



## Consumers and businesses continue to have a wide choice in the telecommunications market

*More competition is still needed in the market for internet, fixed-telephony and television services*

The Netherlands Authority for Consumers and Markets (ACM) wishes to continue to offer competitors of Dutch telecom company KPN the opportunity to use KPN's fixed network. KPN must continue to offer other telecommunication providers access to the final stretch of its network, which is the copper or fiber-optic line from everyone's home to the main network. That is how ACM continues to provide room for effective competition from other telecommunication providers. If ACM were not to step in, there would be too little choice for consumers and businesses: KPN and cable company UPC/Ziggo would then dominate the market. In ACM's opinion, having just two providers on these markets cannot be considered effective competition. As a result of this draft decision, consumers and businesses will have a wider choice. KPN and UPC/Ziggo will be challenged to offer faster and cheaper telecommunication services. Consumers and businesses will ultimately benefit. This document describes how the 'Draft market analysis decision for unbundled access to the local loop' of October 31, 2014 contributes to effective competition.<sup>1</sup>

### What does this decision entail?

ACM wishes to continue to give KPN's competitors the opportunity to use the home connection. KPN must offer them this option for a fee. This is called 'unbundled access' to the home connection. It concerns the connection point inside one's home to the point where the copper or fiber-optic line connects to KPN's core network. With such access, KPN's competitors are able to connect the copper or fiber-optic line to their own core networks. This allows them to decide for themselves what services they wish to offer on the network, for example, broadband access, fixed-telephony or business services, or bundles of these services. Competitors that use this type of access are additionally able to decide for themselves what speeds they can offer to customers and at what price.

Competitors such as Tele2 and Vodafone have their own core networks these days. But the final stretch, the copper or fiber-optic line that runs to everybody's home, belongs to KPN. For these competitors, it does not make any sense to build their own lines to people's homes – this is simply too expensive. Competitors are thus dependent on access to KPN's copper or fiber-optic line. KPN has already been required to offer such access since the early 2000s. In this draft decision, ACM renews this obligation with three years. These obligations do not apply to the mobile network.

### What is the status of this decision?

The 'Draft market analysis decision for unbundled access to the local loop' has not yet been finalized. Telecommunication companies have six weeks to submit any comments. After reviewing the comments it has received, ACM will examine whether any changes to the

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<sup>1</sup> Together with this draft decision, ACM will also release the merger decision KPN/Reggefiber. KPN and Reggeborgh have together (under the name Reggefiber) built a fiber-optic network. ACM has approved that KPN acquires full control over Reggefiber. Should this lead to any antitrust problems such as refusal to provide other telecommunication providers access, ACM can solve these under the market analysis decision on unbundled access to the local loop.



decision need to be made. ACM will then submit the decision to the Commission. If the Commission agrees with the decision, it will take effect in spring 2015.

### **Why does the cable market not have to be opened up?**

KPN has a core network and has copper or fiber-optic lines to every home. The other major player with its own national network is UPC/Ziggo. UPC/Ziggo has connected each home to its own core network with coaxial cables. On the consumer internet market, UPC/Ziggo and KPN are equally strong. So why does ACM force KPN to grant others access to its network, but not UPC/Ziggo to its network? ACM has carefully weighed all arguments before reaching this decision.

KPN has a strong position in the business fixed-telephony market and in the business connectivity market. UPC/Ziggo is small in these business markets. Industrial parks usually do not have any coaxial cables. So in order to improve competition on those markets, KPN must grant its competitors access to its network.

To that end, ACM must, according to the European Commission, find the right design for granting access to the telecommunication network that will lead to the best form of competition. The best way to achieve that is through access to the home connection using KPN's network. In terms of technology, the coaxial cable does not have the same ability as do KPN's copper or fiber-optic lines of granting other telecommunication providers access. As UPC/Ziggo is unable to offer this type of access, opening up the cable market would not help achieve the best form of competition effectively.

Access to KPN's network leads to a situation where other telecommunication providers are active in the market. And they compete with both KPN *and* UPC/Ziggo. As a result, consumers and businesses have a wide choice of providers *and* of different types of services: fixed telephony, broadband access, television, and business telecommunication services.

### **How does this decision lead to increased competition and lower prices?**

With ACM's decision, other telecommunication providers are able to offer all services they wish to offer. With their own selection of products and services, but also with the speeds of those services (upload and download speeds), they are truly able to differentiate themselves from KPN, as well as from UPC/Ziggo. In addition, they are also better able to compete on price with KPN and UPC/Ziggo. KPN and UPC/Ziggo will thus continue to be stimulated to match a good selection of services with the lowest possible price. ACM expects that this will act as an incentive for UPC/Ziggo and KPN to continue to invest in their own networks.

Newcomers in the telecommunication market have already demonstrated their ability to change market dynamics. With new and faster services, and lower prices they are able to grab market share in the telecommunication market, and stay there. Vodafone, for example, recently announced it would heavily invest in offering fixed services over KPN's network, and also that it would go head-to-head with KPN and UPC/Ziggo.

### **Can ACM do this?**

One of ACM's duties is to promote competition in the telecommunication market. ACM therefore promotes the interests of the end-users, which are consumers and businesses. These end-users have an interest in competitive prices, high quality, and a wide choice. In addition, ACM



finds it important that investments continue to be made in better and faster telecommunication networks in order to meet tomorrow's demand. If ACM were not to step in, there would be too little choice: Dutch telecom company KPN and cable company UPC/Ziggo would then dominate the market. In ACM's opinion, having just two providers on these markets cannot be considered effective competition. These two providers would also have too little incentive to invest in their networks, whereas plenty of opportunities exist to improve the quality thereof.

#### **Would this not lead to unfair competition between KPN and UPC/Ziggo?**

ACM does not put KPN at a disadvantage vis-à-vis UPC/Ziggo. ACM makes sure that other providers are better able to compete with KPN *and* UPC/Ziggo. KPN is able to recoup the costs it incurs by granting others access to its network. It is also given more room to enhance its own copper network and to make it faster. KPN is additionally allowed to offer cheaper services, as ACM does not impose any minimum tariffs on KPN in the consumer internet market.

#### **Can the networks become even faster?**

UPC/Ziggo's and KPN's networks can become *much* faster. It is currently technically possible to achieve speeds of 100 megabits per second over KPN's copper network. Until recently, this was 20 megabits per second. In the future, speeds of at least 240 megabits per second are certainly feasible. UPC/Ziggo already offers speeds of 200 megabits per second over its cables. In the future, UPC/Ziggo is able to increase its speeds to 1 gigabit per second. KPN has connected one in four households in the Netherlands to fiber optic, and this share will only increase further. Speeds of 1 gigabit per second are already offered on fiber-optic networks. So there are plenty of technical possibilities. But UPC/Ziggo and KPN need to be stimulated by other telecommunication providers in order to seize these opportunities effectively.

#### **Towards what situation are we heading?**

All consumers in the Netherlands will be able to choose from at least three telecommunication providers for their landline, broadband access, and television services. In a lot of cases, they even have four or five providers to choose from: besides KPN and UPC/Ziggo, they can also go to telecommunication providers such as Vodafone, Tele2 and Online. With regard to mobile telephony and mobile internet, consumers face a similar situation. At this point, KPN, Vodafone and T-Mobile have wireless 3G networks. KPN and Vodafone also have nationwide 4G networks. Two additional 4G networks are being built: T-Mobile and Tele2. So in the near future, consumers will also be able to choose from different telecommunication providers for combined services on fixed and mobile networks. ACM has calculated the outcome (in monetary terms) of this decision for consumers and businesses: at least EUR 250 million per year as a result of prices that continue to be competitive.

At the same time, ACM and the Dutch Ministry of Economic are working together with providers to make it easier for end-users to switch telecommunication providers. At this point, it has already been agreed that the new provider will be able to cancel all previous contracts. For consumers, this will lower the barrier to switch. If switching becomes easier, KPN and UPC/Ziggo will be stimulated to offer their customers better and faster services at the best possible price. In November, ACM will relaunch its awareness campaign to make consumers aware of the opportunity to switch: 'If you snooze, you lose.'