Local Loop Unbundling in Germany -

The Broadband Perspective

Gerd Eickers

Co-founder and COO QSC AG

Board Member of the Association of Telecommunications and Value-Added Service Providers (VATM)

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.

Q-DSL

The Second-best Solution

Problem areas

Price Squeeze | Delay | Cost Creation

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).

QSC

The Courageous Approach

Problem Areas

Price Squeeze | Delay | Cost Creation

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 ist 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.