

# Local Loop Unbundling in Germany - The Broadband Perspective

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## **No Competition = No Innovation**

**Local loop is a natural monopoly**

⇒ LLU delivers scale economies of the local loop to competitors

**LLU allows competition in access network infrastructure**

⇒ More innovative products.

⇒ Enhanced and sustainable choice for consumers.

⇒ Sustainable competition on wholesale markets.

## How is LLU today in Germany?

### On the outset, conditions look good:

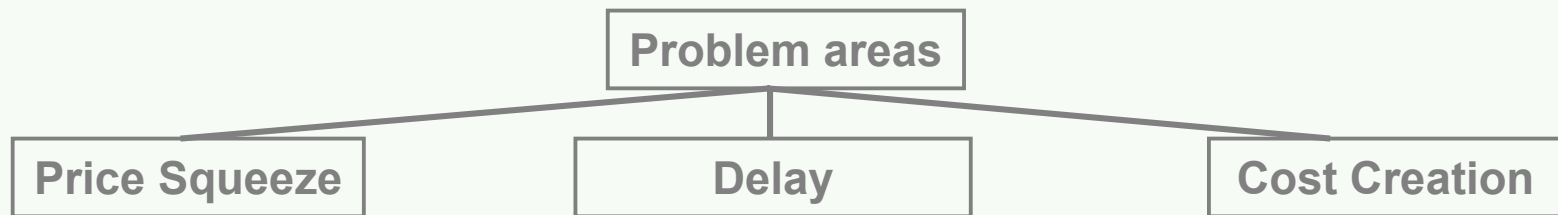
- high number of unbundled lines from European perspective;
- LLU fully implemented in legal framework.

### Closer inspection reveals:

- long term price squeeze (voice and DSL) by DTAG. Few competitors remain.
- RegTP not able to counter effectively DTAG strategy of raising competitors cost - for example non-recurring charges for co-location.

**RegTP Decision July 1st 2002 on Standard LLU Contract too late and not strong enough from competitors perspective.**

## The Second-best Solution



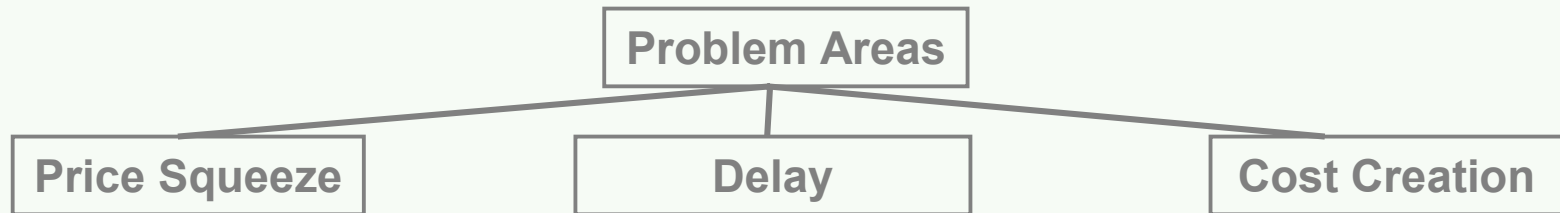
Solution: Gradual improvement in application of current legal instruments.

**Price Squeeze** → Integrated approach towards wholesale and resale pricing. Includes mandatory ex-ante retail price control.

**Delay** → Drastic penalties for violation of QoS and discrimination.

**Cost Creation** → Effective cost-based regulation of all input factors (even co-location space; air conditioning).

## The Courageous Approach



Solution: Structurally Separated Local loop Carrier (LoopCO)

**Price Squeeze** → No incentive for LoopCo and incumbent retail to cooperate against other operators.

**Delay** → No incentive for LoopCo to damage its own core business.

**Cost Creation** → No incentive for rational LoopCo to increase competitiveness of alternative infrastructures (WLL, Cable, 3G).

**Structural Separation creates a Win-Win scenario for competitors, regulators and incumbents alike.**

**Effective implementation of second-best solution improves chance for Structural Separation being accepted by incumbent carriers.**