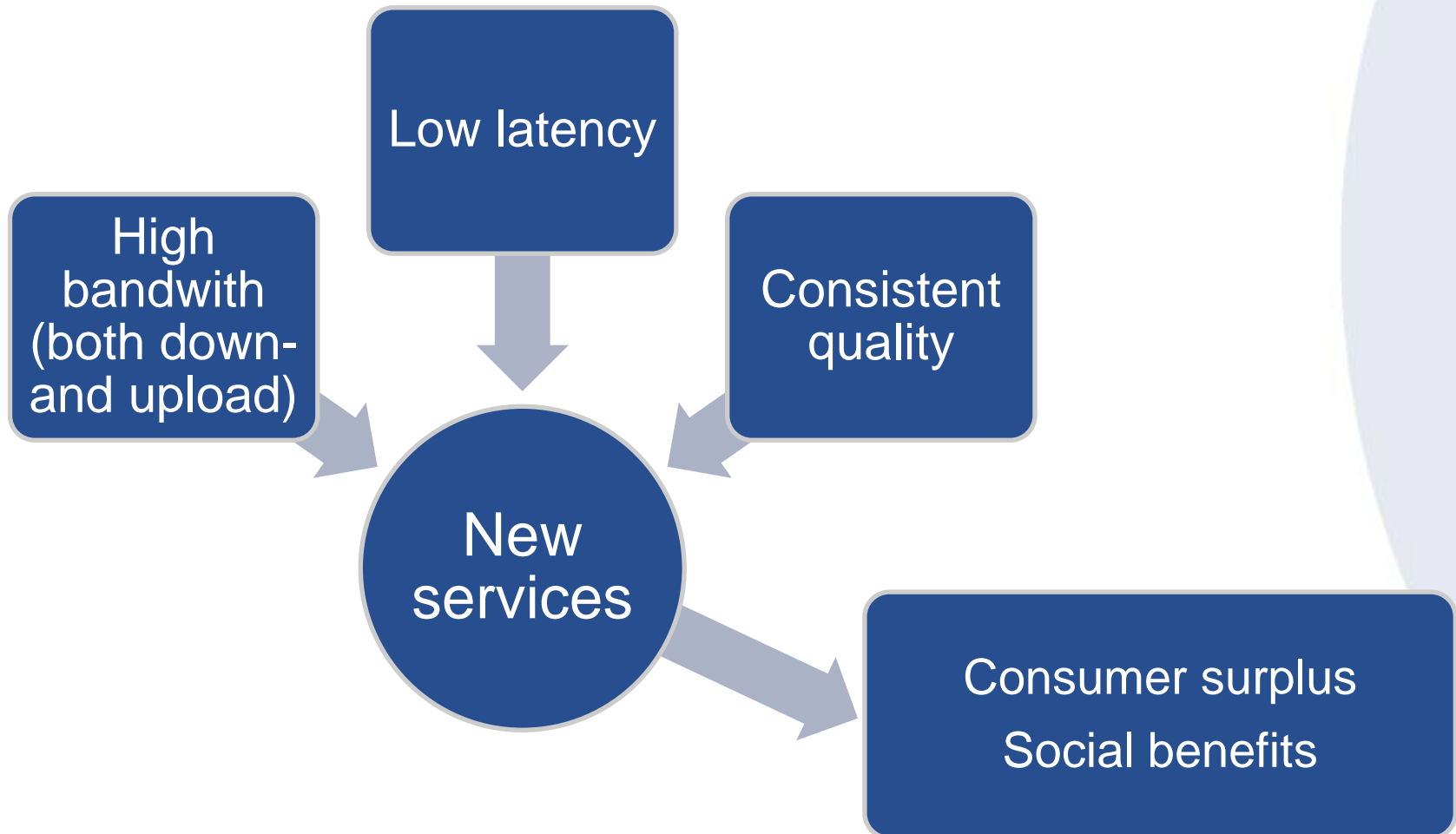


Regulatory policy and the roll-out of fibre to the home networks

FTTH Council Europe Webinar
29th October 2012

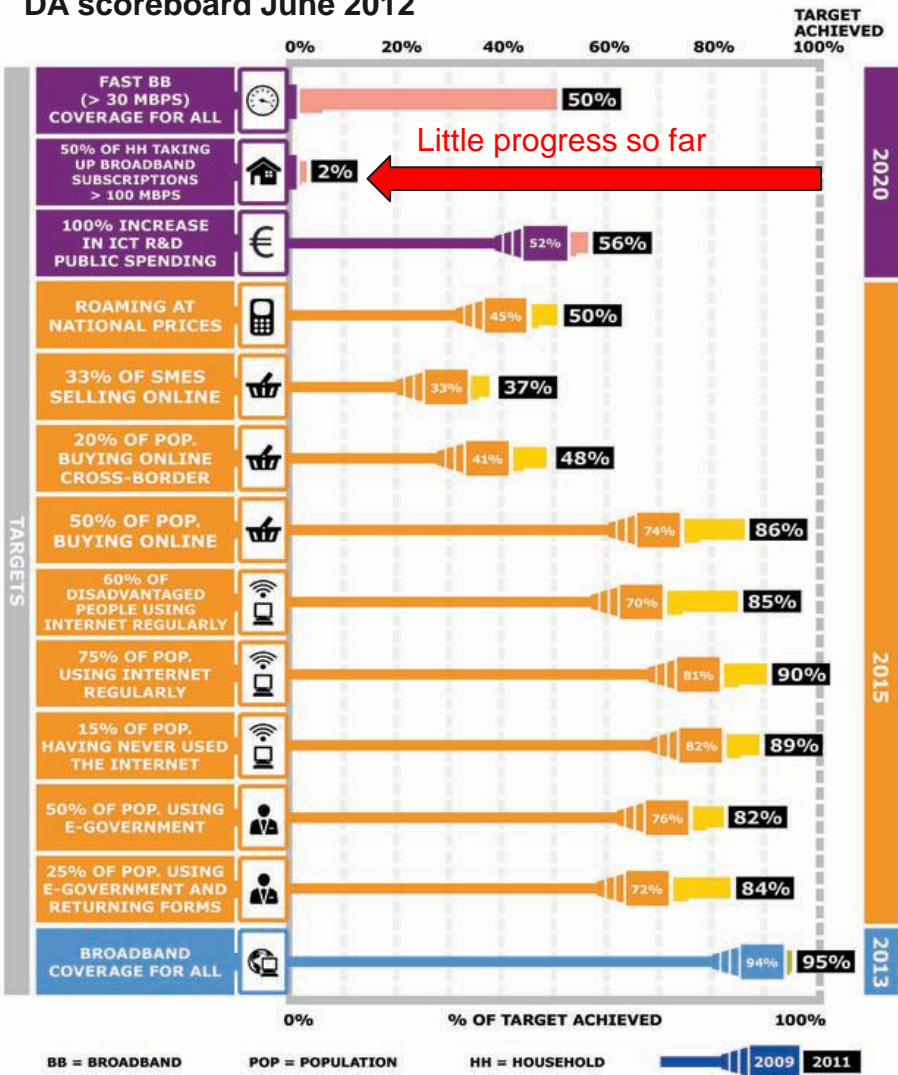
Christian Koboldt & John Gunnigan

The case for fibre to the home

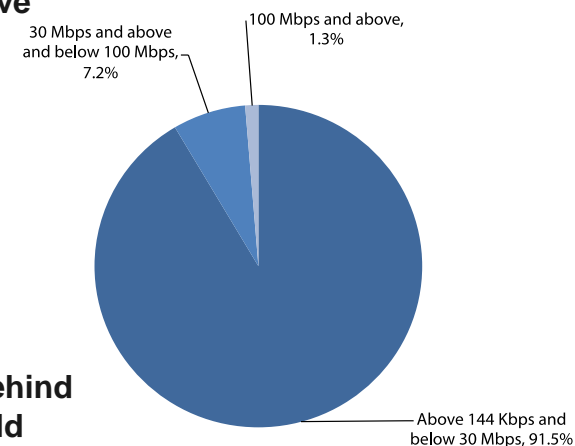


The DA ultrafast broadband target is a long way from being met, and fibre is not much used ...

DA scoreboard June 2012

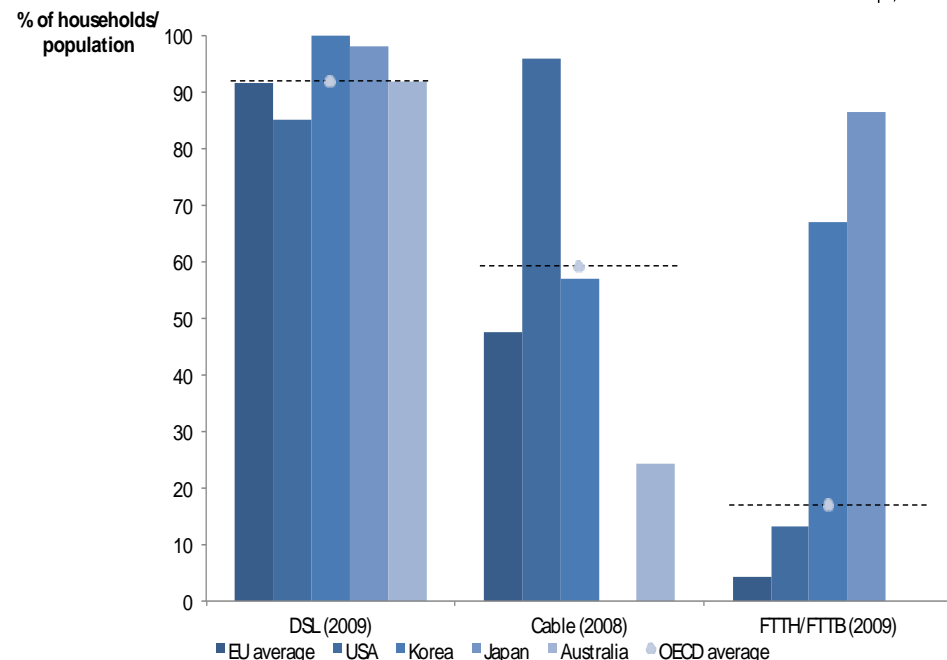


Few fixed broadband connections in Europe offering 100Mbps and above



Source: DA scoreboard 2012

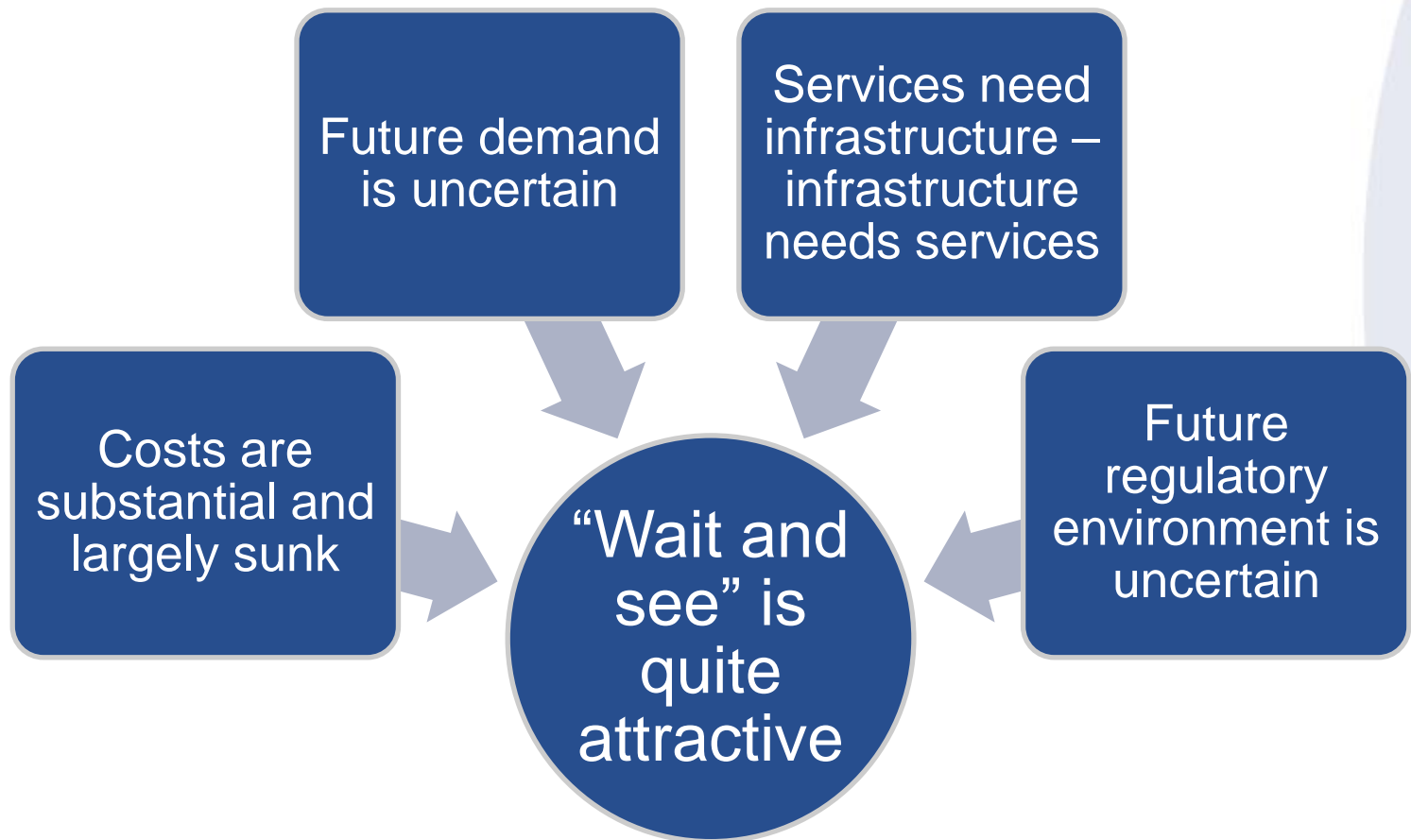
FTTH/FTTB in Europe behind other regions in the world



Source: OECD

Source: DA scoreboard 2012

Strong public policy case – challenging business case



It's not just about the prospect of regulation

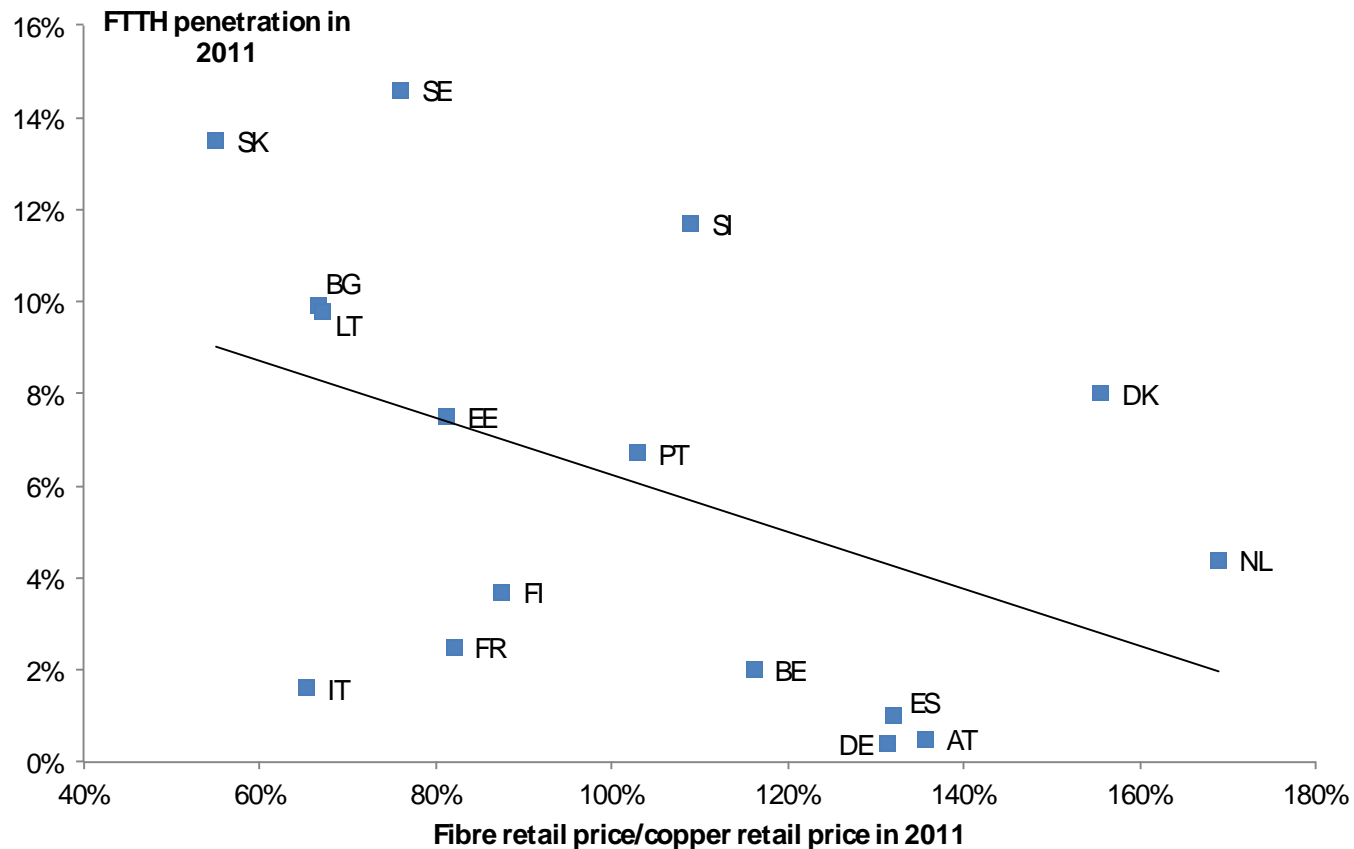
Obligation to provide cost-based access matters, but promising to allow high returns is unlikely to be sufficient

- Potentially very large returns in success case required to compensate for risk
- Regulatory commitment may be in doubt
- Higher allowable charges for fibre access may not be relevant if fibre premium is limited

Copper and fibre competing not just for investment, but also end-user demand

- Higher fibre access charges makes fibre investment attractive for incumbents but entrants are likely to favour cheaper access to existing copper services
- Lower retail prices for copper-based access products limit return on fibre

Low prices drive fibre take-up



Source: Heavy Reading (FTTH in Europe: Forecast & Prognosis, 2011-2016) and Van Dijk (Comparison of Broadband Internet Access Cost 2011)

Examples of pro-fibre policy across Europe



Conducive regulatory framework for fibre investment required

Target reasons for a potentially artificially distorted fibre premium

- Better information about service quality

Regulatory options should focus on accommodating challenges in fibre business case

- Differentiated access prices (but discrimination concerns?)
- Co-investment from service providers (but net neutrality issues?)

Greater certainty and clarity over the specific regulation of fibre networks in the future is required

- Implementation of NGA recommendation across Member States still in its infancy – and what it means in practice rather unclear

Promoting fibre investment during the transition phase

Measures to prevent access price differentials feeding through to retail prices may be required

- 'Tax' on copper access to drive a wedge between copper wholesale and retail prices
- Allow incumbents to withdraw copper-based access products as soon as fibre alternative is available

Allow higher access charges on both fibre and copper networks

- By averaging access charges across the two networks?
- By making these higher charges conditional on fibre investment?

Public policy case may be stronger than even the strongest business case ...

Social benefits not fully reflected in business case because of positive externalities (growth, employment, social inclusion etc.)

Charging regulators more explicitly with promoting investments (e.g. through allowing or disallowing certain investments, as in airport regulation)

Direct public sector involvement in pushing the roll-out of fibre access networks (e.g. through soft funding or public-private partnerships)

Full government funding and owning of a network, for instance in Australia; or even

Adopting a 'fibre switchover' policy.