Local Loop Unbundling and Broadband Development in Europe

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FT Committed to Accelerating Broadband Takeup in Europe

Supporting eEurope 2005: Broadband, a growth engine for the Information Society

- Stimulating the market in France with
  - new unbundled rates that are the lowest in Europe
  - reduced wholesale ADSL and bitstream tariffs proposal (-20% to -45%)

- A strong broadband competitor investing in European Internet market
  - seeking favorable regulatory conditions in other countries too
Excellent Unbundling Conditions in France

✔️ A new RIO that fully meets ART requirements
  - Rates now the lowest in Europe
  - FT investments have readied the network to meet the unbundling demand
  - Measures to facilitate colocation in FT technical facilities (co-mingling)
  - Subloop unbundling offered, as requested by the EC

✔️ Now, let competition play its role: alternative operators must invest, too
Unbundling: European Comparison

Full unbundling monthly tariffs (in euros)

<table>
<thead>
<tr>
<th>Country</th>
<th>Tariff (in euros)</th>
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<tbody>
<tr>
<td>France</td>
<td>10.5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>12.2</td>
</tr>
<tr>
<td>Germany</td>
<td>12.5</td>
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<tr>
<td>Spain</td>
<td>12.6</td>
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<tr>
<td>Italy</td>
<td>12.6</td>
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<tr>
<td>Average Europe</td>
<td>12.7</td>
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<tr>
<td>UK</td>
<td>16.3</td>
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</tbody>
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Shared Access: European Comparison

Monthly tariff for shared access (in euros)

France: 0.6
Spain: 4.7
Germany: 4.8
Average Europe: 5.2
Netherlands: 6.8
UK: 7.1
Italy: 7.3
Broadband in France: A Growing Range of Alternatives

Various access types:
- Cable - 200,000 broadband subscribers
- ADSL - 512,000 subscribers
- WLL - 1000 subscribers
- Optical Fiber - in business centers

A full range of wholesale and operator offers:
- LLU
- ADSL Connect ATM (‘ACA’)
- ‘Collecte IP/ADSL’ (transport), ‘IP/ADSL’ (end user access)

A larger choice of retail products (subject to ART approval):
- ‘La Ligne ADSL’: 128, 512, 1024/128, 1024/256; ‘Turbo DSL’
France's ADSL market is the second largest in Europe, according to the European Competitive Telecommunications Association (ECTA) report for April 2002.
Learning from the Korean experience:
A government policy success

- A penetration rate over 50%
- A strong commitment of the State
- Content development via multimedia/network games accelerated spread of broadband Internet
- Competition between players deploying alternative infrastructures (FTTH, LAN, W-LAN) fostered demand, without any mandatory LLU

- Industrial policy
  - A policy that aims to stimulate export of know-how:
  - Hanaro (KT’s challenger) building a global strategy
Learning from the US Experience

- Extensive broadband access coverage, (85% of households), but low penetration rate (7%, of which 63% cable modems) (30/6/01. Source: FCC)
  - DSL: 93% provided by incumbents, 7% by competitors

- Rolling back regulation now seen as one way to reduce the “demand gap”
  - Current FCC review and House bills propose “regulatory parity” with cable
Unbundling and beyond: In search of a viable business model

- No obvious correlation between an aggressive LLU policy and an accelerated broadband deployment: compare Korea and the USA

- Telephony?
  - Competing with both fixed and mobile services
  - Profit margins are thin

- Broadband?
  - Content still lacking for general public
  - A risk that people will wait for the ‘killer application’
  - Operators have not waited for unbundling to build alternative networks for business clients
Success Factors for eEurope 2005

Inter-platform competition is key to successful broadband development

Need for strong commitment by governments:

- to create a favourable investment environment
- to help develop appropriate skills and overcome “technophobia”
- to foster broadband services’ use in gov’t offices (e-government)
- to help fund broadband deployment in rural areas

And an investment-friendly regulatory environment

- a light, stable and predictable framework
- that promotes infrastructure competition, and avoids intervention favouring one technology over another