

STUDY REVEALS HIGH COSTS WILL LIMIT SUPERFAST BROADBAND

***ECTA calls for focus on availability and openness of fibre networks,
warns against unprofitable duplication***

Brussels, 16 September 2008 – Groundbreaking research published today by WIK, reveals that high fixed costs will limit the availability of super fast broadband to many European homes and rural businesses. France has the best prospect of fibre rollout, with viability to 25% of households. The study also shows that the economics simply do not stack up for competitive operators to duplicate costly infrastructure on a wide scale and that access to fibre is a win-win scenario as it improves the business case for all providers, to the ultimate benefit of consumers.

The timing of the study is critical as the European Commission will shortly release its proposals for a Recommendation on the regulation of next generation networks access whilst the European Parliament will vote on Sept 23rd on the Commission's proposals for the Review of the EU Telecoms Framework, signalling its views on the same issues. ECTA believes the outcome will be crucial in determining the performance and position of incumbents and competitive operators in fixed telecom across Europe.

The findings of the WIK research, commissioned by the pro-competition body ECTA, into the economics of next generation access investments, prove that incumbent operators, who own legacy duct and buildings, enjoy high cash flows, and currently control 80-90% of all fixed telecom access lines and around 50% of the broadband retail market, are best placed roll out next generation high speed fibre access lines to large parts of Europe. Many incumbent operators, who are demanding both high payments from competitors for access to their investments and the removal of access for competitors in cities, contest these findings.

Innocenzo Genna, Chairman of ECTA, said, "Competitive access to fibre networks at competitive prices is the only viable solution if European households and businesses are to get connected with super fast broadband services and continue to enjoy the choice and competitive prices they have today. Incumbent operators cannot have it both ways. If, as they claim, fibre roll-out is expensive and risky, they cannot at the same time honestly say that all operators are in a position to make a business case for rolling out parallel access lines."

Genna added, “The message we are trying to get across, which is strongly supported by the report, is that incumbent operators investing in fibre infrastructures can spread their risk by selling to wholesale as well as retail markets. It is the model BT is pursuing in its £1.5bn fibre broadband rollout in UK, for example.”

ECTA recognises the need to reward risky investments through a higher return. However, the study suggests that not all NGA investments by incumbent firms are necessarily risky and challenges Commissioner Reding’s proposal of a 15% return as a uniform benchmark. Setting an excessive return raises access prices and is shown to significantly weaken the business case for competition.

Genna also attacked ‘risk sharing’ proposals put forward by some incumbents which would require much smaller entrants to make high upfront payments to receive access. “Incumbents are proposing that entrants with substantially smaller revenues and cash flows effectively fund their investments without benefiting from ownership. It sets extremely high barriers to entry.”

Based on the results of the study, ECTA called for European policy makers to focus on promoting widespread availability of at least one open fibre network. ECTA is calling on policy makers to focus on efficient and profitable investment, with minimum risk for the economy and with a maximum reach.

The executive summary of the WIK report is available at:

http://www.ectaportal.com/en/upload/ECTA%20NGA_Executive_Summary_masterfile_2008_09_16.pdf

The full study is available at: http://www.ectaportal.com/en/upload/ECTA_NGA_masterfile_2008_09_15_V1.zip

WIK’s press release about the report is available at:

http://www.ectaportal.com/en/upload/WIK_PR_Final_V1_150908.pdf

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About WIK

WIK is one of Europe's leading telecoms research and analysis firms. It is focused on regulatory economics and policy issues. WIK has advised the EU Commission, numerous Regulatory Authorities in Europe and abroad as well as incumbents and alternative operators in all aspects of the telecoms framework and NGN in particular.

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.