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Broadband study highlights two-speed Europe

New member states slow in applying broadband access measures to support competition

New member states, which have yet to apply effective access measures, are falling behind in broadband adoption creating a two-speed Europe, the latest Broadband Scorecard shows. ECTA's quarterly report, which tracks broadband competition and take-up across the EU, finds that in January 2006 broadband take-up was just 2.4% in Slovakia and 2.6% in Poland compared with 13.3% in Estonia and 12.8% in Malta – the highest performing of the new member states.

Whilst take-up in the better performing new member states was similar to those in countries such as Germany, Italy, Spain and Portugal (although far from the best case Denmark at 28%), worse performing countries ranked near the bottom for Europe as a whole.

“We are pleased to see there is some competition from cable and other infrastructures such as wireless in these countries,” said Steen Clausen, Managing Director of ECTA. “Nonetheless, these mechanisms do not provide the same extent of coverage as traditional fixed lines and we expect as elsewhere, that the true potential of DSL remains unrealised. This means that many consumers and businesses may have a very limited choice of providers or range of services, and for others, there may be no choice at all. Action is therefore needed to intensify competition through ensuring the effective provision of local loop unbundling and wholesale broadband access.”

There is scope for progress in all new member states. Nonetheless steps taken by some of the better performing countries should, when strengthened through effective implementation of measures under the new Framework, provide a basis for further growth in broadband. In Estonia, the highest ranked country, some lines have been unbundled and in Malta over one third of broadband lines are supplied by competitors reselling the incumbent's DSL services. In Cyprus, after considerable delays, the first local loop was unbundled in 2006 and triple play services are now on offer, although further action is needed to make unbundling effective and introduce bitstream, recently mandated by the regulator.

Meanwhile, substantial issues remain with the implementation of basic access in many new member states. This is particularly true in Poland and Slovakia where neither unbundling nor bitstream are available and the incumbent maintains above 70% market share. Meanwhile in the Czech Republic, pan-European competitive operator Tele2 recently announced they would be exiting the market due to the poor regulatory regime and lack of suitable wholesale products to enable them to compete effectively.

“We are in danger of creating a gulf between the broadband enabled and broadband deprived,” said Clausen. “It is clear that some countries are still at a very early stage of implementing and applying the EU Framework, and have yet to fully open their markets. We need to make sure that the Framework continues to provide strong support for those which are only at the beginning of the liberalisation process – and not redraw the rules on the basis of countries which are already some way down the road.”

Broadband league table: New member states

Ranking	Countries	Broadband penetration rates
1	Estonia	13.3%
2	Malta	12.8%
3	Slovenia	9.8%
4	Cyprus	7.7%
5	Lithuania	6.8%
6	Hungary	6.1%
7	Latvia	5.9%
8	Czech Rep.	4.4%
9	Poland	2.6%
10	Slovakia	2.4%

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European broadband league table Q4 2005

Ranking	Q4 2003	Q4 2004	Q4 2005
1	Denmark	Netherlands	→ Denmark
2	Belgium	Denmark	→ Netherlands
3	Netherlands	Belgium	↑ Finland
4	Sweden	Sweden	↓ Belgium
5	Austria	Finland	→ Sweden
6	Finland	France	↑ UK
7	France	UK	→ France
8	Germany	Austria	↑ Luxembourg
9	UK	Germany	↓ Austria
10	Spain	Luxembourg	↓ Germany
11	Portugal	Portugal	→ Italy
12	Italy	Italy	→ Portugal
13	Luxembourg	Spain	↓ Spain
14	Ireland	Ireland	→ Ireland
15	Greece	Greece	→ Greece

To access the ECTA Broadband Scorecard Q4 2005 please check:

<http://www.ectaportal.com/en/upload/File/Broadband%20Scorecards/Q405/Broadband%20Scorecard%20Q405.xls> (Excel Version)

<http://www.ectaportal.com/en/upload/File/Broadband%20Scorecards/Q405/Broadband%20Scorecard%20Q405.pdf> (Pdf Version)

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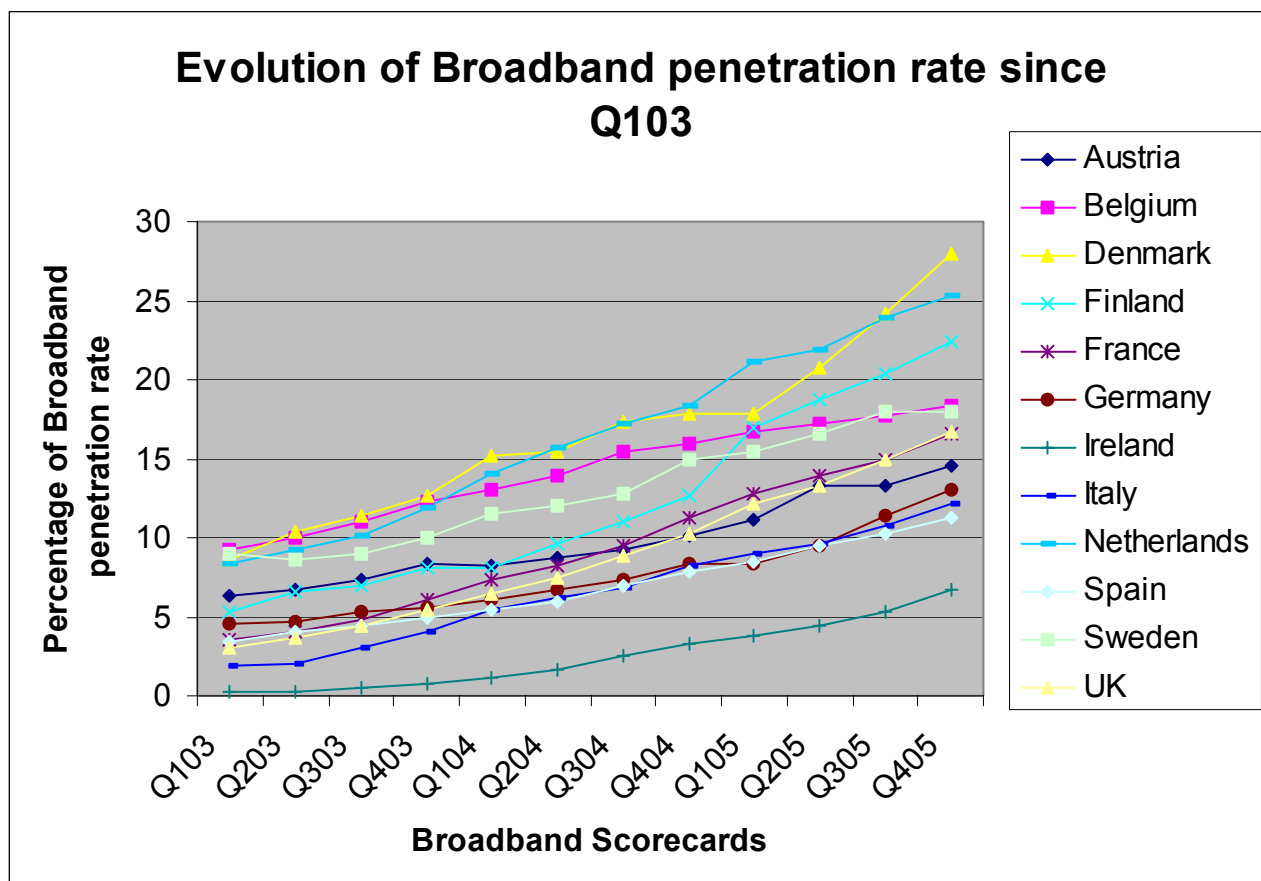
ECTA Broadband scorecard, Q4 2005

Key statistics



10th May 2006.

1 The market experienced continued growth but with considerable variations across countries



- Total lines increased by 13% since the last quarter from 52 million to 58.8 million lines. This growth was slightly up on the previous quarter when 10% growth was reported.
- Penetration reached 28% in Denmark, followed closely by Netherlands 25.3% and Finland 22.4%. However, it remained at or even below 13% in Germany, Italy and Spain, and was only 6.7% in Ireland and 1.5% in Greece.
- In the new member states, Estonia and Malta continued to head up the table with penetration rates of 13.3% and 12.8% respectively, comparing favourably with many of the EU15. Although Estonia's penetration rate is relatively high, it is notable that local loop unbundling still accounts for a relatively small proportion of broadband lines (1%) and therefore it is expected that competition could be further intensified through further action to implement the broadband ladder of investment. Penetration in Poland and Slovakia remained below 3%.

- Greece, Ireland, Italy and Denmark, experienced the fastest growth of the EU 15 this quarter, with Denmark extending its lead in broadband penetration. Meanwhile growth in Netherlands and Belgium was comparatively slow. Amongst the new member states, Poland achieved the highest growth in penetration rising from 1.6 % in Q305 to 2.6% in Q405.

2 Incumbents' market share slightly went up rather than declining contrary to the Q2 and Q3's trends

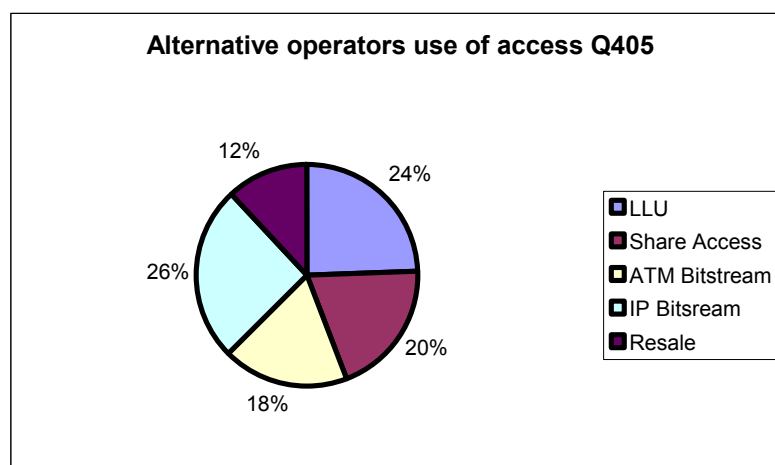
- Incumbents' market share of the overall broadband market in the EU (including cable) was unchanged from Q3 at 49%. Whilst incumbents in Denmark, Malta, Poland and some other new member states lost ground, it is notable that in Finland, UK, Italy, Spain, Netherlands, Belgium and Austria, incumbents gained market share.
- Incumbent market share as a proportion of total DSL lines fell slightly from 61% in Q3 to 59.9%.

3 How are the other technologies performing

- DSL further strengthened its share of European market this quarter to 82%, as cable fell to 16% of end-user retail connections. Other technologies such as satellite and wireless have performed better but remain just 2.3% of total connections.

4 What is the picture of the wholesale market?

- Of DSL connections provided by new entrants, 25% were provided by LLU, 20% by shared access, 26% by IP bitstream, 18% ATM bitstream and 11% were based on reseller products.



- Full LLU keeps increasing over the quarter, having reported respectively 4 point-growth this quarter whereas bitstream products (ATM and IP) declined by 4 points. The trend towards unbundling products appears to be continuing.

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