

COMPETITION REIGNITES BROADBAND GROWTH IN EUROPE

EU draws level with the US and Japan

Brussels, 05.09.07 – Results of ECTA’s bi-annual Broadband Scorecard announced today show that broadband penetration in the EU has reached an all time high and has now drawn parallel with the US and Japan. The growth, at 16%, is largely the result of increased competition from new entrant telecoms providers using Local Loop Unbundling (LLU), cable and alternative technologies. These results come after a slow down in growth in the previous six month period.

Eight EU countries now have broadband penetration levels above 20% and Northern Europe leads the table with the Netherlands having the highest penetration at 33%, followed by Denmark, Finland and Sweden. And, for the first time, average penetration in the EU15 countries is, at 19.9%, comparable with the average penetration of 19.6% in the US and 20.2% in Japan¹.

Success in many of the high ranking countries in Europe can be attributed partly to local loop unbundling, the process whereby competitors rent the last mile from the national telecoms incumbent and offer their own broadband services to consumers. The impact has been particularly pronounced in the UK, where the introduction of functional separation in January 2006 has contributed to a quadrupling in the number of unbundled lines within a year and an explosion of triple play offers including telephone services and TV. By contrast, middle and low ranking broadband countries typically have minimal or no unbundling.

Innocenzo Genna, Chairman of ECTA, said, “Europe’s broadband leaders have shown that unbundling is very positive for consumers, and is an efficient way to encourage competition by allowing competitors to share the last mile, which otherwise is usually prohibitively expensive to duplicate.”

However, despite EU-wide rules to apply unbundling since 2001, success stories are still in the minority: 17 countries of the 25 examined still have very low levels of unbundling.

¹ OECD Broadband Penetration, December 2006

Genna added, “This is a missed opportunity. ECTA is hoping that governments will use the opportunity of the Review of the EU Telecoms Framework, to be issued later this year, to boost the power of regulators to ensure that measures like unbundling are enforced effectively and in a future-proof way.”

The pro-competition body believes that functional separation should be available for regulators to use as a remedial action where other regulatory measures are insufficient to tackle the incumbents’ entrenched market power. Functional separation is a process whereby the incumbent creates a separate unit for its bottleneck assets, including unbundled loops, and helps ensure that essential pro-competitive rules are adhered to.

Functional separation has been successfully introduced in the UK, is progressing in New Zealand, and is actively being considered in Italy and Sweden. However, most European regulators currently lack the power to mandate it.

Key findings of the report

- Total broadband lines increased by 16% in the last six months from 73 million lines in Q3 2006 to 84 million lines in Q1 2007
- Northern European countries remain world-leaders in broadband with the Netherlands reaching 33% penetration and Denmark, Finland, and Sweden all registered above 25% penetration. On the other end of the scale, penetration in Greece, Poland, Slovakia and Cyprus remained below 10%
- In the EU15, growth was particularly strong in Germany (estimated 20%) Ireland (38%) and Greece (69%), although in Greece growth is from a particularly low base. However, growth was less than 10% in Finland, Belgium and Portugal.
- Countries with the highest levels of broadband penetration in Europe were mostly characterised by strong competition through a combination of local loop unbundling and cable. Lower ranked countries often lacked significant unbundling competition.
- Incumbents’ market share of the overall retail broadband market in the EU stayed static at 46% and when resale services are taken into account, remained at more than half of total broadband lines. In Italy the incumbent’s market share remained at a particularly high 70%.
- DSL maintained its share of the European market this quarter at 83% (slightly above Q3 2006), whilst cable remained at 15% of end-user retail connections
- Overall there was a dramatic increase in full unbundling compared with the previous quarter, whilst bitstream declined as competitors climbed the ladder of investment

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About ECTA

The European Competitive Telecommunications Association (ECTA) looks after the regulatory and commercial interests of new entrant telecoms operators, ISPs and suppliers of products and services to the communications industry.

ECTA works for a fair regulatory environment which allows all electronic communications providers to compete on level terms in order to multiply investment and innovation throughout an effective European internal market. The association represents the telecommunications industry to key government and regulatory bodies and maintains a forum for networking and business development.

ECTA member companies include operators, service providers and suppliers as well as National Telecoms Trade Associations which all contribute towards regulatory policy development and participate in our comprehensive range of networking events, conferences, seminars, briefings and executive meetings.

The ECTA Broadband Scorecard is recognised as an industry benchmark that is used by the European Commission, National Regulators and major institutions such as the OECD. ECTA collates and publishes data twice-yearly, tracking progress on broadband penetration and local loop unbundling in the 25 EU member states.

European broadband league table Q1 2007

Ranking Q1 07	Ranking Q3 06	Country	Penetration	Growth (half year)
1	2	Netherlands	33%	11%
2	1	Denmark	32% (Q4 2006)	N/A
3	3	Finland	28%	8%
4	4	Sweden	27%	12%
5	6	Luxembourg	24%	22%
6	5	UK	23%	14%
7	8	France	21%	13%
8	7	Belguim	21%	6%
9	10	Germany	20%	20%
10	9	Austria	18%	11%
11=	12	Italy	16%	15%
11=	13	Spain	16%	19%
13	11	Portugal	15%	9%
14	14	Ireland	14%	38%
15	15	Greece	6%	69%

To access the ECTA Broadband Scorecard Q1 2007 please check:

<http://www.ectaportal.com/en/basic650.html>

For further information on the detail of the scorecard, please contact Delphine Bernet at + 32 2 214 2836 or by e-mail dbernet@ectaportal.com.

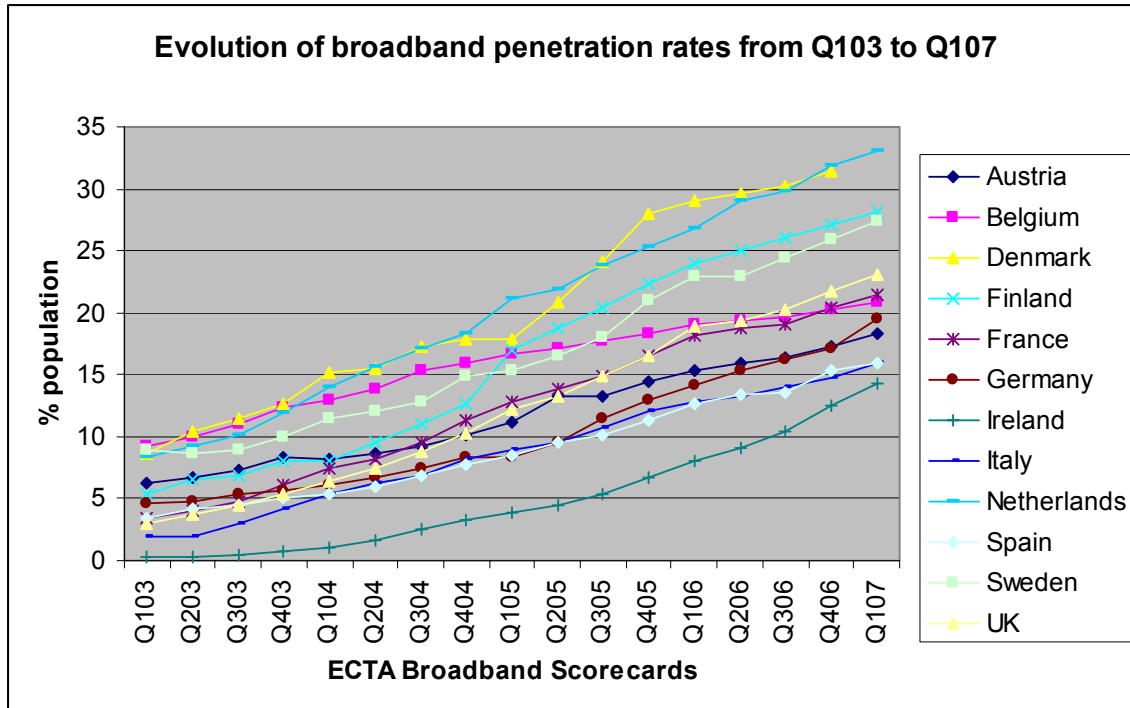


Figure 1: Northern Europe maintains its lead in broadband penetration

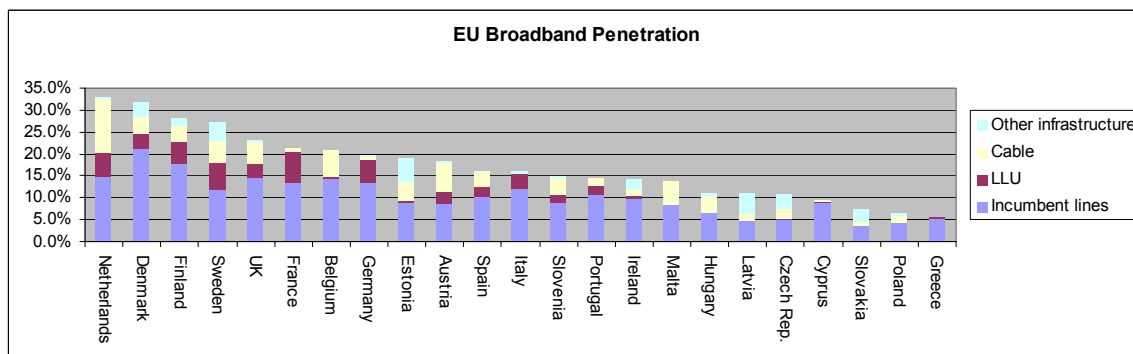


Figure 2: Highest ranking countries typically have strong competition from both unbundling and alternative infrastructures such as cable. Conversely lower ranking countries tend to have little or no unbundling.

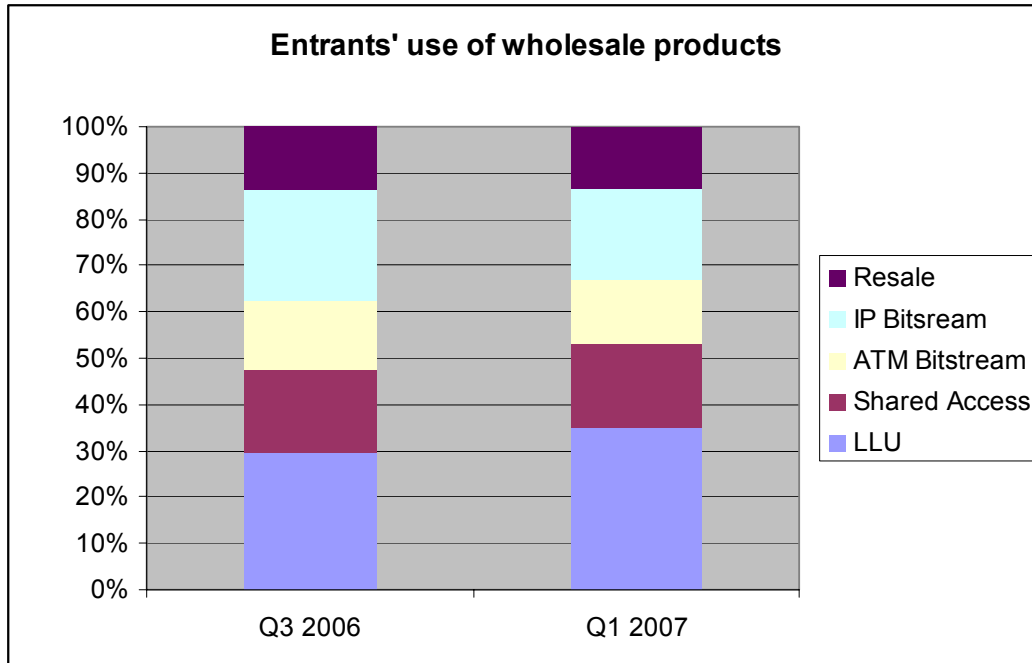


Figure 3: Entrants use of unbundling has increased substantially as they have 'climbed the investment ladder' from resale to local loop unbundling

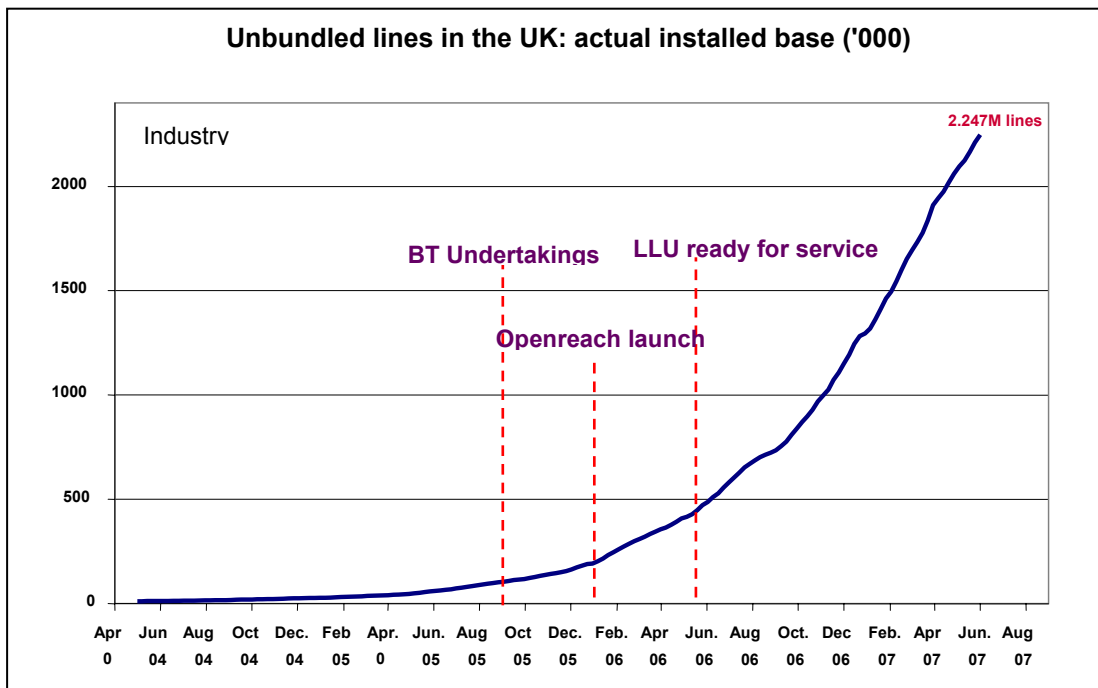


Figure 4: Unbundling has grown strongly following functional separation in the UK

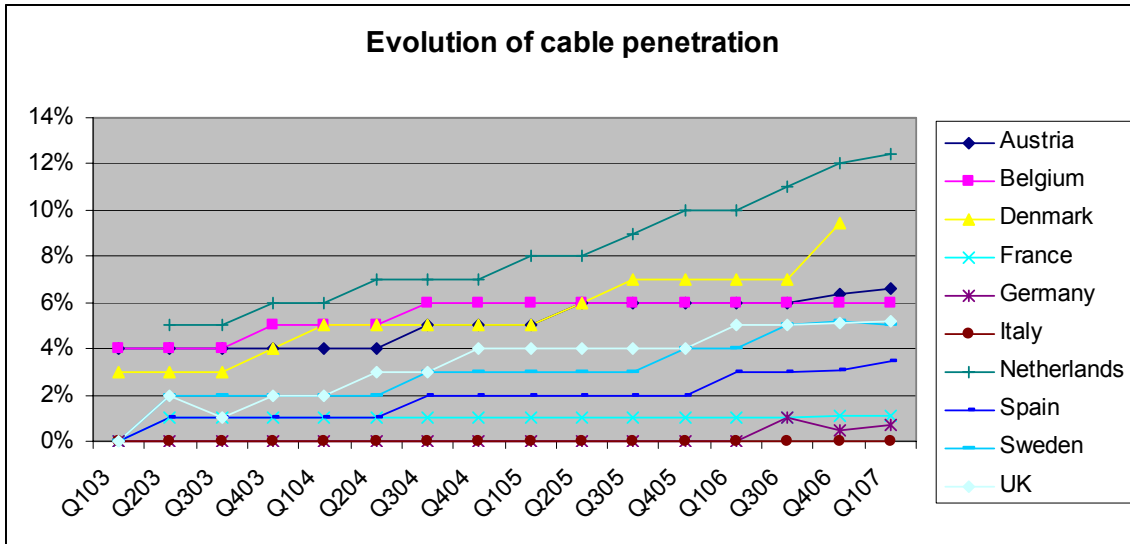


Figure 5: Cable penetration continues steady growth, with strongest increases in countries with highest degree of broadband penetration and competition overall