



Latest progress in LLU as reflected by the sector enquiry

LLU
hearing
8 July 2002

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DG Competition

Objective of the presentation



Factual update on the progress of LLU

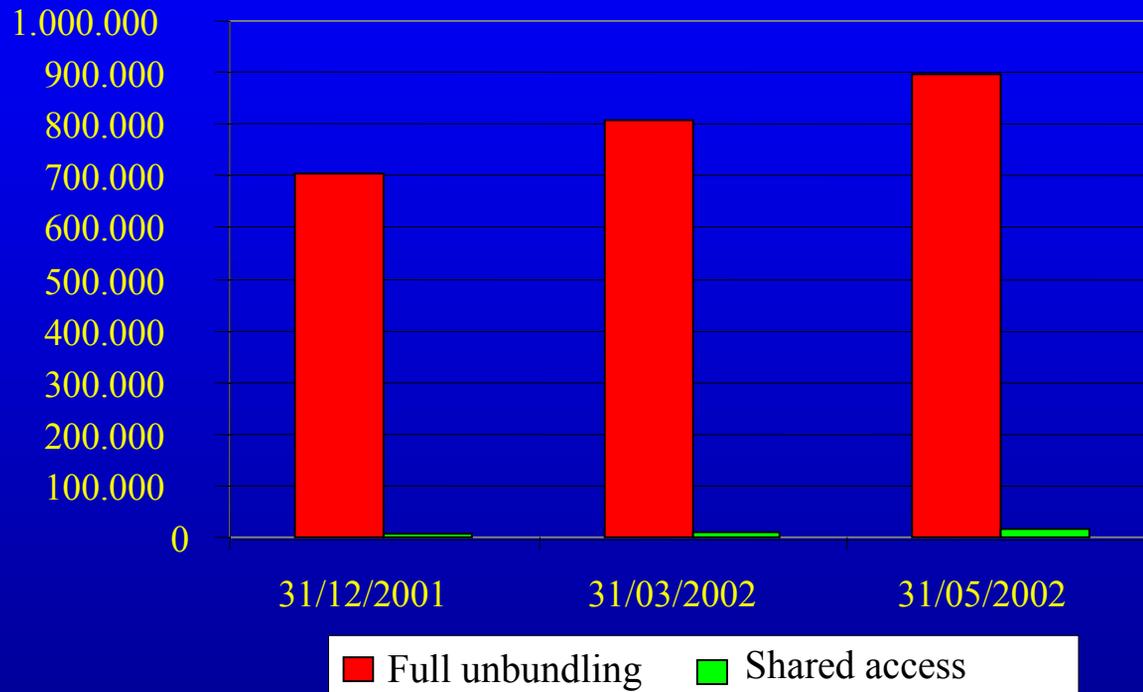
Based on information supplied by incumbents and new entrants

EEA wide

Outline :

- the numbers**
- the recent improvements**
- the grievances of the new entrants (overview)**
- the effects of slow LLU**

Number of unbundled lines



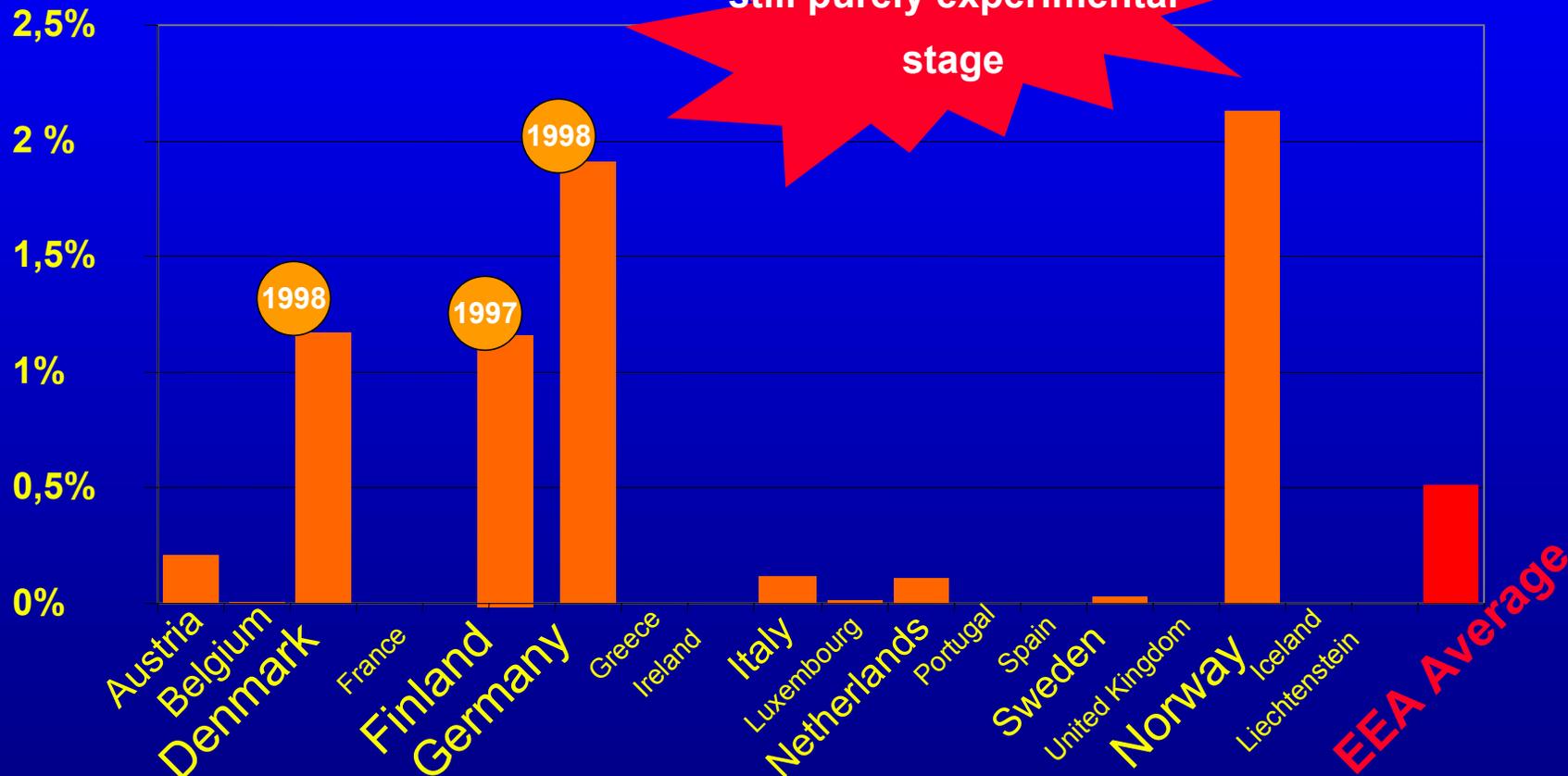
900,000 fully unbundled lines

Shared access on a very limited scale

% of unbundled lines



In a majority of MS,
still purely experimental
stage

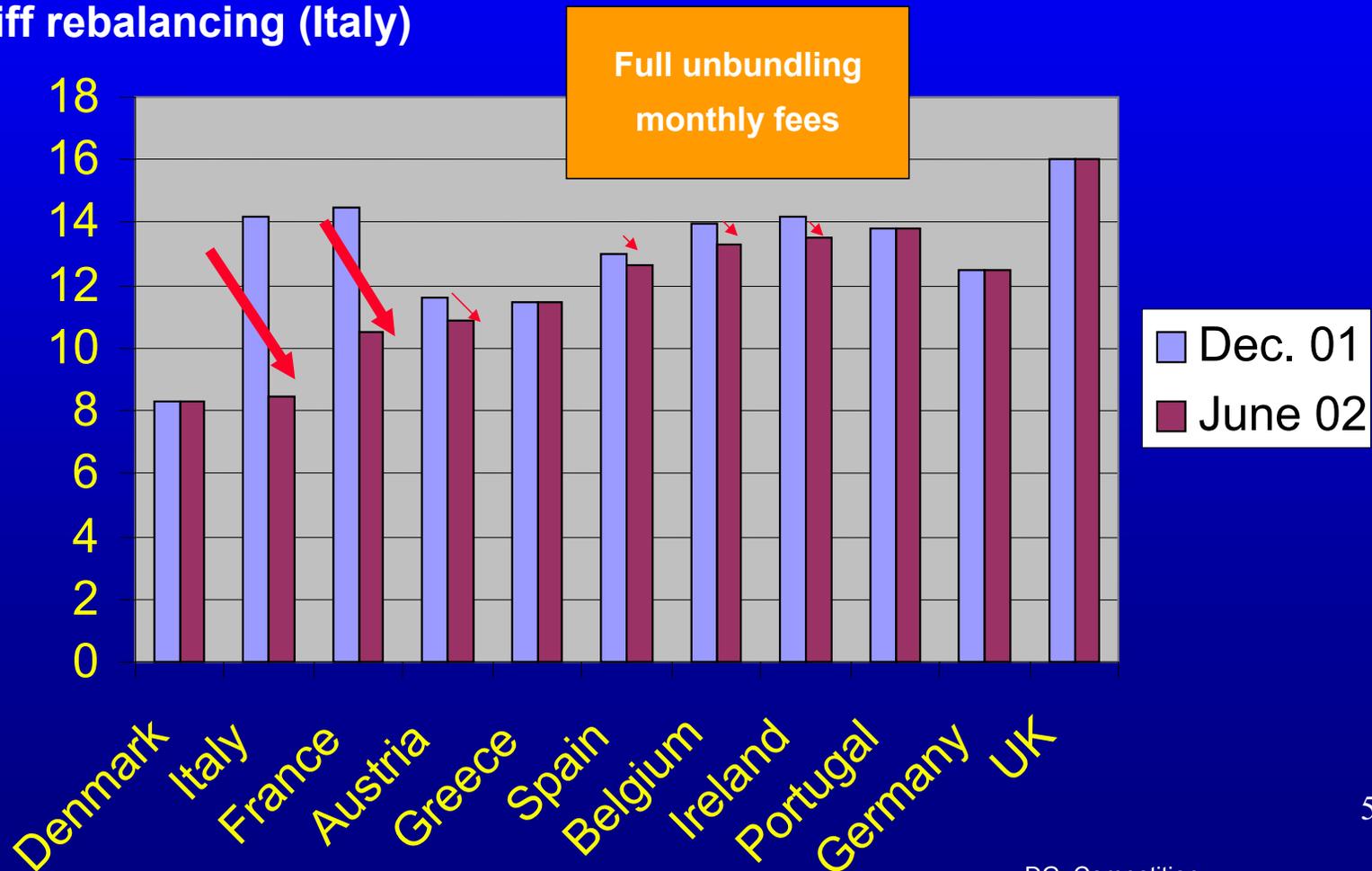


Insufficient progress - Prices



Decreases in unbundling prices, notably in France and Italy

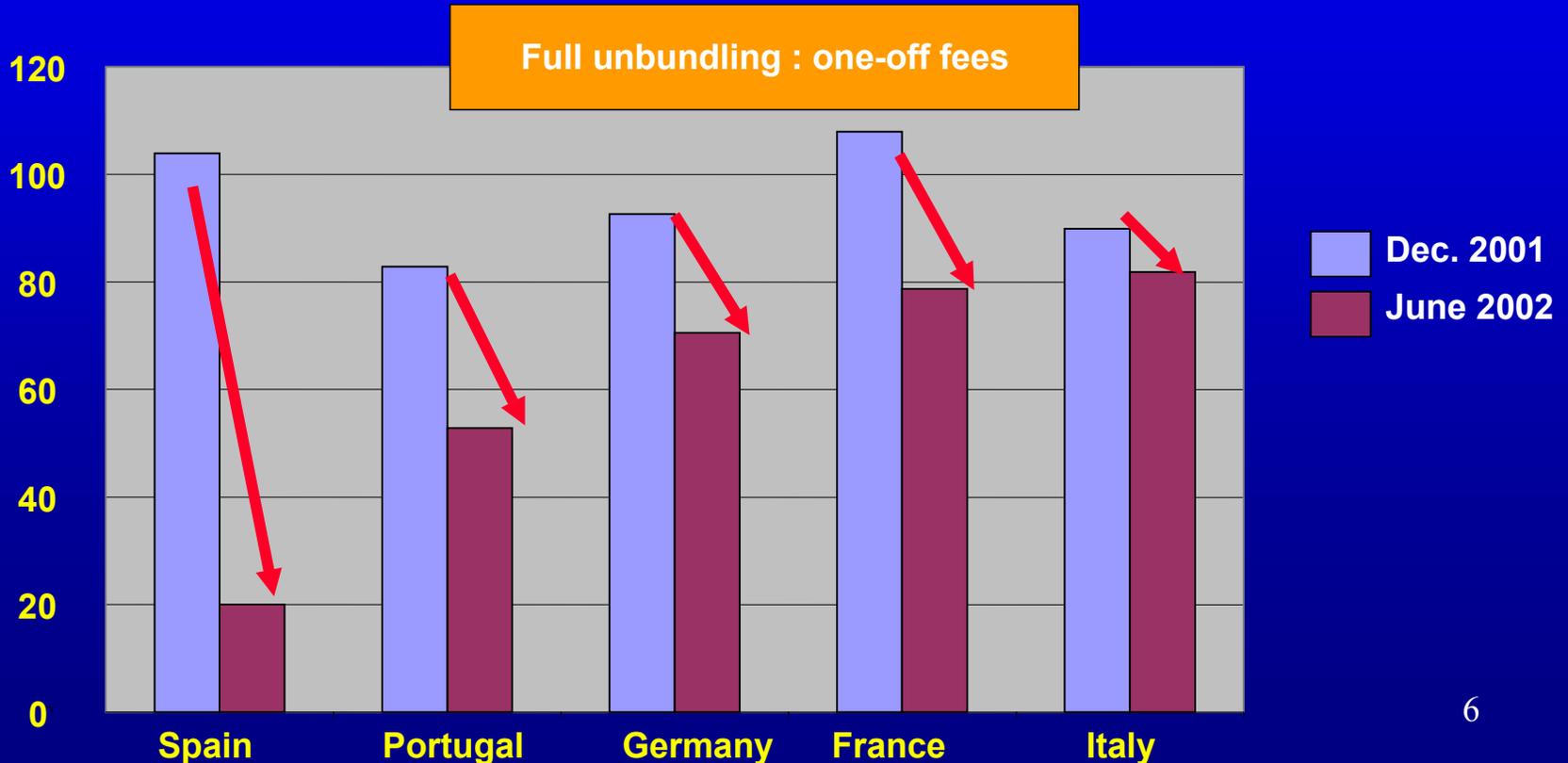
Tariff rebalancing (Italy)



Insufficient progress - Prices



In several countries significant reductions in one-off fees, but their levels are generally high to address the residential market

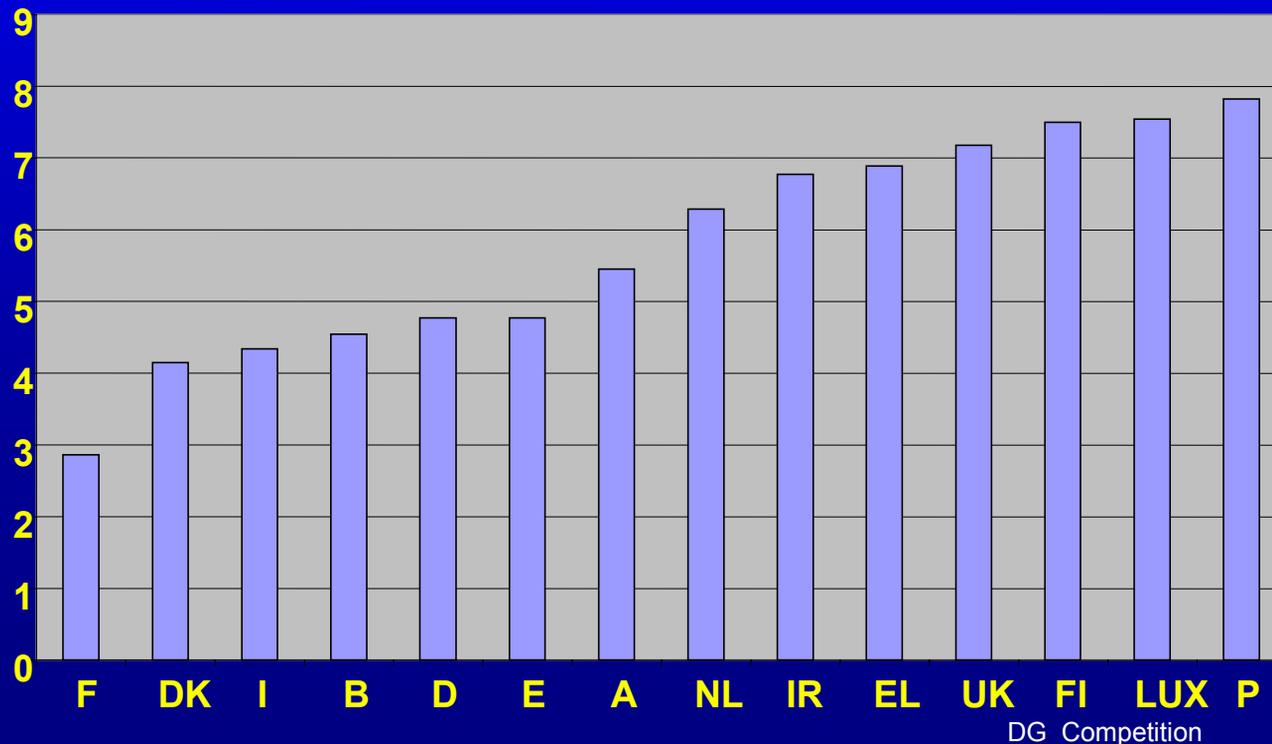


Insufficient progress - Shared access

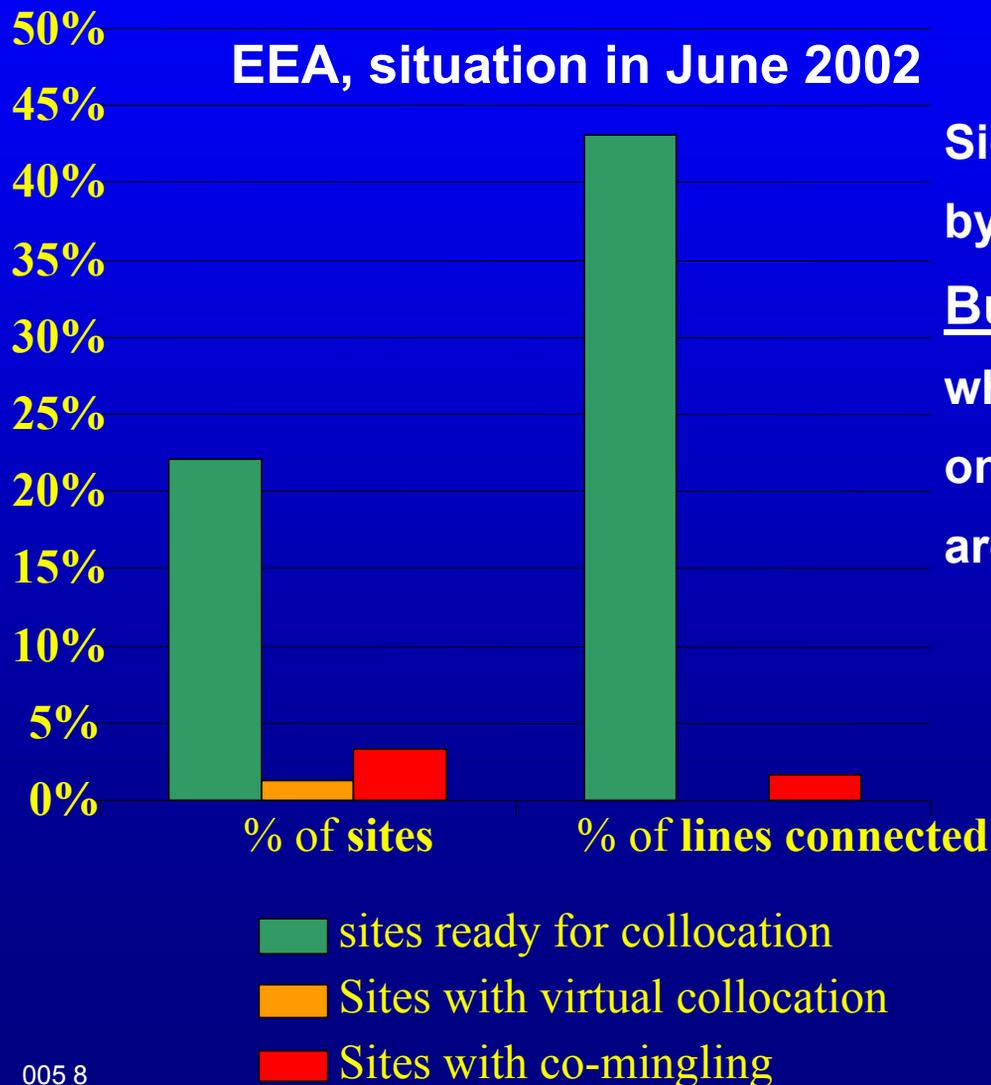


Since March 2002 shared access available in principle everywhere but huge price dispersions across Europe

Shared Unbundling: Monthly fee



Insufficient progress - modalities of collocation



Significant number of lines served by sites ready for collocation

But the “lightest” collocation solutions whereby the access seeker is treated on the same footing as the incumbent are extremely marginal.

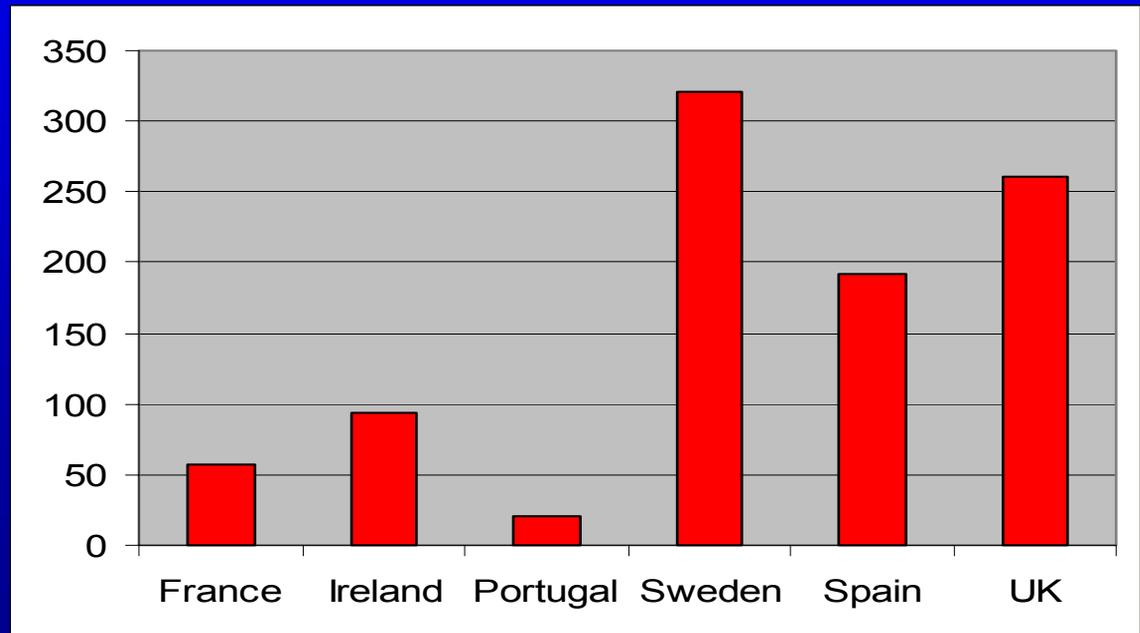
Co-mingling not offered in Austria, Italy, Luxembourg, The Netherlands, Portugal

Grievances expressed by access seekers - excessive pricing



New entrants in 15 EEA States report prima facie excessive pricing by incumbents on certain components of the RUO (one-off fees, rental of collocation space, etc.).

Example :
fees for escorted
access
(1 hour, business
hours,
prices in €).



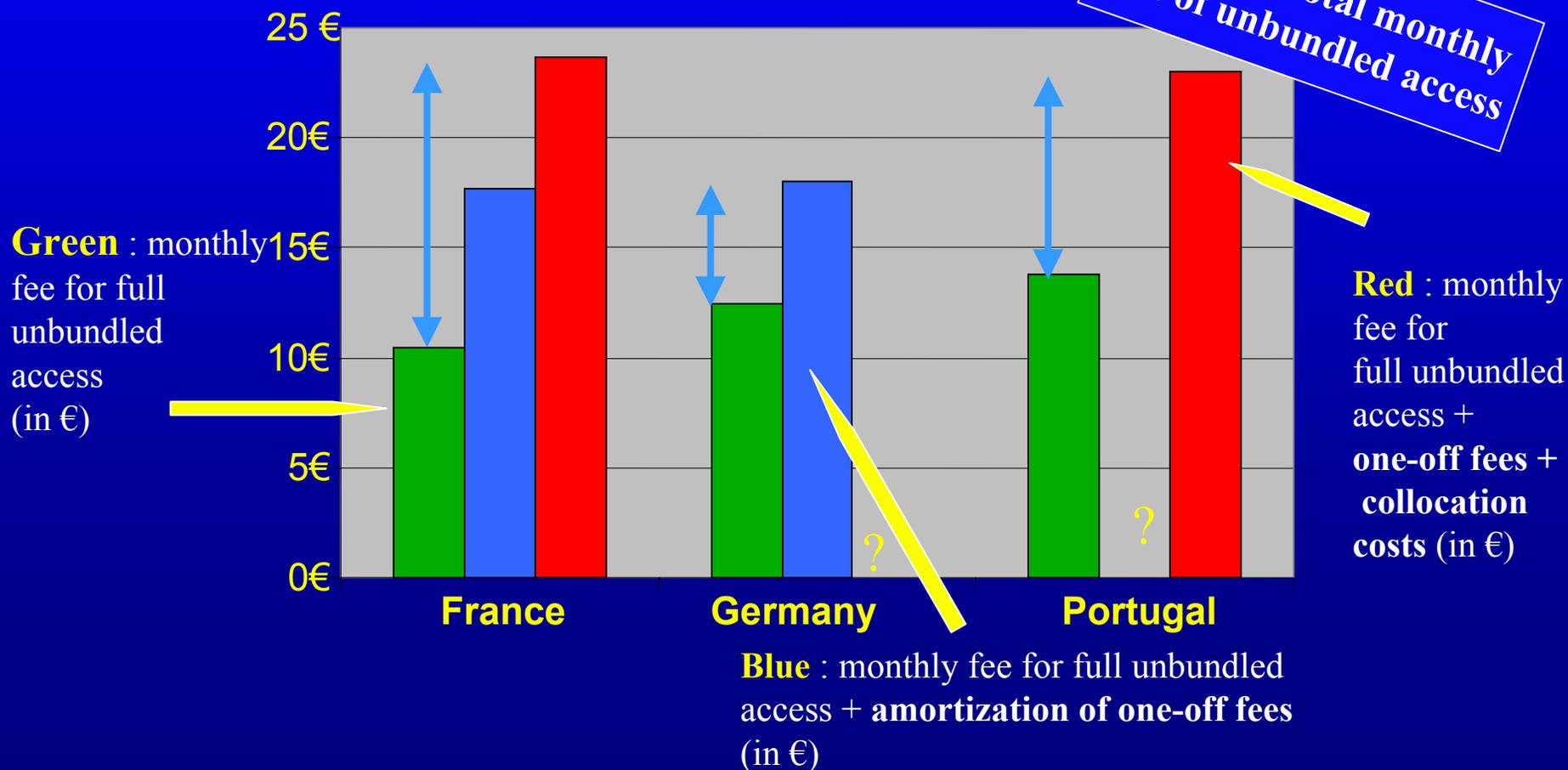
Grievances expressed by access seekers - margin squeeze



- **In at least 10 EEA States, new entrants report that the margin between incumbent's retail ADSL prices and the prices charged for full or shared LLU access do not allow new entrants to offer service at a profit**
- **In at least 5 EEA States, new entrants identify a margin squeeze between retail and wholesale prices for the incumbent's ADSL product**
- **In some Member States, retail line rental below full unbundling fee.**

Grievances expressed by access seekers - excessive upfront fees on top of monthly fees create margin squeeze

According to simulations made by new entrants, one-off fees and collocation charges increase very significantly the monthly cost of unbundled access (sometimes more than x 2).



Grievances expressed by access seekers - discrimination



- ◆ **In 13 EEA States, new entrants report that incumbents are discriminating against them by favouring their retail arm or affiliated sales agency in the provision of unbundled local loops and related facilities (*i.e.*, collocation)**
- **New entrants in 9 EEA States report a number of instances where incumbents provide services to new entrants which are inferior in quality without price reductions**

Grievances expressed by access seekers - other non-tariff related issues



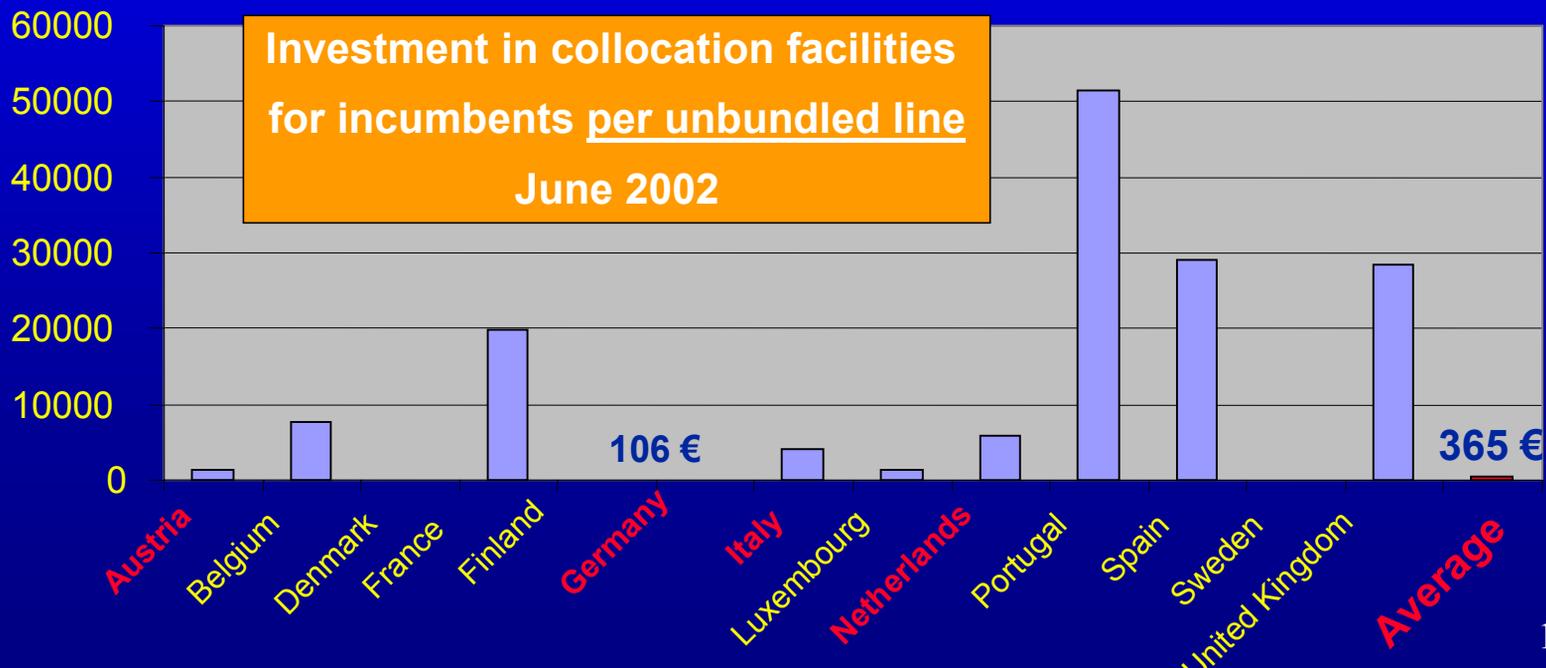
- **refusals to supply (network information)**
- **unjustifiable delays (vary - physical collocation)**
- **Tying (collocation conditions)**

Effects of slow unbundling



The process is cumbersome and expensive not only for new entrants, but for incumbents as well :

330 M € invested since 2000 by incumbents EU wide in the building / refurbishment of collocation facilities.



The fewer unbundled lines, the higher the cost of sunk investments in collocation facilities for incumbents

How will these costs be recouped ?

Effects of slow unbundling



Risk of market preemption in DSL services. 1st semester 2002 :

6.000 unbundled lines a week

65.000 new ADSL connections a week for the incumbents

