Latest progress in LLU as reflected by the sector enquiry

LLU hearing
8 July 2002

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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
In a majority of MS, still purely experimental stage
Decreases in unbundling prices, notably in France and Italy
Tariff rebalancing (Italy)

Full unbundling monthly fees

Dec. 01
June 02
Insufficient progress - Prices

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

Full unbundling: one-off fees

Spain Portugal Germany France Italy

Dec. 2001 June 2002
Insufficient progress - Shared access

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

Shared Unbundling: Monthly fee
EEA, situation in June 2002

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).

**Green**: monthly fee for full unbundled access (in €)

**Blue**: monthly fee for full unbundled access + amortization of one-off fees (in €)

**Red**: monthly fee for full unbundled access + one-off fees + collocation costs (in €)

Estimated total monthly cost of unbundled access
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)
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.

![Investment in collocation facilities for incumbents per unbundled line June 2002](chart)

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

How will these costs be recouped?
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

Incumbent DSL lines

0 1,000,000 2,000,000 3,000,000 4,000,000 5,000,000 6,000,000 7,000,000

31/12/2001 31/03/2002 31/05/2002