

**SPAIN STAGNATES AS TELEFONICA PROFITS: BROADBAND STUDY SHOWS**  
***Pro-competition body ECTA warns policy-makers against yielding to dominant telcos'***  
***demands for special treatment of fibre networks***  
***Growth and investment in high speed networks depends on competition***

**Brussels, 2 March 2009** – Broadband connections across the EU rose by 20% over the year, to a total of 110.5m connections, representing 22.5% of Europe's population, according to ECTA's latest twice-yearly EU Broadband Scorecard, published today. But the pro-competition body warns that in countries such as Spain, where the incumbent operator, Telefonica, continues to increase its control of the market with more than 57% of all retail broadband connections, the market has stagnated with the result that Spain is languishing below the OECD and EU average with a broadband penetration rate of only 20% and low growth rates.

On the eve of the tripartite meeting of the European Commission, the European Parliament and the Council of Ministers, which is aiming to achieve consensus on the way forward for next generation access networks, ECTA has cited Spain as an example of why firm regulation is needed to ensure investment and take-up in next generation networks, as well as to guarantee competition and consumer choice.

Innocenzo Genna, Chairman of ECTA, said, "Light touch regulation has not worked in the banking sector and there is no reason to assume it will work to consumers' benefit in telecoms. Financial results from incumbents, such as Telefonica's last week, show that they are primarily focused on increasing profitability at the expense of vital infrastructure investment. What is particularly disingenuous is that, at the same time, they are threatening governments and European politicians that they will not invest in next generation access unless there is a relaxation of competition rules that allow rivals to offer services over these networks."

Genna continued, "Despite Spanish regulator CMT granting Telefonica a regulatory moratorium for next generation fibre networks, ostensibly to support a €1bn fibre investment programme, there is little or no evidence that it will prioritise infrastructure investment in future. Instead it is committed to 'preserving the company's strong cash flow generation', to the benefit of shareholders."

Telefonica Spain posted an 8.9% increase in profit (EBITDA) and cashflows up 14% to €8bn, but a reduction of 7.2% in investment (Capex) in 2008. In addition, results

from Deutsche Telekom, which has also been demanding regulatory forbearance from EU policy-makers, show that it outperformed financial expectations and 'expanded its leading position in the German DSL market'. The annual report also confirmed the regulatory holiday it has enjoyed in access to its 'fibre to the node' network, a situation that has in all likelihood helped reverse competitive progress in Germany.

Genna concluded, "We have no problem with companies prioritising profitability, making healthy profits and benefiting from their own investment and innovation. However, we do have a problem with healthy companies using the recession as an excuse to blackmail policy-makers into relaxing regulation, with the aim of strengthening their own dominant position further at the expense of competitors and consumers. For companies such as Telefonica and Deutsche Telekom, investment in next generation fibre networks should be part of their normal upgrade strategy to replace decades-old copper networks, which have been fully paid for, and not a licence for stifling competition."

Other more encouraging results from the industry benchmark scorecard show leaders in broadband – Denmark, Finland, Sweden and the Netherlands – all have penetration rates exceeding 30%, with the UK not far behind. Common to all these top ranked countries is strong competition from both cable and regulated unbundling of the local loop. In some of these countries, incumbents have also publicly committed to open access policies, in contrast with those of incumbents in Germany and Spain.

Fibre penetration rates were highest in Sweden, with a number of new EU member states such as Lithuania and Estonia also leapfrogging legacy copper technology to install more modern fibre access lines. Of those countries that provided information, Sweden also boasts the fastest broadband speeds used by consumers with more than 30% having speeds over 2Mbit/s and 10% having speeds higher than 10Mbit/s.

For a copy of the Q3 2008 Broadband Scorecard:

[http://www.ectaportal.com/en/upload/File/Broadband\\_Scorecards/Q3\\_2008/BBScQ308\\_final.xls](http://www.ectaportal.com/en/upload/File/Broadband_Scorecards/Q3_2008/BBScQ308_final.xls)

For copies of all Broadband Scorecards: <http://www.ectaportal.com/en/basic650.html>

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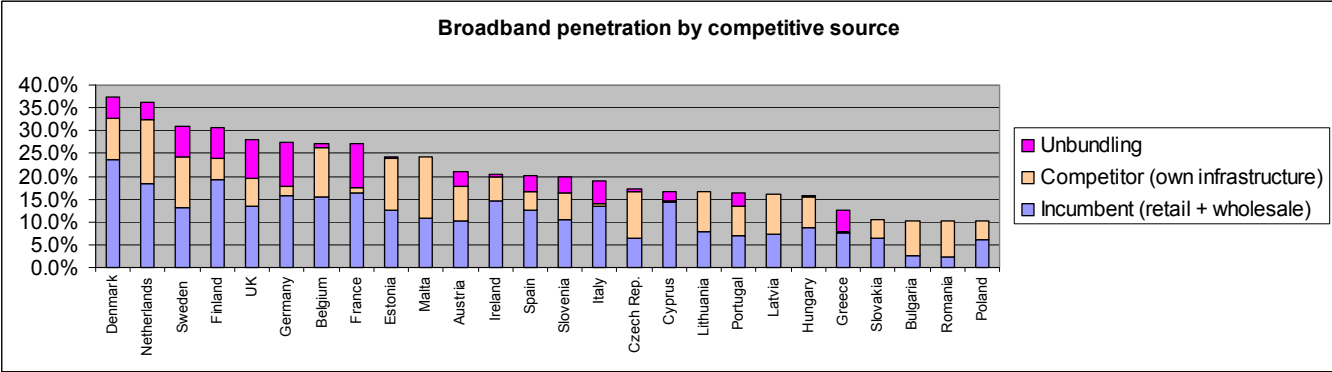
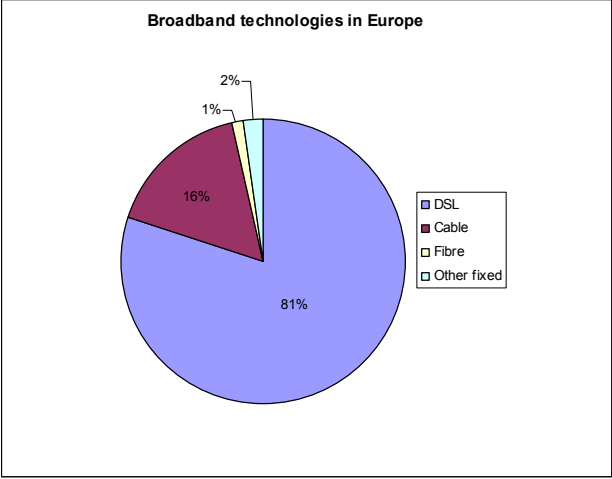
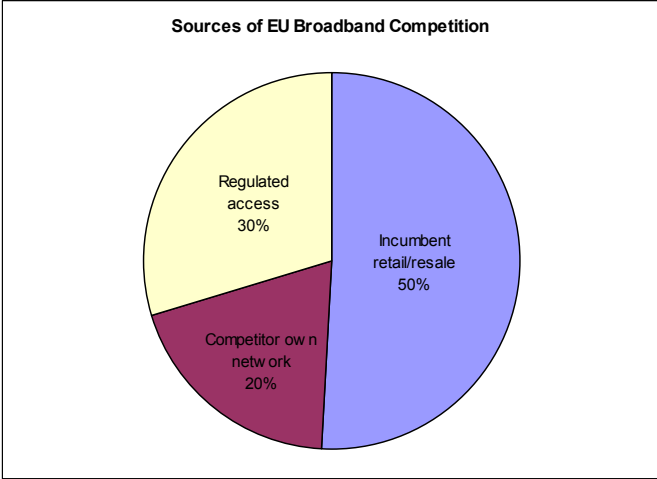
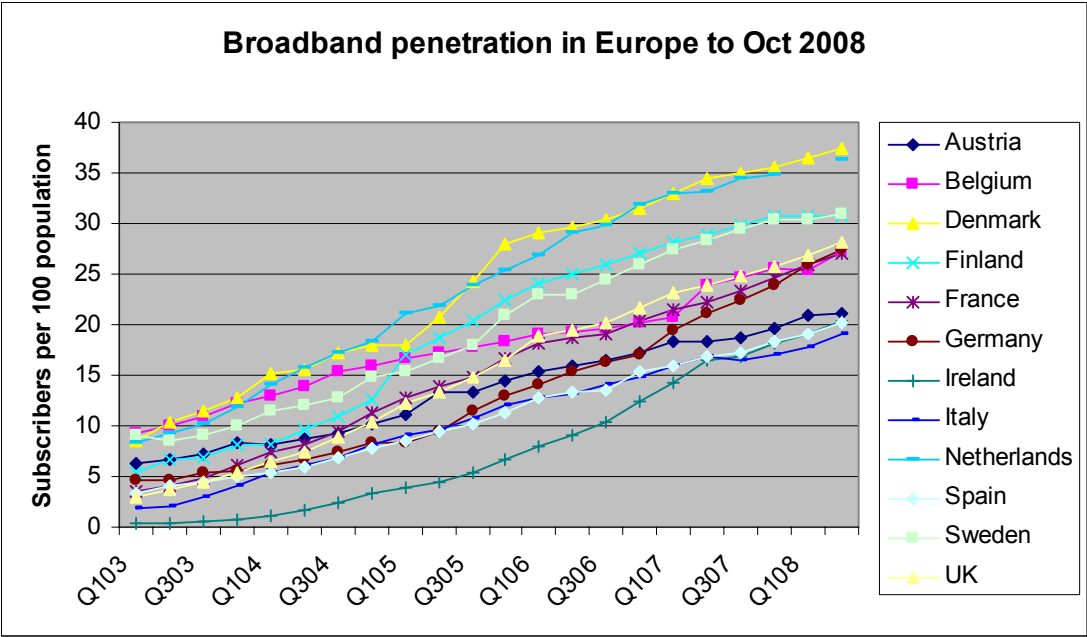
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**Key findings from Broadband Scorecard Sep 2008**

- EU broadband penetration rose to €110.5m Sep 2008 or 22.4% of the population. This represented an increase of 9% 6 months and 20% over the previous year.
- The highest penetration rates were recorded in Denmark (37.5%) and Netherlands (36.3%) followed by Sweden, Finland and the UK. All of these countries recorded competition from both cable networks and regulated access.
- The lowest penetration rates at just above 10% were recorded in Poland, Romania, Bulgaria and Slovakia.
- The highest growth rates over the full year were seen in Greece, Cyprus and Malta. Additional competitive impetus from local loop unbundling was particularly pronounced in Greece and Cyprus.
- Growth rates began to slow in several of the leading countries including Finland, Sweden, Denmark, Netherlands and the UK suggesting market maturity. Some countries with lower absolute take-up levels also experienced slow growth including Spain, Italy and Austria.
- Fibre penetration was 0.3% on average across Europe. However some countries had significantly higher fibre penetration including Sweden (5.6% population) and Estonia (4.9%) and Lithuania (4.2%).
- Incumbents retained 50% of the total retail broadband market (including resale) or 45% if resale is excluded.
- The source of most competition in the EU is unbundling of the local loop (44% of all lines supplied by competitors) followed by cable and other parallel infrastructures (36%) with resale and 'bitstream' access accounting for the remainder.

<b>BB Penetration</b>	<b>Sep-08</b>	<b>Sep-07</b>
Denmark (Jun)	37.5%	34.5%
Netherlands	36.3%	34.3%
Sweden	31.0%	29.5%
Finland	30.8%	29.9%
Luxembourg (Jun)	28.2%	24.0%
UK	28.1%	24.9%
Germany	27.5%	22.4%
Belgium	27.3%	24.7%
France	27.0%	23.4%
Estonia	24.2%	21.1%
Malta	24.1%	15.1%
Austria	21.1%	19.1%
Ireland	20.3%	16.8%
Spain	20.1%	17.3%
Slovenia	19.8%	16.1%
Italy	19.0%	16.5%
Czech Rep.	17.3%	13.2%
Cyprus	16.8%	11.4%
Lithuania	16.7%	13.6%
Portugal	16.3%	15.6%
Latvia	16.1%	13.8%
Hungary	15.8%	13.2%
Greece	12.7%	8.1%
Slovakia	10.6%	8.5%
Bulgaria	10.4%	
Romania	10.2%	
Poland	10.1%	7.3%



## **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 that 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 Associations of such which all contribute towards regulatory policy development and participate in our comprehensive range of networking events, conferences, seminars, briefings and executive meetings.