



**NBN Senate Inquiry
Global Developments
August 2008**

Global Developments in Broadband deployment and use

ATUG has attended a number of discussions about broadband and regulatory framework developments in Europe as part of the June 2008 INTUG meeting.

The Broadband Stakeholders Group meeting

The meeting discussed two reports commissioned by the BSG on broadband in the UK.

The **first** report, A Framework for Evaluating the Value of Next Generation Broadband, examines economic and social value of next generation broadband and concludes “there’s more value in doing it right than doing it now”.

The report says the UK could reap significant social and economic value from the wide-spread deployment of next generation broadband. Looking at the potential private value (value accruing to commercial investors and consumers) and the wider economic and social value, the BSG found that the long-term benefits to the UK associated with the wide-scale deployment could outweigh the cost of deployment, which could be as much as £16bn (to reach 80 per cent of UK homes).

The BSG believes that in the short-term, there are unlikely to be significant costs associated with delaying deployment and there may actually be considerable value in waiting for a limited period in order for more information to emerge, before investing. But the value in waiting will diminish over time and the report recommends that commercial providers, government and regulators continue to work to create an environment that is conducive to timely and efficient investment. If widespread network deployment didn’t happen in the medium term (perhaps three to five years), then this report suggests that the UK could be losing out.

http://www.broadbanduk.org/component/option,com_docman/task,doc_view/gid,1009/Itemid,63/

The **second** report is Models for efficient and effective Public Sector interventions in Next-Generation Broadband access networks.

This BSG report identifies critical success factors, which if met, should help to ensure that interventions prove efficient and effective. The report also makes several recommendations including a call for greater co-ordination at national level between public and private sector organisations involved in broadband projects.

The factors include:

- Not pre-empting markets unless there are good reasons to do so
- Using the open access network model
- Stimulating and aggregating demand – details of services and prices before networks are built, concurrent with supply, a strong

community based dimension, end user incentives to help take-up

- Designing to minimise barriers to adoption eg low connection charges , common technical specifications and wholesale products

http://www.broadbanduk.org/component/option,com_docman/task,doc_view/gid,1008/Itemid,63/

INTUG meeting in Sweden, June 2008

The UK approach is **contrasted by Sweden** where local councils have determined that their communities need access to next generation broadband and have built open access fibre networks.

Municipal governments or municipal own companies in Sweden have invested approximately \$ 3billion (US) in regional and local fibre networks with funding coming from Central government, EU and the municipalities themselves. Sweden has a large rural and farming population. Swedes living in rural areas are getting fibre laid to their farms and homes. Much of this roll-out in sparsely populated areas of Sweden is being undertaken by local energy utilities owned by the municipality.

There are 290 communities in Sweden and about 200 of them have an open access network, meaning that anyone can lease dark fibre or capacity on equal terms. These networks serve schools, healthcare centres, and local councils.

Access has to be wholesaled to commercial service providers on an open, non-discriminatory basis. The goal is simply to deploy an open network and seed the market based a public-private sector partnership model, which is the result in large part of strict EU rules governing the use of public funds for broadband infrastructure.

Stokab has built the network in Stockholm. Stokab was founded in 1994 and is owned by the company group Stockholms Stadshus AB, which is in turn owned by the City of Stockholm.

Stokab's core tasks are to build, operate and maintain the fiber optic communication network in the Stockholm region and to lease fiber optic connections. The company is competition-neutral and provides a network that is open to all players on equal terms.

Stokab cooperates to facilitate the rollout of infrastructure for wireless communication and drives development of the broadband market in the Stockholm region.

<http://www.stokab.se/templates/StandardPage.aspx?id=306>

Vasteras is another city in Sweden to take their own approach to fibre deployment:

In 2000, Västerås was the first municipality in Sweden to form its own commercial company to build and operate an open urban network, and since then the company, Mälarenergi Stadsnät AB, has deregulated the broadband market by allowing the users themselves to decide which services they want. Mälarenergi Stadsnät has, in turn, connected commercial properties, local and county councils and households. The Västerås network today covers the entire town and functions as "a town within the town"

Infrastructure Sharing – UK

Ofcom has announced that it would undertake a sample **survey of underground ducting infrastructure** to understand its potential use for the rollout of next generation broadband in the UK.

“Given the remarkable results from recent French surveys, we need to establish what the position is here and whether or not duct access has a role to play in the development of competitive next-generation access. So, in cooperation with operators we intend to undertake a sample survey of the existing duct network.”

http://www.broadbanduk.org/component/option,com_docman/task,docview/gid,982

Infrastructure Sharing – France, Regulator presentation at ECTA 2008

<http://www.atug.com.au/submissions/ATUGNBNReglssSub/FreMin.pdf>

The deployment of NGNs : a great challenge in terms of investments and risk
(in particular FFTH):

- Considerable returns to our economies and to consumers...
- ... and a fantastic opportunity to achieve infrastructure-based competition

Policy-makers have a major role to play in fostering these massive Investments

New solutions are required : fiber is not a legacy network !

However, regulatory intervention is necessary :

- potential discrimination issues (access to ducts)
- cases where the deployment of parallel networks is either economically unviable or even undesirable (in-building cabling)

A subtle balance has to be struck by the regulation between providing

adequate incentives to invest and ensuring effective competition
Infrastructure Sharing – WIK Report for ECTA June 2008
http://www.ectaportal.com/en/upload/File/Press%20Releases/2008/NGA_WIK_PR_final.pdf

Definitive research, released today at the High Speed Europe conference, is the first to analyse the business case of rolling out next generation fibre networks across Europe. The study, carried out by WIK, one of Europe's leading telecoms research and analysis firms, shows overwhelming that only incumbent operators, with their extensive infrastructure and customer bases, can profitably roll out high speed fibre to the home (FTTH) lines to large parts of Europe. This raises the possibility that incumbents could once again increase their market share reversing the trend towards more competition in telecoms.

Consumer issues: broadband speeds

UK's first authoritative survey - 05/05/08

Ofcom is concerned that consumers could be misled or misinformed when choosing their broadband services by ISPs advertising headline speeds that are higher than users can receive in practice. Ofcom's own research has shown that consumer satisfaction of ISPs has fallen over the last year.

To gain a clearer picture of the issue, Ofcom is undertaking the UK's most authoritative and comprehensive broadband speed survey to identify actual broadband performance across the country and its relationship to advertised headline speeds.

http://www.ofcom.org.uk/media/news/2008/06/nr_20080605

Consumer Issues – Broadband Switching

A number of markets have now put in place information for consumers on switching practices eg Ofcom in the UK. An example of the protections developed in the UK for broadband consumers is attached. In Germany consumers are usually switched within seven working days and in France even less according to EU reports. The standard in the UK is 10 days.

Also attached are OECD papers on the role of consumer behaviour as an indicator of market efficiency. CCF has previously looked at Dr Xavier's paper on Protecting and Empowering Consumers. The recent OECD Ministerial meeting on the Future of the Internet Economy recognised the importance of choice and empowering consumers and the Seoul Declaration from that meeting is attached.

Ofcom Telecommunications Market Report 2007
<http://www.ofcom.org.uk/research/cm/cmr07/telecoms/>

Broadband is becoming embedded in the daily lives of many consumers, making it vital to be able to switch provider quickly, efficiently and without disruption to service. In December 2006 Ofcom published a statement on the broadband migration process which contained a new general condition regarding Migrations Authorisation Codes (MACs), the codes required to switch DSL broadband provider. Under the new condition ISPs are obliged to provide customers who are out of contract and request a MAC with the code within five working days. This has made it easier for consumers to switch between DSL broadband services, including to LLU providers.

Ofcom – the consumer Experience – Policy Evaluation 2007

<http://www.ofcom.org.uk/research/tce/ce07/>

Our research shows that there is **increased participation** in markets by consumers – actively switching, comparing services or negotiating new deals – but that they are finding comparing quality of service (QoS) more difficult than making price comparisons. To help consumers compare providers, over the last year we have introduced a new price accreditation scheme and are working with industry to develop QoS initiatives further, in particular to provide broadband comparisons.

Our research shows falling level of satisfaction with broadband services. One area of complaint has been that advertised headline **broadband speeds** do not reflect actual speeds delivered. Ofcom is currently working to make sure consumers have clear and accurate information about broadband speeds to address concerns.

We reported in 2006 that consumers seeking to **switch broadband** providers were experiencing considerable difficulties and delays. We introduced new measures in February 2007 to address these problems. These appear to be having a very positive effect with a significant reduction in complaints and similar improvements being shown in data from industry.

OECD Roundtable

<http://www.oecd.org/dataoecd/31/46/36581073.pdf>

The Roundtable focused primarily on the insights of behavioural economics. Further work could be carried out by the CCP to examine the contributions of other branches of economics to the consumer protection responsibilities of member countries. In particular, the CCP could explore how the insights of these different branches can be combined to provide further analysis and rigour for determining and implementing important policy decisions relating to the protection and empowerment of consumers in markets.

In this context, the Committee on Consumer Policy seeks to begin the development of a more rigorous approach to analysing the demand-side of markets. This initiative is in conjunction with a number of other prominent research projects currently taking place in the area of demand-side economics and consumer detriment. The aim is that it will

assist in determining whether and when intervention is necessary, the most effective shape of intervention, and the costs and benefits of mechanisms to deliver consumer empowerment and consumer protection. The Roundtable represented an important first step in this direction.

**OECD - Enhancing Competition in Telecommunications:
protecting and empowering consumers**

<http://www.atug.com.au/Opinion/Op270208/OECDFinalTelcoPaper.pdf>

The regulation of the telecommunications sector has focused mainly on the supply side of the market including, for example, market entry and licensing, access to and use of networks, interconnection, control over retail and/or wholesale pricing.

This emphasis on the supply side has been appropriate since the task was to install effectively competing alternative suppliers in former monopoly telecommunication markets. As competition has developed and the number of new entrants in fixed and mobile telecommunication markets has grown, there has been increased attention by some telecommunications regulators on the consumer demand side. For instance, a 'demand-side' measure introduced in many OECD countries is the requirement for 'number portability' aimed at facilitating consumer 'switching' in the fixed line and mobile markets.