catchment areas are actually covered by broadband access of other operators (mainly CableTV)

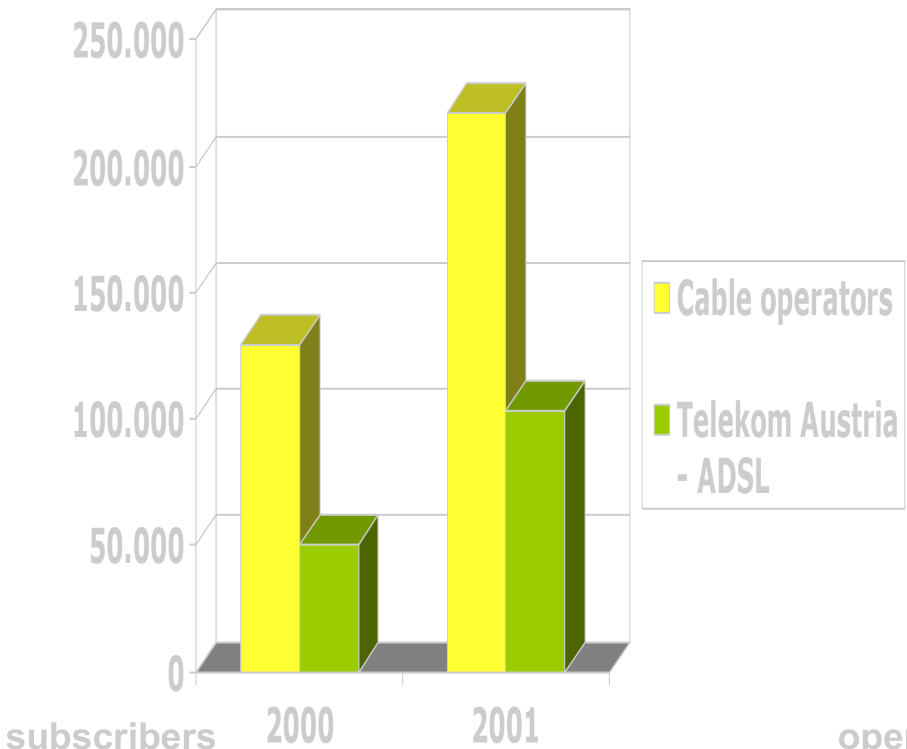


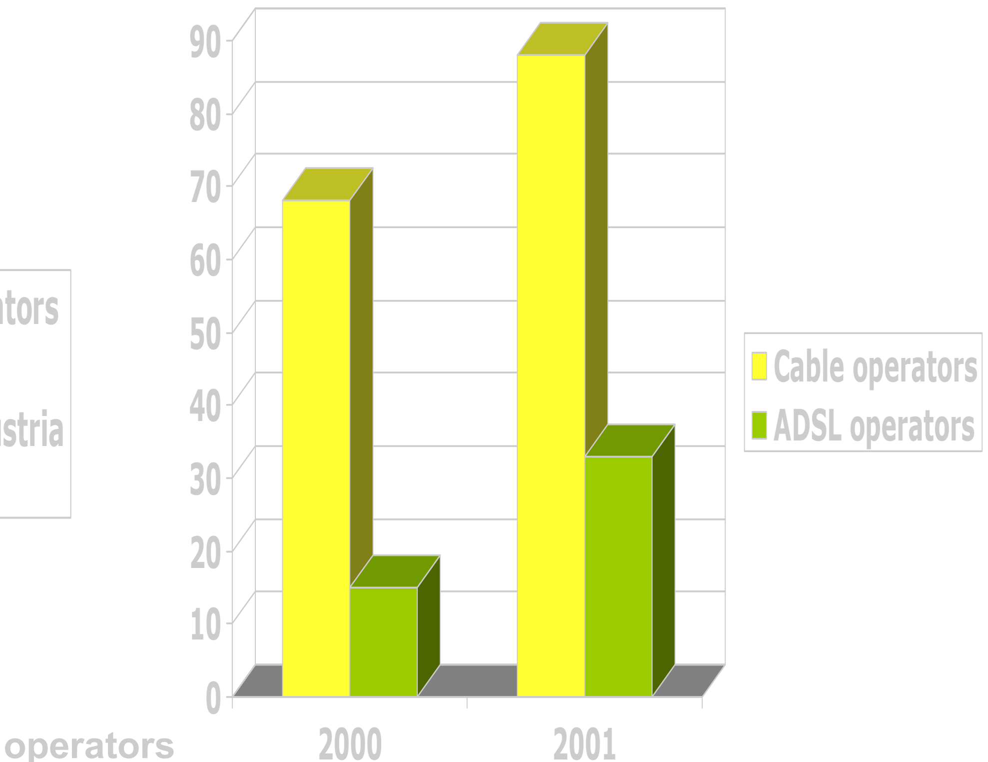
Alternative infrastructures, which already provide services:

- Cable TV operators (238 **!**)
- City Carriers (e.g. Colt, UTA, ETI)
- WLAN-Carriers (e.g. eWave, Metronet)
- Powerline-Carriers (e.g. TIWAG Linz AG, EVN)

Source: Telekom Austria

The CableTV-sector (88 operators) can provide twice as much subscribers with broadband services than Telekom Austria





Broadband Internet access - Development subscribers

Source: Chamber of Commerce, Telekom Austria

The Incumbent needs incentives and fair conditions to continue it´s investments serving a large customer demand

cost-oriented telephony prices	**cost-oriented** network access prices	**non-discriminatory** Internet broadband access prices	**transparency** obligations
return of Investments	adequate **cost accounting** system	**first mover advantages**	**harmonised conditions**

The same conditions for all players!

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