

A Regulatory Perspective

**How does Belgium compare within
the EU?**

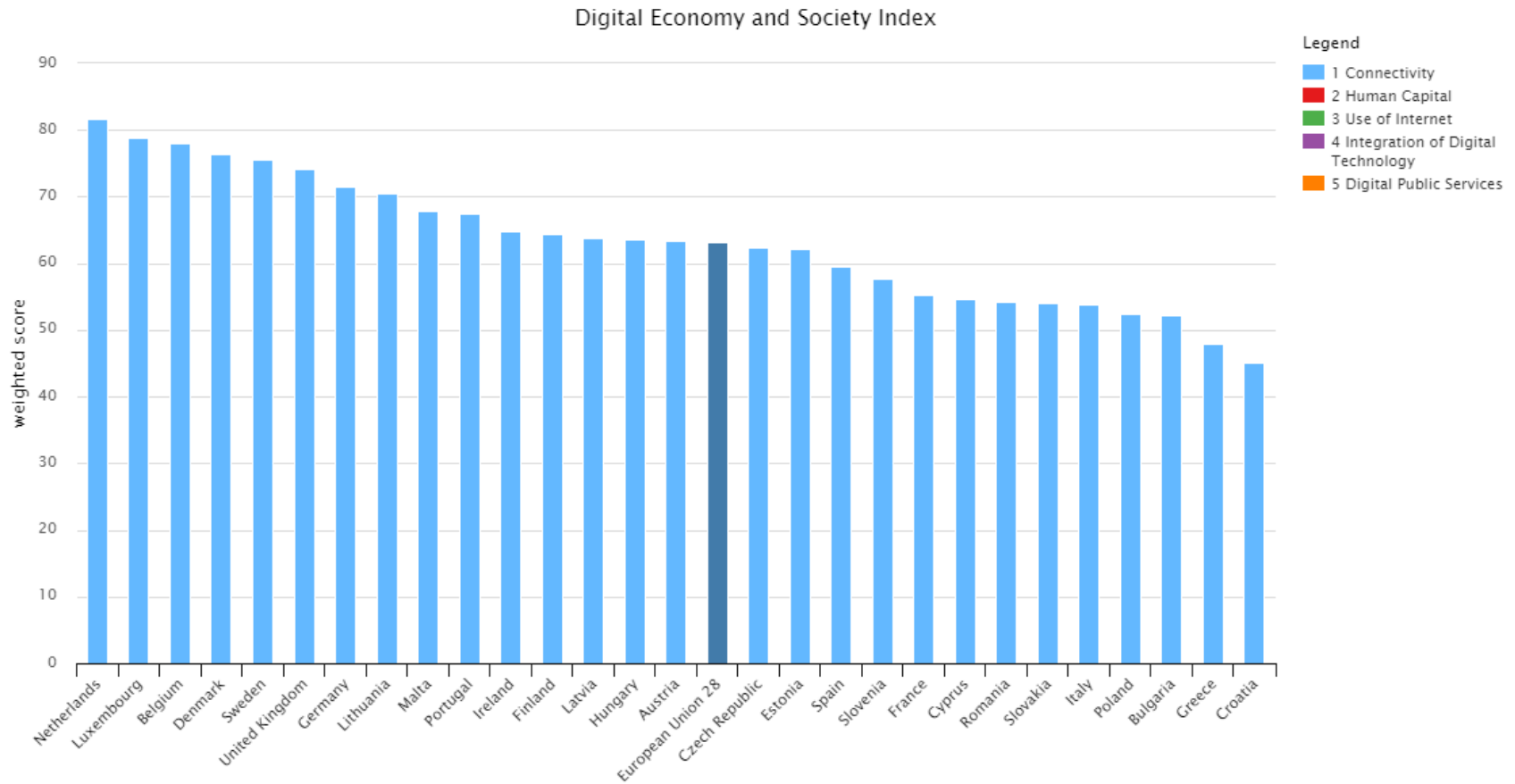
**How does Regulation look like
evolving?**

Tony Shortall

AGENDA

- Short situation update
- The concern
- The direction of European policy
- The proposals from BIPT in that context
- Conclusions

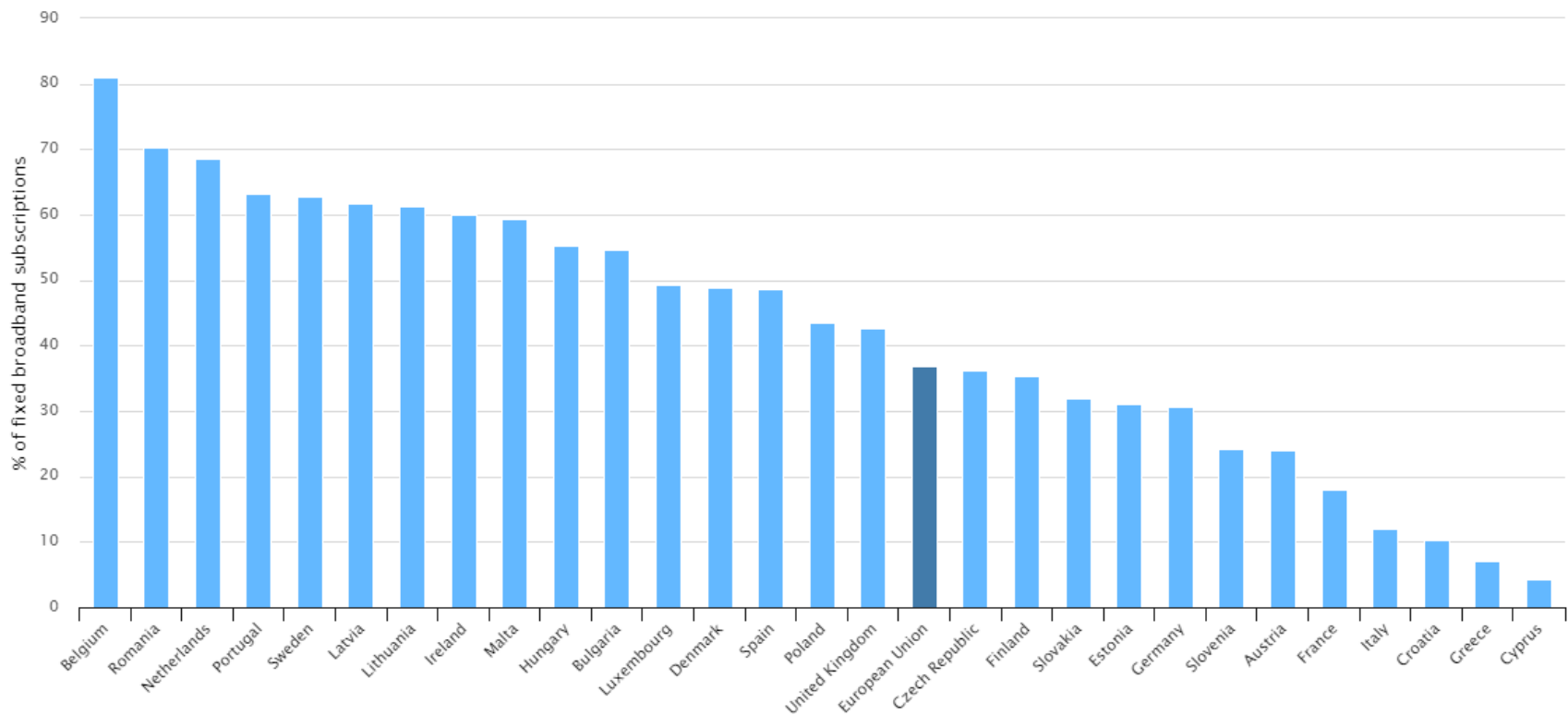
Overall Belgium doing well!



Number 1 for NGA Subs

Share of fixed broadband subscriptions \geq 30 Mbps - Advertised download speed

Jun 2016



European Commission, Digital Scoreboard

27 September 2017

Ghent

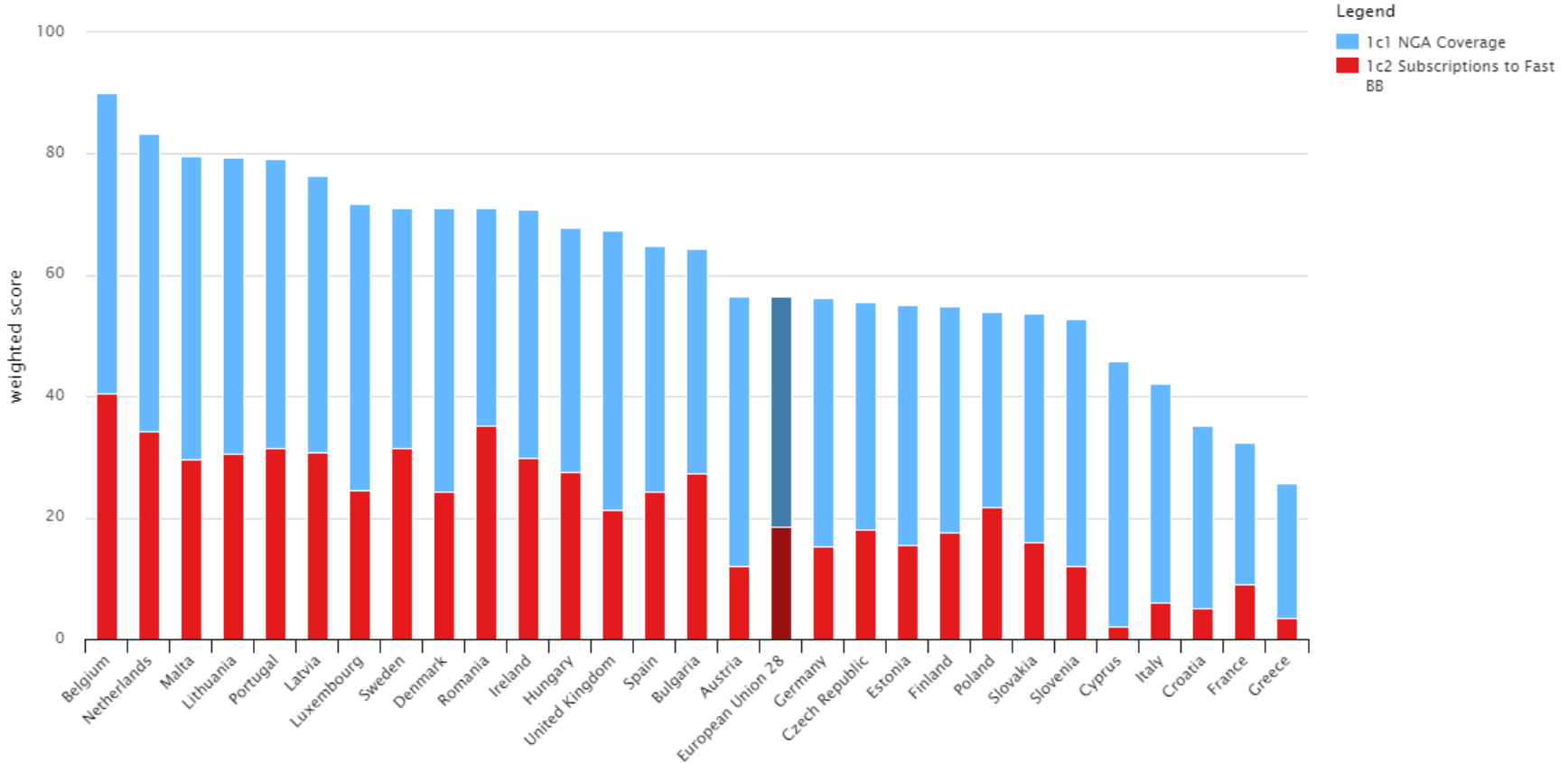
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No.1 on Subs/Coverage

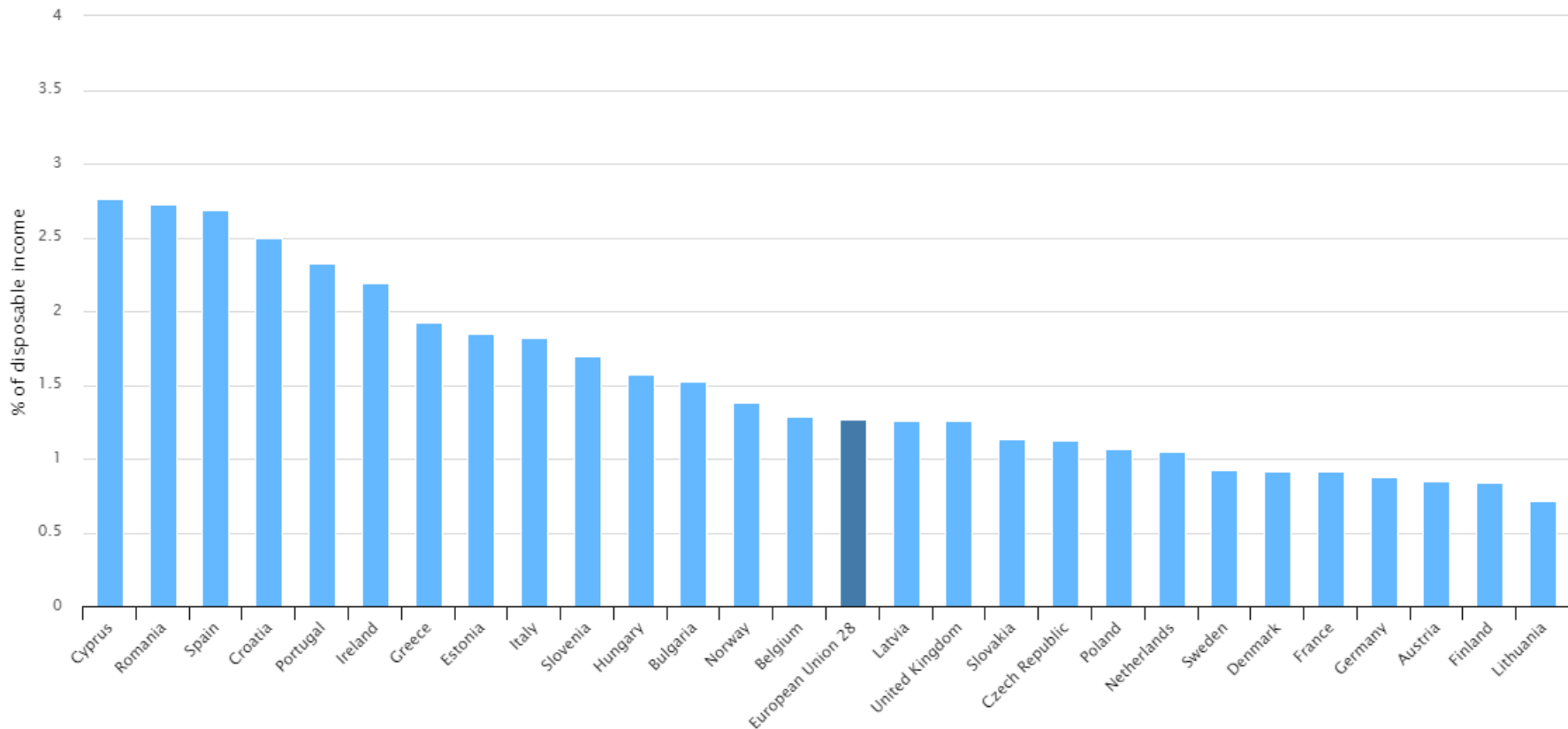
1c Speed, by Indicators under 1c Speed



Average for affordability (note 12-30 mbps).

Affordability of standalone Fixed Internet Access (minimum price offer), Advertised download speed above 12 and up to 30 Mbps

Year:2015

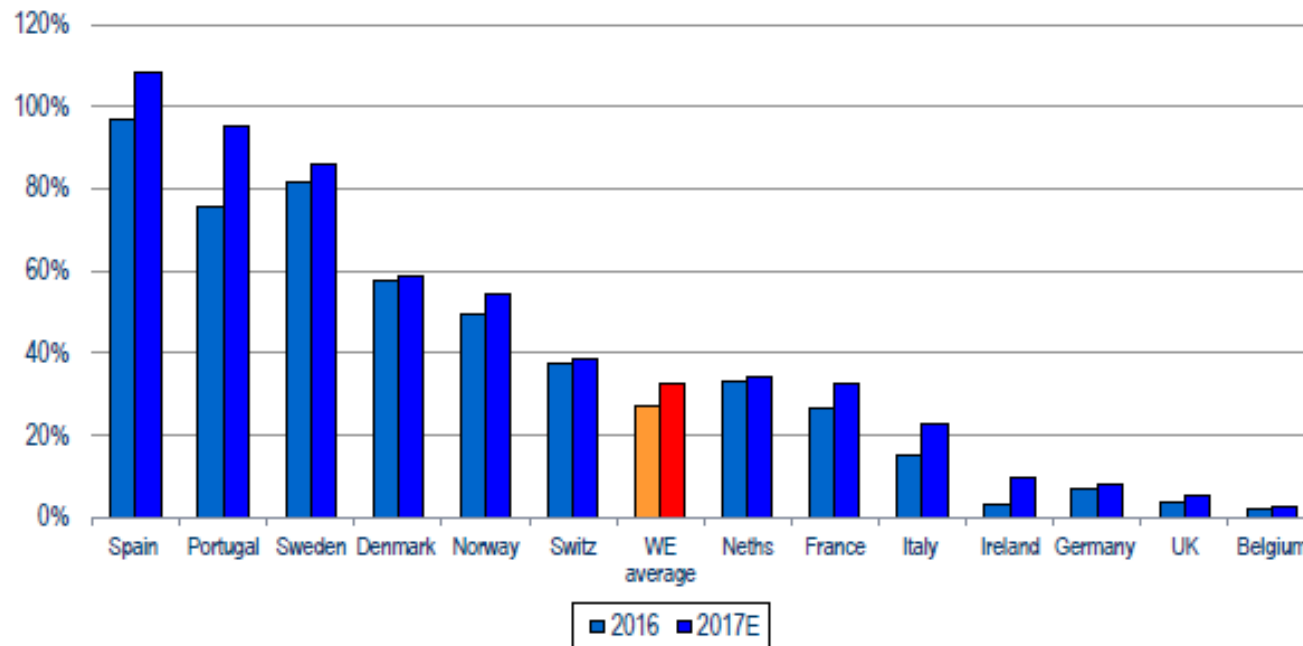


So what's the concern?

- Belgium has what appear to be two vulnerabilities.
- Of the current technologies, only one is likely to be sufficient in the medium term.
- Competition to the two infrastructure competitors looks weak in a European context.
- Historically based on access competition.

Belgium Ranks Poorly for FTTH

Premises passed by FTTH relative to households – end of 2016 and 2017e
(see Note on methodology)



Source: Company data, Credit Suisse estimates Note on methodology: we source fibre data from regulators and telcos. We compare these publicly-sourced figures to total homes in the country rather than total premises (including businesses as well) as official figures for total premises are less readily available and also can be inconsistent by market. We estimate total premises to be 125-140% of homes (depending on EU country) which means a ubiquitous fibre build of all premises would equal 125-140% of homes passed on our definition.

Does it matter? Focus is VHC!

- EU wants VHC. 5G Communication and EECC.
- EECC – New Framework for Regulation
- Very high-capacity networks are defined as
 - "Very high-capacity network" means an electronic communications network which either consists **wholly of optical fibre elements at least up to the distribution point at the serving location** or which is capable of delivering under usual peak-time conditions **similar network performance** in terms of available down- and uplink bandwidth, resilience, error-related parameters, and latency and its variation. ...
 - Why? 5G, IoT, digitisation of industry...



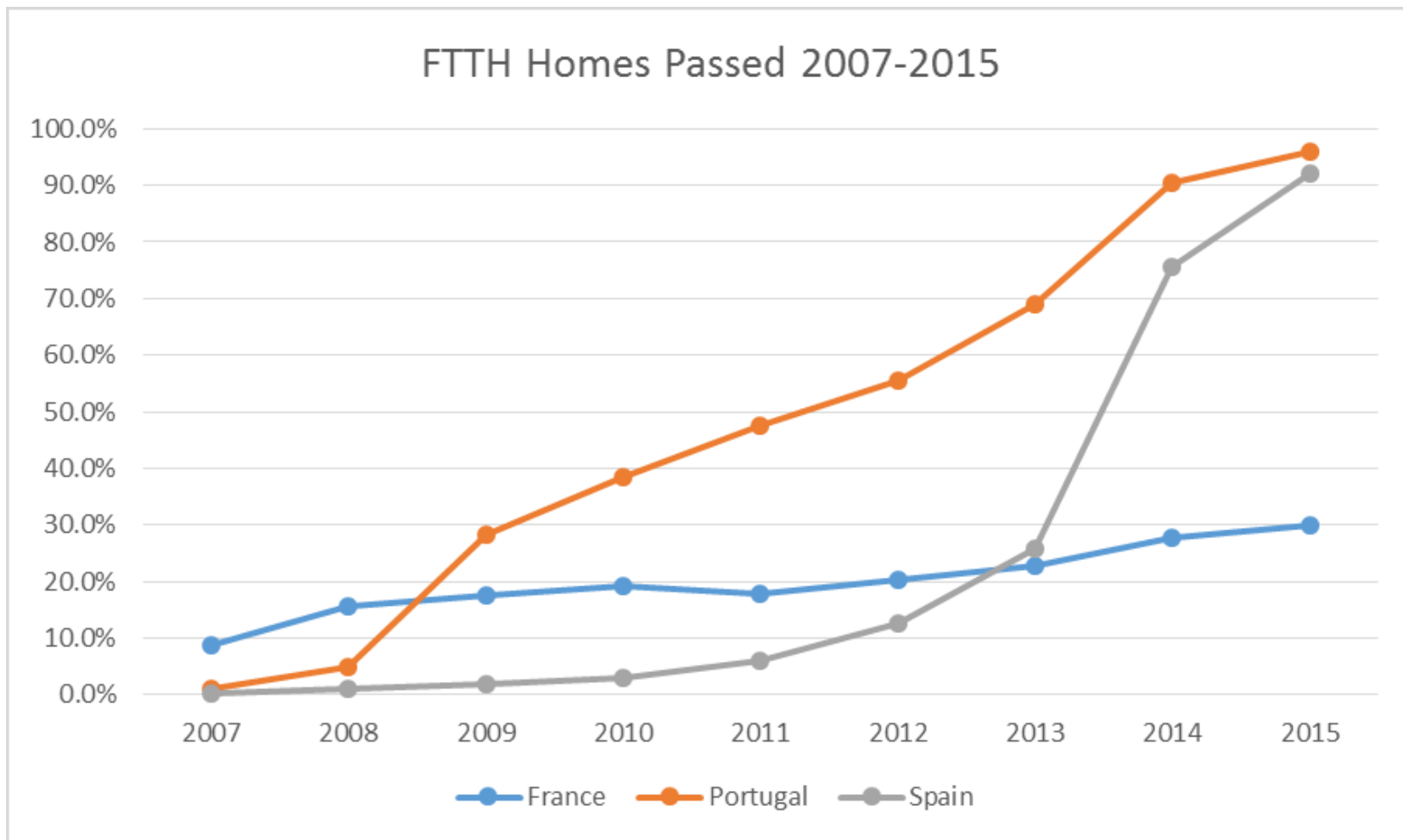
The EECC - Access

- How to achieve VHC networks?
- Goals are reflected in the legislation.
- Essentially, look to competition to deliver investment – not service based competition but infrastructure based competition.
- Means of achieving technology solution include:
 - Geographic segmentation (urban, sub-urban, rural)
 - Different remedy suites (preference for lowest e.g. passives)
 - Investment is the priority
 - Greater emphasis on direction of that investment.

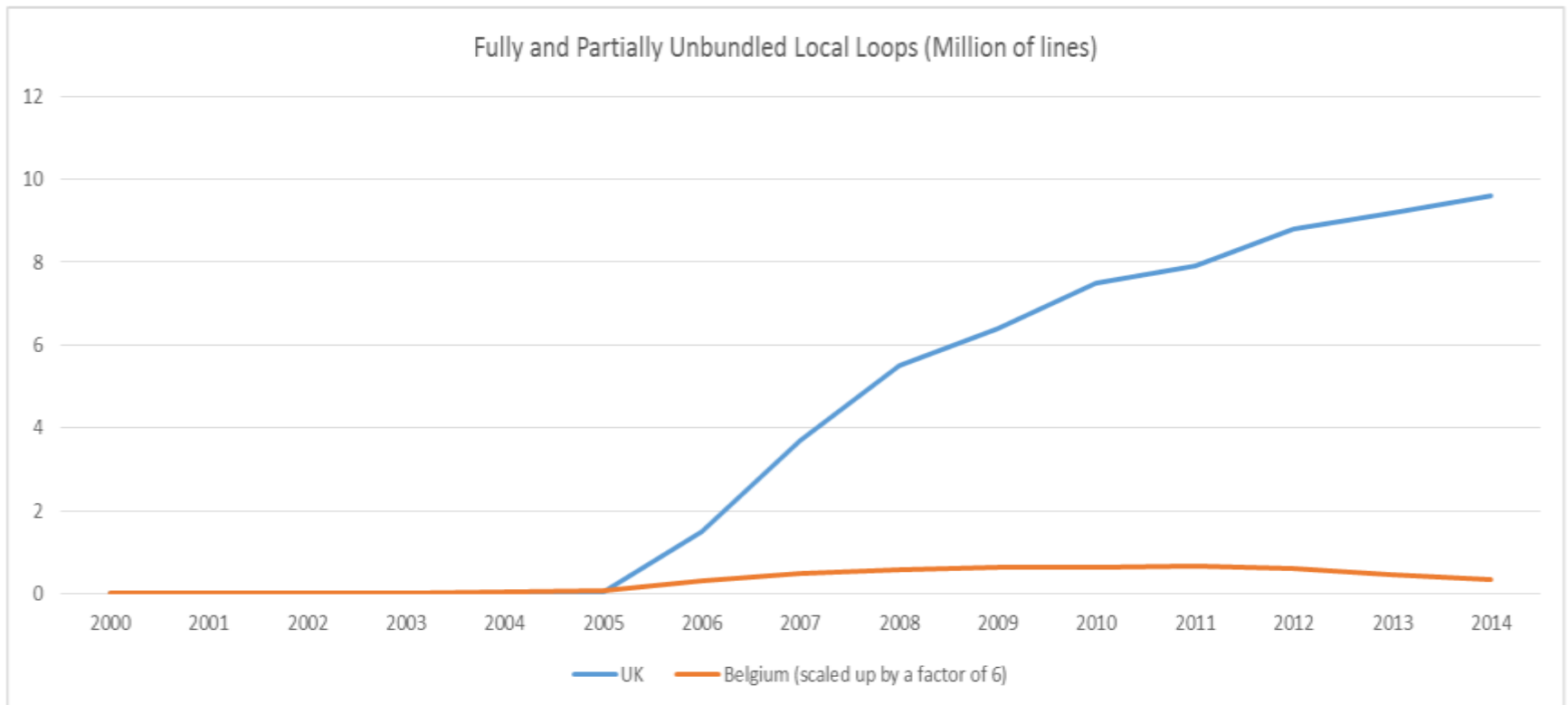
Models of Competition

- Infrastructure based competition model
 - Reduce or remove other forms of access (e.g. Spain, Portugal...)
 - Force or compel altnets to invest or quit the market.
 - What are the necessary conditions to work?
- Access based model of competition
 - Allow altnet to use existing networks to build up customer base – then invest
 - Virtual access – reduced scope to compete
- Compatibility between the two? No.

Why is the Commission is pursuing infrastructure based competition?



Local loop unbundling (LLU) access never took off in Belgium (nobody's fault!)



BIPT's proposals

- Same retail market but separate wholesale markets for cable and telecom networks.
- SMP and access regulation would persist for foreseeable future.
- Cable networks are geographically based (so not using geo-segmentation to reduce regulation).
- Allows for regulation to be reduced in the future if 3 networks are built.

Conclusions

- Belgium has done well but faces risks
- Belgium is coming to a crossroads
 - One path is service based competition
 - One path is infrastructure based competition.
- Regulation will be an important part of the commercial decision making process.
 - Uncertainty is the biggest threat to investment.
- Maintaining virtual access and signalling to the future is unlikely to help investment.

Thank You!

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Discussion

