

# OPTA analyst meeting

June 29, 2009



# Programme

- **13.00** The main developments on the electronic communications and postal markets, by
  - **Johan Keetelaar and Christa Cramer**  
(electronic communications)
  - **Symen Formsma** (postal affairs)
- Questions (also through internet)
- **14.00** End of meeting

# Outline of meeting

## **Electronic communications**

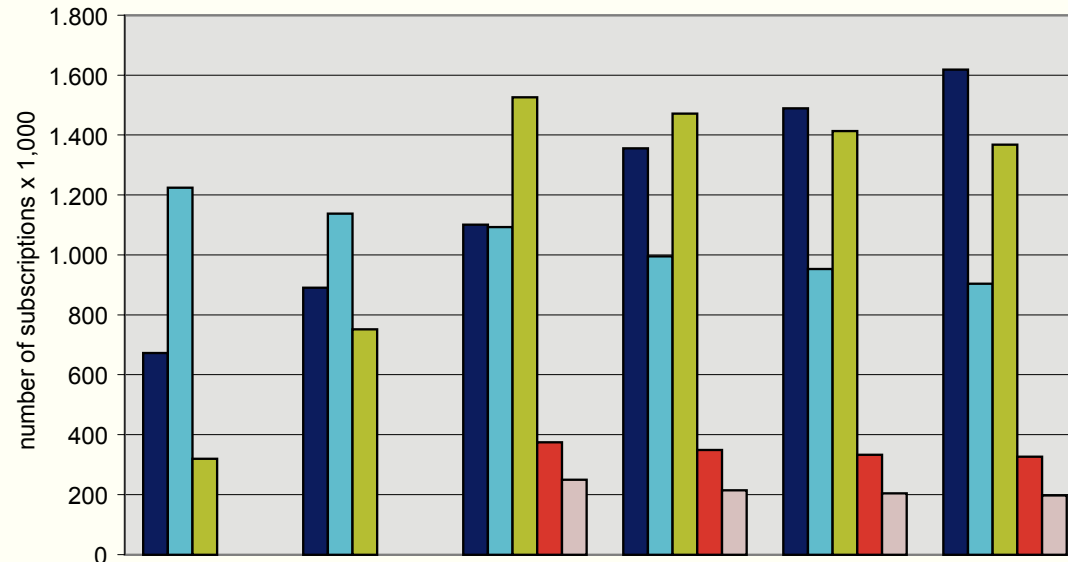
- Bundling
- Fixed telephony
- Mobile telephony
- Broadcast
- Broadband
- Fibre developments

## **Postal markets**

## **Questions**

# Bundling: number of customers

- Triple play growth stable
- Migration from dual play to triple play
- 67% of households has several services from same provider



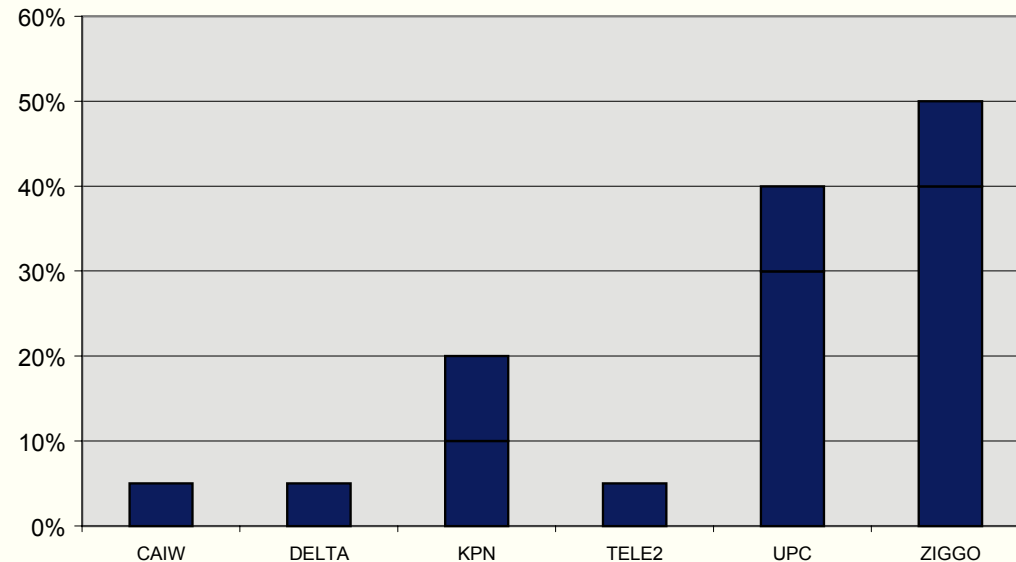
	30-06-2006	31-12-2006	30-06-2007	31-12-2007	30-06-2008	31-12-2008	Change 08Q4/07Q4
■ Triple Play: Customers with (only) rtv + fixed telephony + broadband from same provider	673	891	1.100	1.356	1.490	1.618	19,4%
■ Dual Play: Customers with (only) rtv + broadband from same provider	1.225	1.138	1.094	996	954	904	- 9,2%
■ Dual Play: Customers with (only) fixed telephony + broadband from same provider	320	752	1.526	1.472	1.414	1.368	- 7,0%
■ Triple Play: Customers with (only) fixed and mobile telephony + broadband from same provider			374	349	333	327	- 6,4%
■ Dual Play: Customers with (only) fixed and mobile telephony from same provider			250	214	204	198	- 7,4%

Source: OPTA



# Bundling: provider shares

- Largest players triple play: cable operators Ziggo, UPC



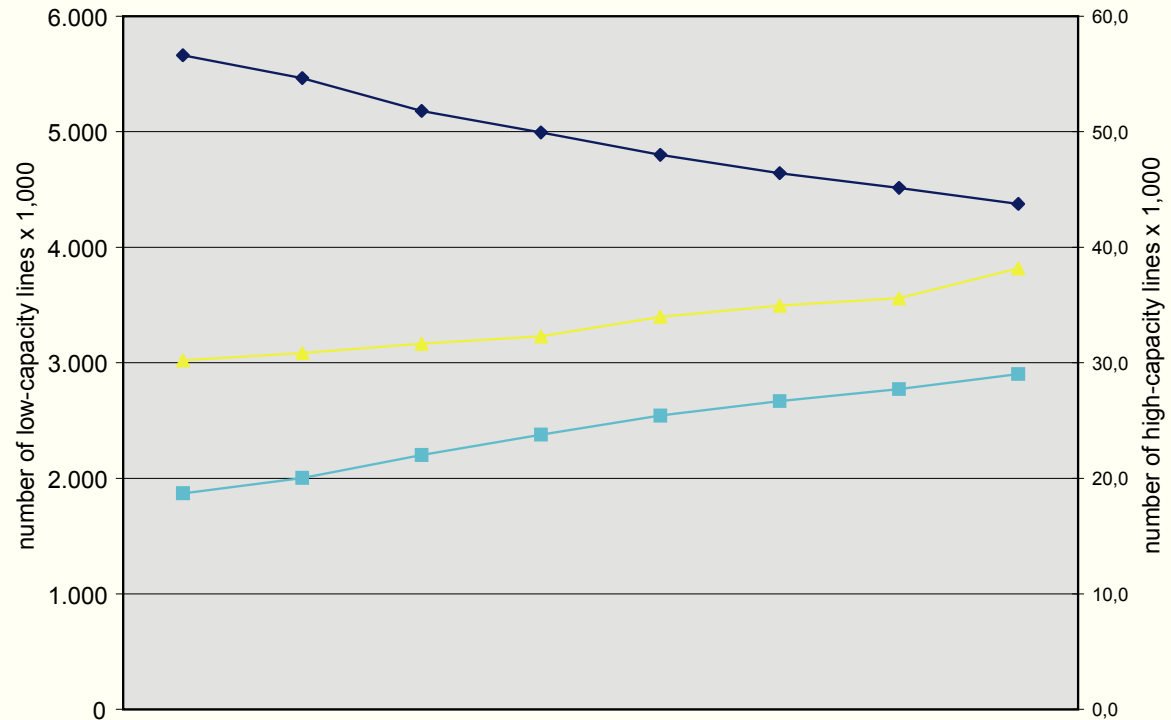
	30-06-2006	31-12-2006	30-06-2007	31-12-2007	30-06-2008	31-12-2008
@HOME	[10-20%]	[10-20%]	[20-30%]	[20-30%]	-	-
CAIW	[0-5%]	[0-5%]	[0-5%]	[0-5%]	[0-5%]	[0-5%]
CASEMA	[20-30%]	[10-20%]	[10-20%]	[10-20%]	-	-
DELTA	[0-5%]	[0-5%]	[0-5%]	[0-5%]	[0-5%]	[0-5%]
KPN	[10-20%]	[10-20%]	[10-20%]	[10-20%]	[10-20%]	[10-20%]
MULTIKABEL	[5-10%]	[5-10%]	[5-10%]	[5-10%]	-	-
TELE2	-	[5-10%]	[5-10%]	[0-5%]	[0-5%]	[0-5%]
UPC	[30-40%]	[30-40%]	[20-30%]	[30-40%]	[30-40%]	[30-40%]
VERSATEL	[5-10%]	-	-	-	-	-
ZIGGO	-	-	-	-	[40-50%]	[40-50%]

Source: OPTA



# Fixed telephony: number of retail lines

- Digital telephony grown to 39.7%
- Number of fixed telephony subscriptions decreasing: from 7.4mln end 2007 to 7.3mln end 2008



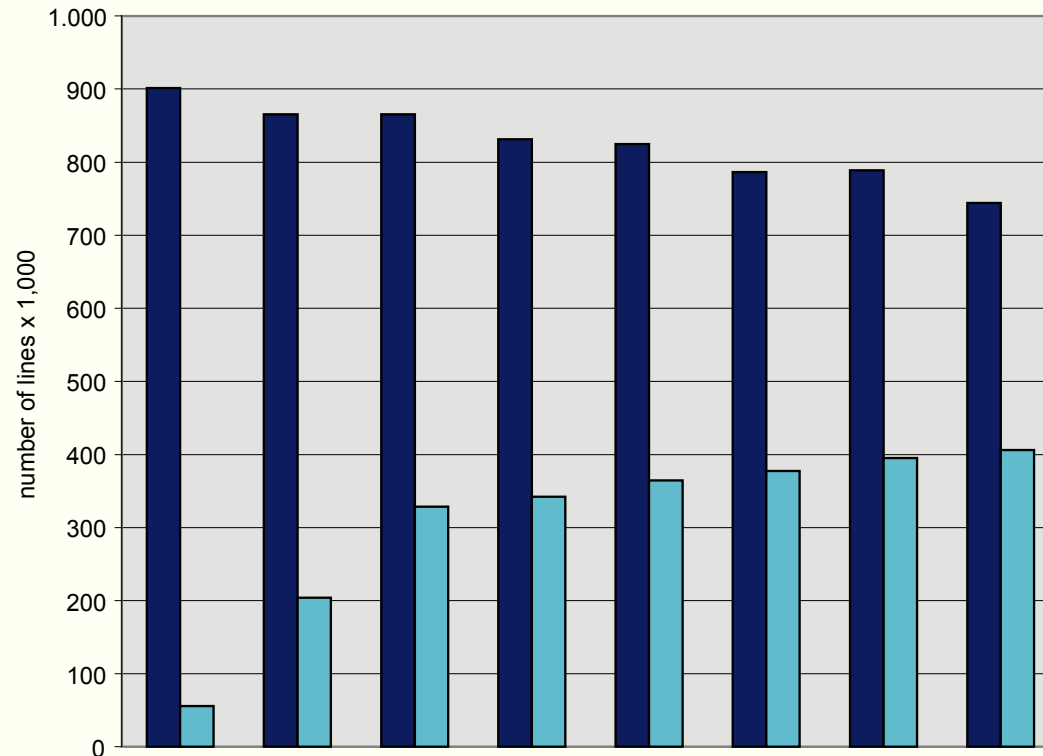
	31-03-2007	30-06-2007	30-09-2007	31-12-2007	31-03-2008	30-06-2008	30-09-2008	31-12-2008	Change 08Q4/07Q4
◆ Number of low capacity lines PSTN	5.662	5.465	5.179	4.994	4.801	4.642	4.515	4.376	-12,4%
■ Number of low capacity lines VoB	1.871	2.003	2.203	2.378	2.544	2.669	2.773	2.903	22,1%
▲ Number of high capacity lines	30,2	30,8	31,7	32,3	34,0	34,9	35,6	38,2	18,2%

Source: OPTA



# Fixed telephony: WLR and CPS

- Trends continue:
  - growth in Wholesale Line Rental
  - decrease in Carrier Pre-Select
- OPTA implementing WLR-obligation for high capacity lines too

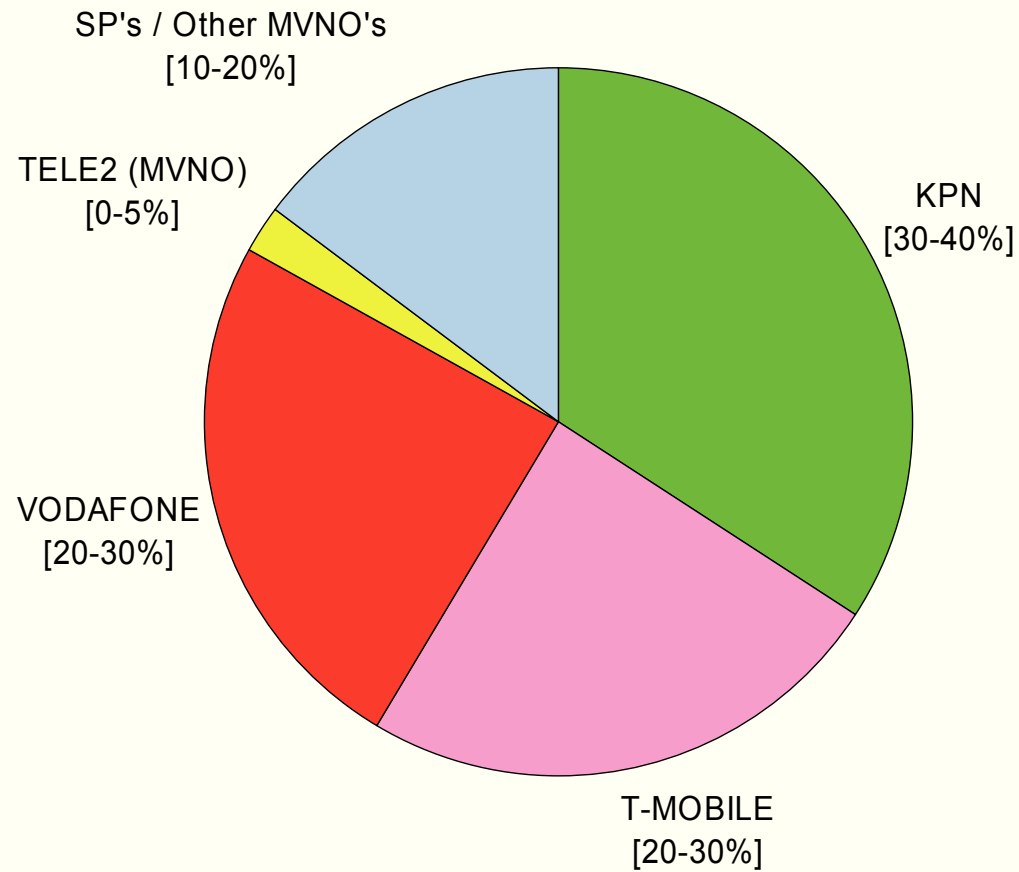


	31-03-2007	30-06-2007	30-09-2007	31-12-2007	31-03-2008	30-06-2008	30-09-2008	31-12-2008	Change 08Q4/07Q4
■ Number of CPS subscribers	902	866	866	831	825	787	789	744	-10,5%
■ Number of wholesale line rental lines	56	204	328	342	365	377	395	406	18,7%

Source: OPTA



# Mobile retail market shares



Source: OPTA





# Roaming regulation

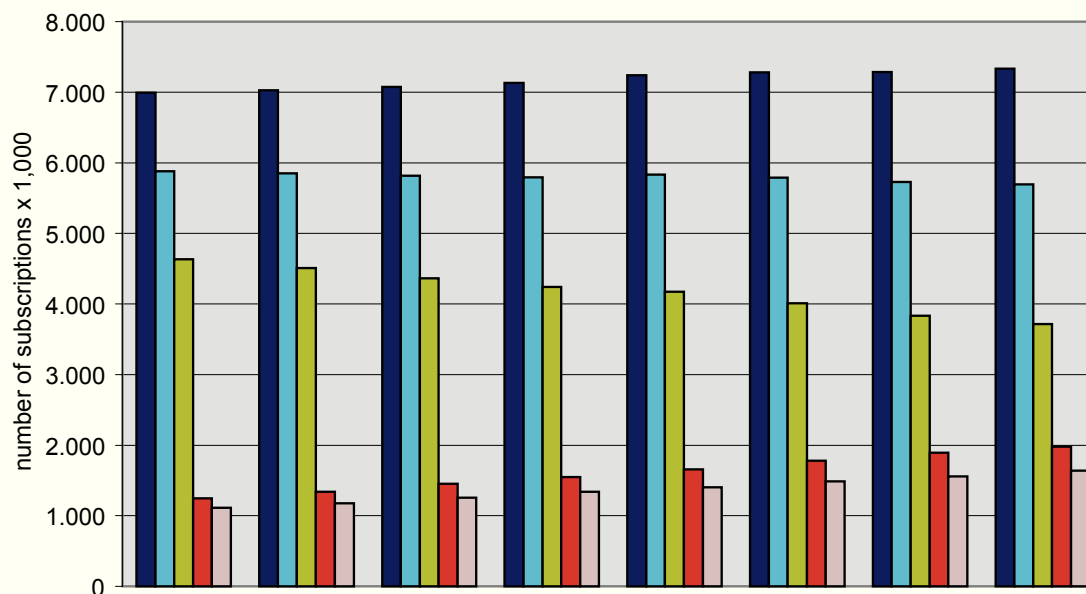
<b>wholesale</b>			
Maximum (ex. BTW)	1 july 2009	1 july 2010	1 july 2011
Telephony (per min)	€ 0,26	€ 0,22	€ 0,19
SMS	€ 0,04	€ 0,04	€ 0,04
Data (per MB)	€ 1,00	€ 0,80	€ 0,50
<b>retail</b>			
Maximum (set up calls)	€ 0,51	€ 0,46	€ 0,42
Maximum (being called)	€ 0,23	€ 0,18	€ 0,13
Maximum tarief SMS	€ 0,13	€ 0,13	€ 0,13

## Other obligations:

transparency, prevention of 'bill shock', free voicemail, ...

# Broadcast

• Small cable operators have additional  $\pm 230.000$  subscriptions with comparable digitisation



	31-03-2007	30-06-2007	30-09-2007	31-12-2007	31-03-2008	30-06-2008	30-09-2008	31-12-2008	Change 08Q4/07Q4
■ Total RTV subscriptions	6.994	7.027	7.075	7.134	7.239	7.282	7.286	7.335	2,8%
■ Total cable	5.878	5.850	5.817	5.793	5.834	5.790	5.728	5.697	- 1,7%
■ Analogue cable	4.632	4.510	4.365	4.244	4.174	4.008	3.834	3.718	-12,4%
■ Digital + analogue cable	1.247	1.340	1.452	1.549	1.660	1.782	1.894	1.979	27,8%
■ Other RTV subscriptions (digital terrestrial, digital satellite, IPTV over DSL, FttH (analogue))	1.116	1.176	1.258	1.341	1.405	1.492	1.558	1.638	22,2%

Source: OPTA



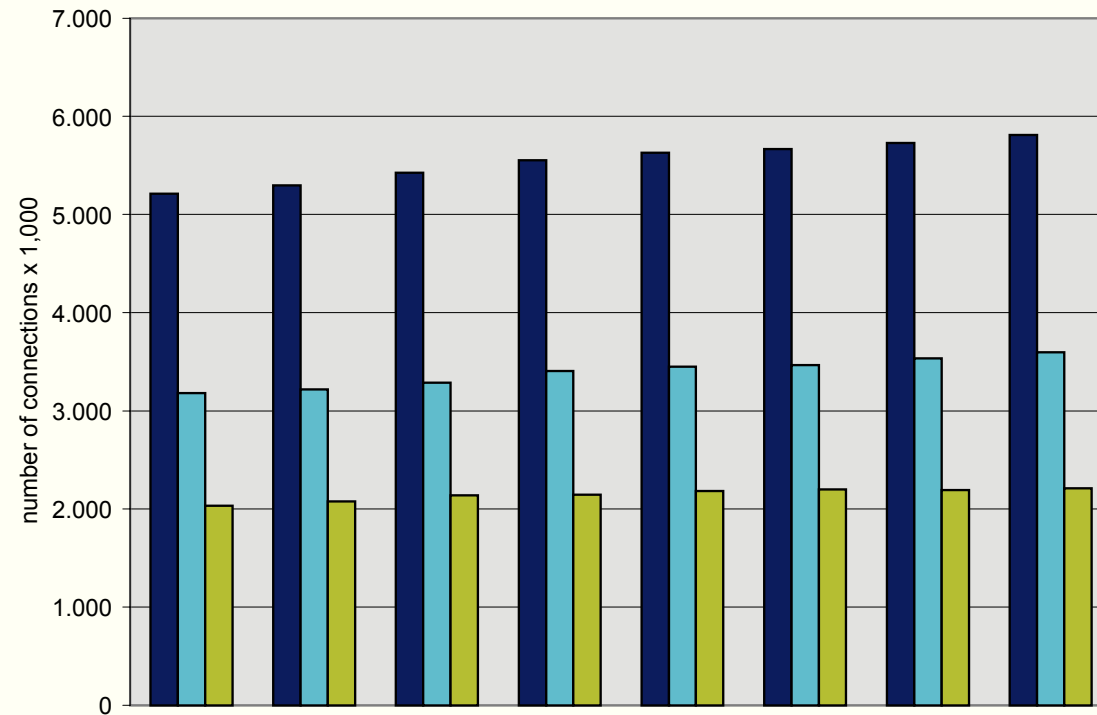
# Broadcast

End 2008:

- TV-market growing: more subscriptions than households
  - 22% of subscriptions is non-cable, but only 9% of revenues
  - 80% of cable connections in use
  - 49% of subscriptions are digital or digital+analogue
  - Digital cable growing fastest
- 
- New cable regulations being implemented for Ziggo and UPC



# Broadband: number of connections

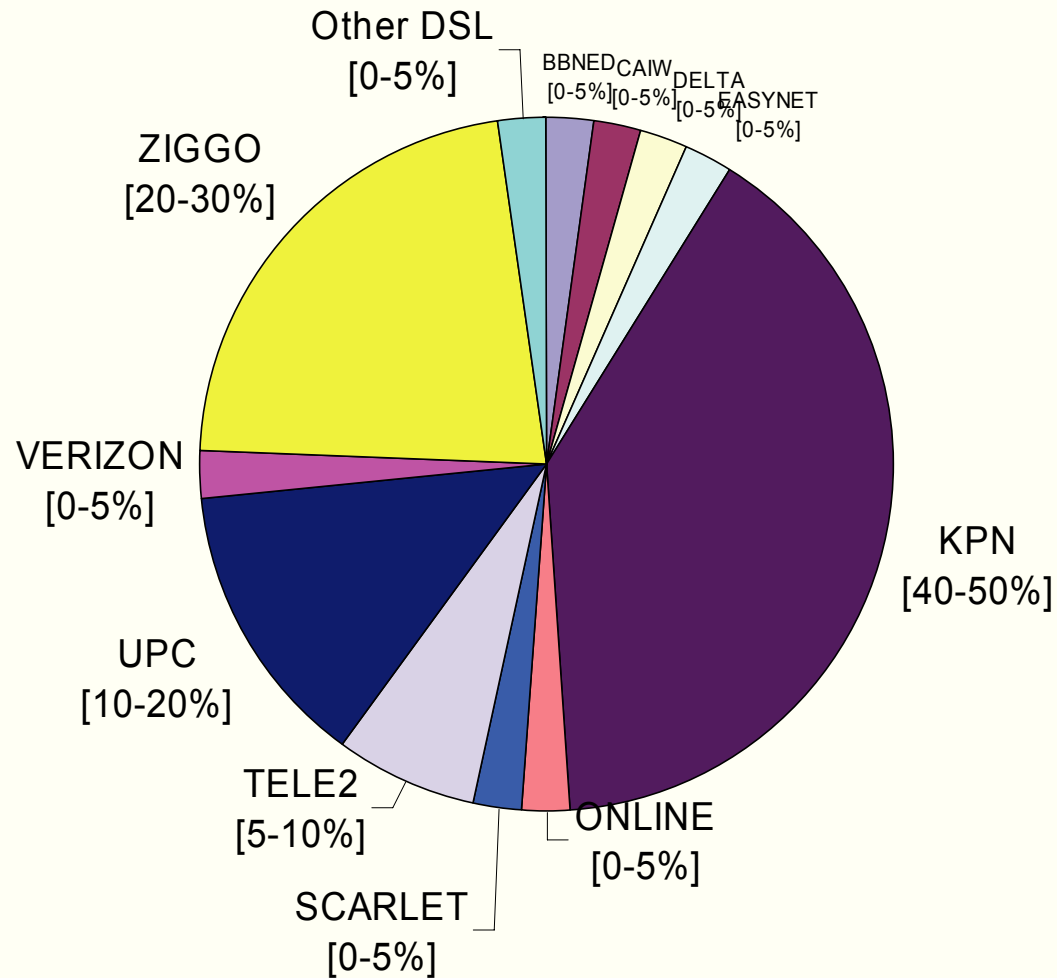


	31-03-2007	30-06-2007	30-09-2007	31-12-2007	31-03-2008	30-06-2008	30-09-2008	31-12-2008	Change 08Q4/07Q4
■ Total number of retail connections	5.213	5.296	5.427	5.552	5.632	5.666	5.727	5.809	4,6%
■ Number of DSL connections	3.181	3.219	3.288	3.407	3.450	3.467	3.535	3.597	5,6%
■ Number of cable connections	2.032	2.077	2.139	2.144	2.182	2.198	2.192	2.211	3,1%

Source: OPTA



# Broadband retail market shares



Source: OPTA

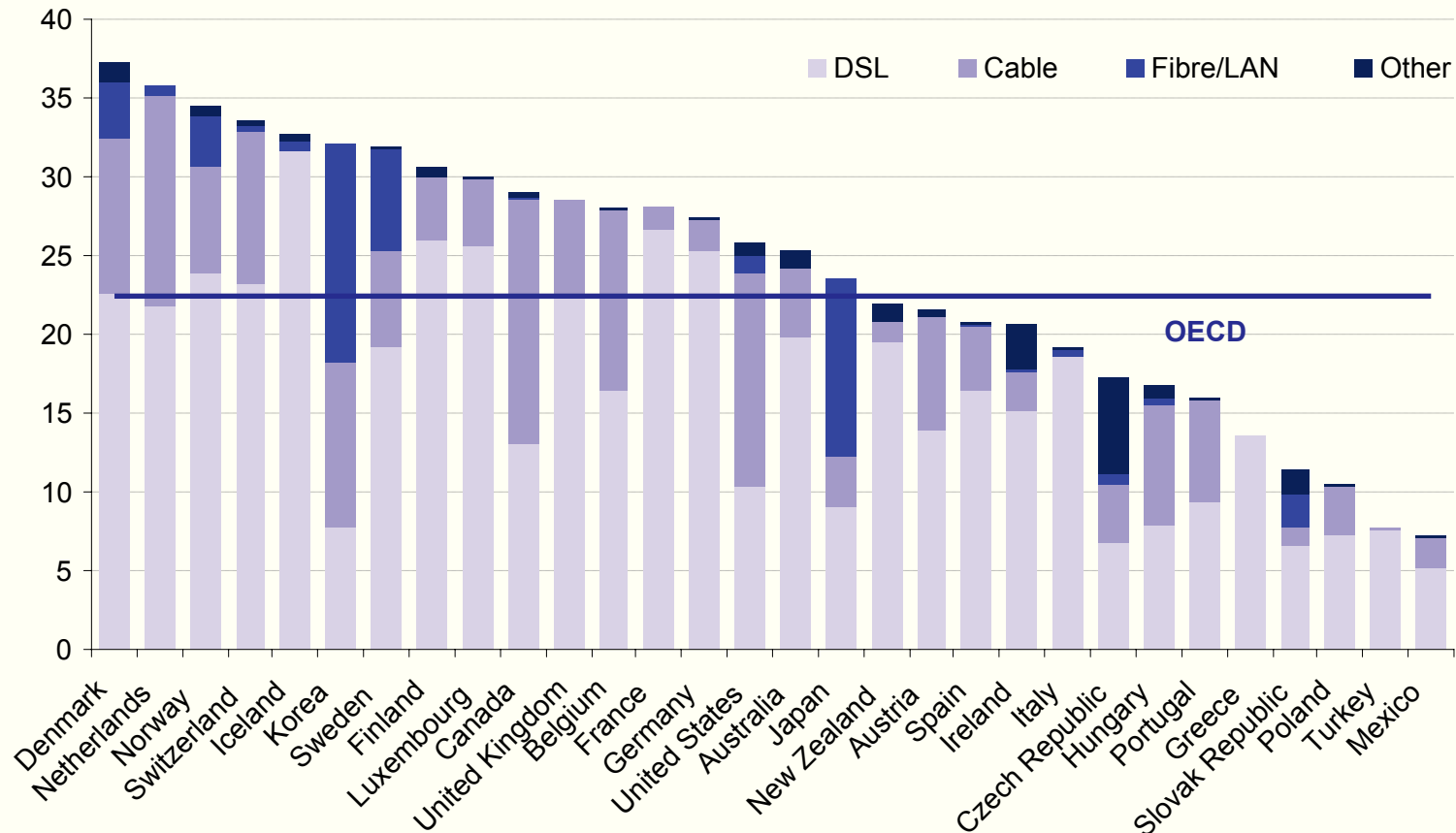


# Broadband markets development

- Retail broadband market growth slowing down
  - ±80% household penetration
  - Retail market shares fairly stable
- Wholesale broadband access (low quality):
  - market growth 4,8% (5,8% DSL, 3,2% cable)
  - KPN 50-60% market share, slight increase in 2008
- Wholesale broadband access (high quality):
  - market growth 11,3% (DSL)
  - KPN market share 60-70%, BBNed 20-30%, stable
- Continued growth of unbundled lines (7,1%):
  - Trend of migration from shared to fully unbundled lines continues
  - Share of alternative operator unbundled lines slowly increased in 2008 from 17.7% to 18.2%

# International comparison broadband markets

OECD Broadband subscribers per 100 inhabitants, by technology, December 2008

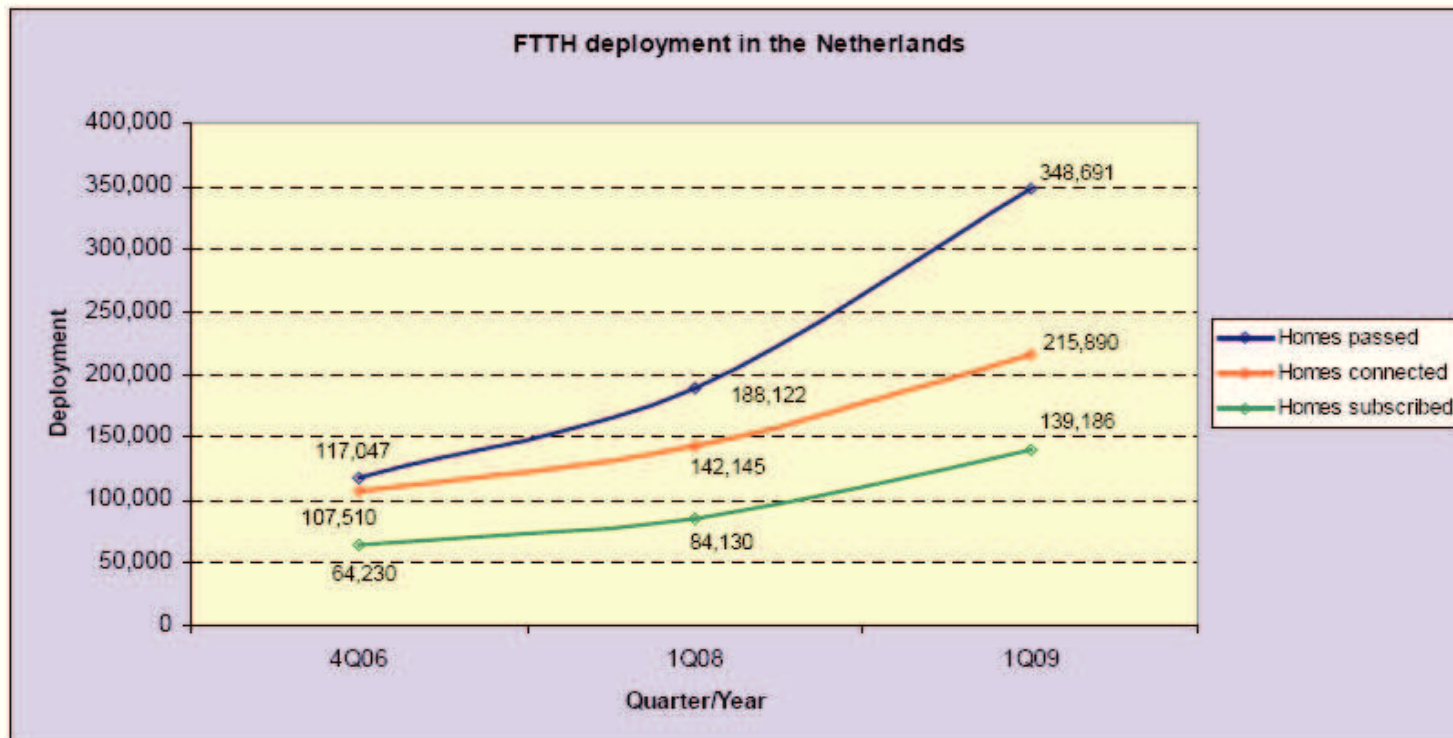


Source: OECD



# Actual FttH deployment

- Subscribed: from 1% of households 2007 Q1 to 2% 2009 Q1
- Passed: from 2% of households 2007 Q1 to 5% 2009 Q1

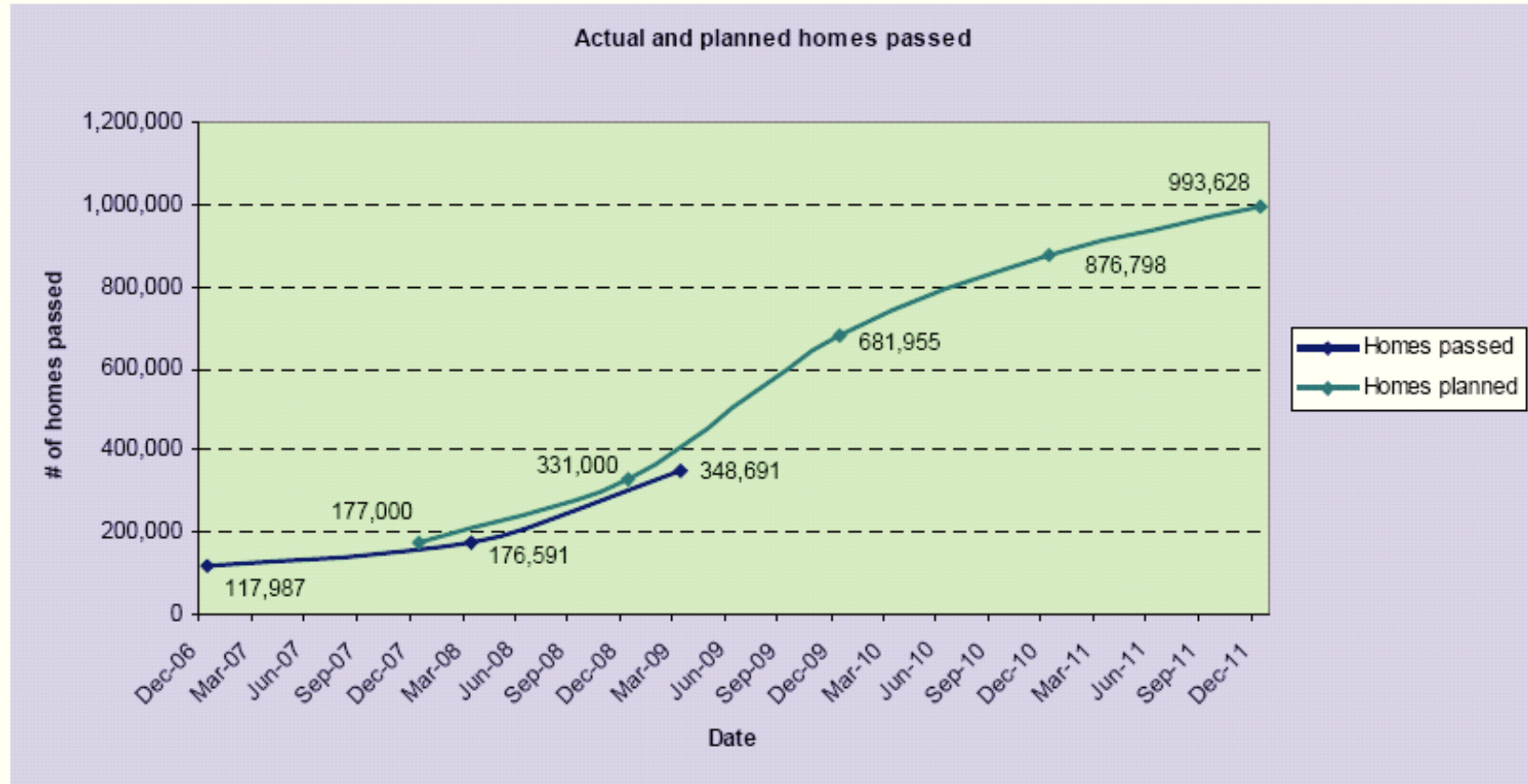


Source: Stratix





# Planned FttH deployment



Source: Stratix



# Broadband markets regulation 2009-2011

## *Regulatory challenges and OPTA approach (1)*

- Convergence of networks
- Fibre deeper in the networks realistic possibility (FttC, FttH)
- Intent of KPN to phase out copper network/MDFs
- Infra-based competition is driver for innovation and investments => promote *infra - based (facility based) access model - regulation*
  - Local Loop Unbundling (LLU)
  - Subloop Unbundling (SLU)
  - Unbundled Fiber (ODF Access): viable business case
  - Stay away from (cost oriented) WBA regulation to solve competition problems, if possible

# Broadband markets regulation 2009-2011

## *Regulatory challenges and OPTA approach (2)*

- Wholesale broadband regulation if infra-access is not effective
  - SLU has limited potential (economies of scale)
  - LLU becomes less effective (phasing out network)
    - WBA regulation for wholesale consumer markets (LQ copper)
- No WBA regulation for FttH connections
  - ODF Access has promising potential (report Analysys)
- WBA regulation for all wholesale business markets (HQ copper and fibre)
  - Scattered competition on business markets
  - Strong market position of KPN
  - Important to have national network coverage for large(r) business customers

# OPTA's approach to risk and (un)certainty

*balancing investment AND competition incentives*

- One of the main elements of the investors' uncertainty has to do with (future) pricing (principles) of NGN Access
  - Policy Rules on ODF access tariff principles
  - Draft decision on ODF access tariffs
- Managing (external) risks and managing the construction costs are crucial factors in limiting cost of capital → essential for (regulated) price level
- Creating success (and the opportunities) is crucial for limiting the costs per line → which in itself (lower prices) stimulates more success (penetration)

# Three main elements of pricing principles (1)

## ***I. Long term access price cap by OPTA***

- Setting a *price-cap which is stable and predictable over a long period* (price  $t=0$  + yearly price indexation)
- Price cap remains unchanged, unless there are excessive returns
- Allowing a limited – *project specific fiber – risk premium* by setting a slightly higher access price
- A price level at which access is an economic viable business case

## ***II. A 3-year check on excessive returns by OPTA***

- “Excessive return” may lead to a downward adjustment of price cap (situation of overperformance)
- Allowing a fixed premium for the *asymmetric regulatory risk*

## Three main elements of pricing principles (2)

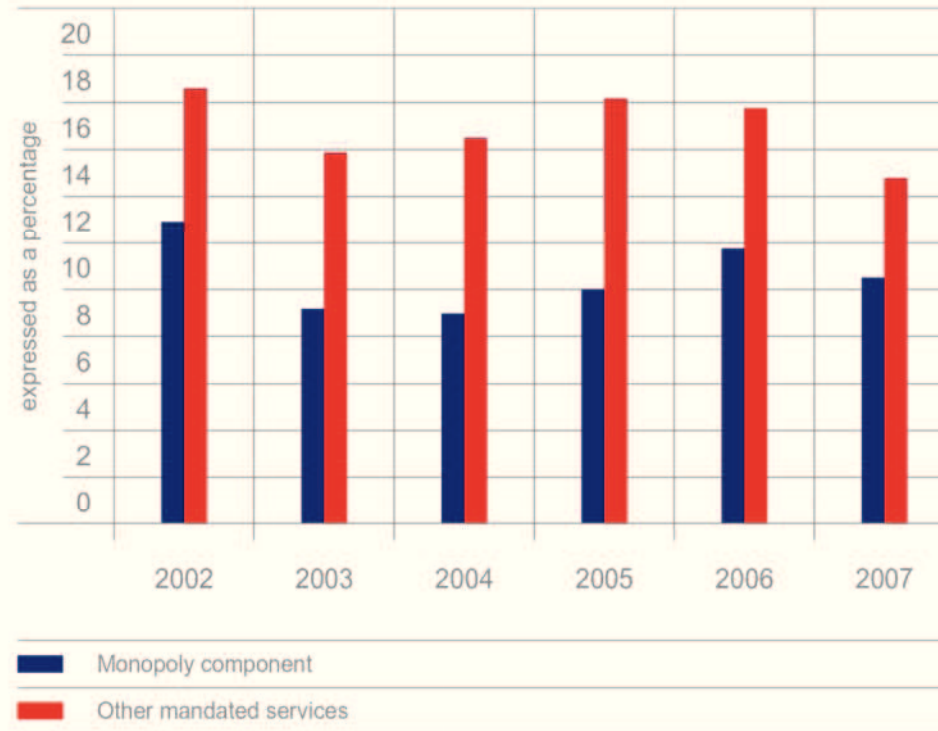
### *III. Facilitate “internal” risk lowering measures by KPN/Reggefiber*

- Risk sharing with access parties: limited investment contribution
- Penetration pricing: higher volume discounts when penetration grows  
→ incentives for further rolling out of fiber
- Regional price differentiation based on capital cost differences
- Price indexation

# Postal market

- New Dutch Postal Act: 1 April 2009
- Full market liberalisation
- New Tasks and Competencies for OPTA  
a.o. determining C.O. Tariffs per 1 October 2009

# Profit by TNT

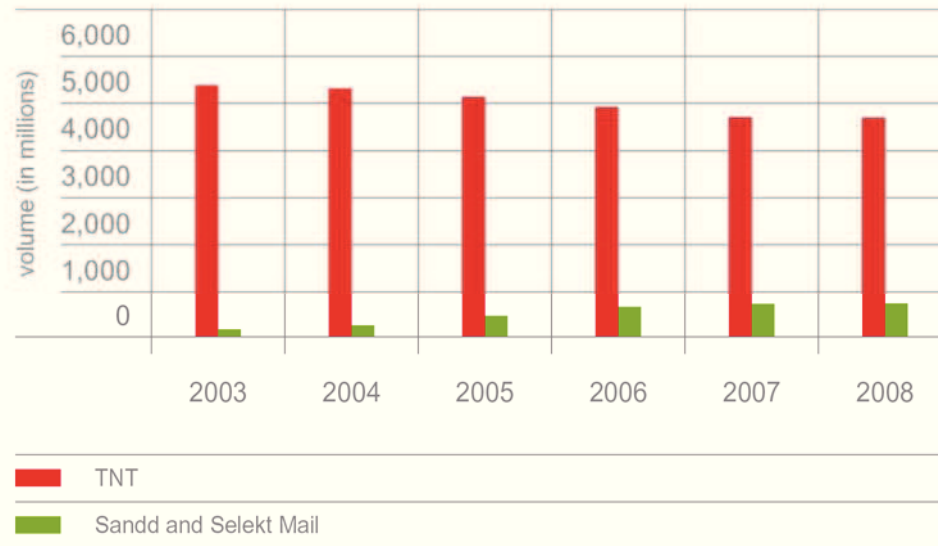


Source: TNT





# Volume of TNT vs Sandd / Selekt Mail



Source: TNT, Selekt Mail, Sandd



# Questions for OPTA experts

**Johan Keetelaar and Christa Cramer**  
(electronic communications)

**Symen Formsma** (postal affairs)

*Representatives of the financial world should note that OPTA has the legal duty to protect company confidential data.*



# End of meeting

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