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Reding proposes 15% FTTH risk premium, Euro-regulator alternative

By Joanne Taaffe, Total Telecom

26 June 2008

EU telecoms commissioner addresses issue of balancing return on investment with safeguarding competition when it comes to next-gen networks.

Vivane Reding has revealed plans to propose an alternative to the much-discussed Europewide regulatory body, which will still give the European Commission a chance to shape national regulation of next generation access [NGA] networks.



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And, speaking at this year's ECTA conference on regulation in Brussels on Wednesday, the EU's commissioner for telecommunications also argued that investment in NGA needs regulatory safeguards.

The European Commission is still examining how best to spur investment in NGA, and national regulators vary on the approach they take.

"I believe that the best way for encouraging long-term investment is to establish a priori a number of principles that national regulators should take into account when regulating access prices with regard to next generation access networks," Reding said.

"In my personal view, these should include a risk premium of around 15%."

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The Commission and national regulators have to juggle the need for operators to secure a reasonable return on investment in NGA, with the safeguarding of service competition, and the EC's desire for infrastructure-based competition.

Currently the incumbents are laggards in FTTH deployment in Europe, said Reding, coming in third place after alternative operators and municipalities. She cited research by the Fibre to the Home Council, which showed that alternative operators account for 470,000 of Europe's 1 million FTTH subscribers, adding this "may change in the future, or may not." However, Reding did not imply that incumbents planning to build FTTH networks should be given any regulatory help.

"Regulatory restraint as a carte blanche for incumbents to re-monopolise markets where the buds of competition are flourishing is not a policy option," she said. Instead, she believes the market should be given clear regulatory guidance that applies across Europe.

Reding underscored the different regulatory approaches to next-generation access across the region, which range from the view that NGA investment carries no additional risk to "the other end of the spectrum, [where in the case of Germany] we have a national telecoms regulator seeking to reward investment with a kind of partial 'regulatory holiday' on NGA, where the investor can effectively set its own rate of return". This creates uncertainty, which, she argues, the ERG has failed to address.

"It is regrettable that, so far, the European Regulators' Group has not managed to agree on a consistent approach that would allow for fair competition on Europe's single market as far as next-generation networks are concerned," said Reding.

National regulators and the European parliament resisted Reding's moves to form a pan-European super-regulator. But Reding is nothing if not determined, and has a new plan to create a common European approach to regulation.

Her answer is for the Commission to give "regulatory guidance" in the form of a recommendation for regulating next-generation access under the existing Framework directive. Reding said the Commission will submit the framework to public consultation before the summer "and hopefully trigger a lively debate."

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