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

Problem areas

Price Squeeze

Solution: Gradual improvement in application of current legal instruments.

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

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 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.