



Wholesale broadband access (market 12) - New threat for cable operators?

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Outline

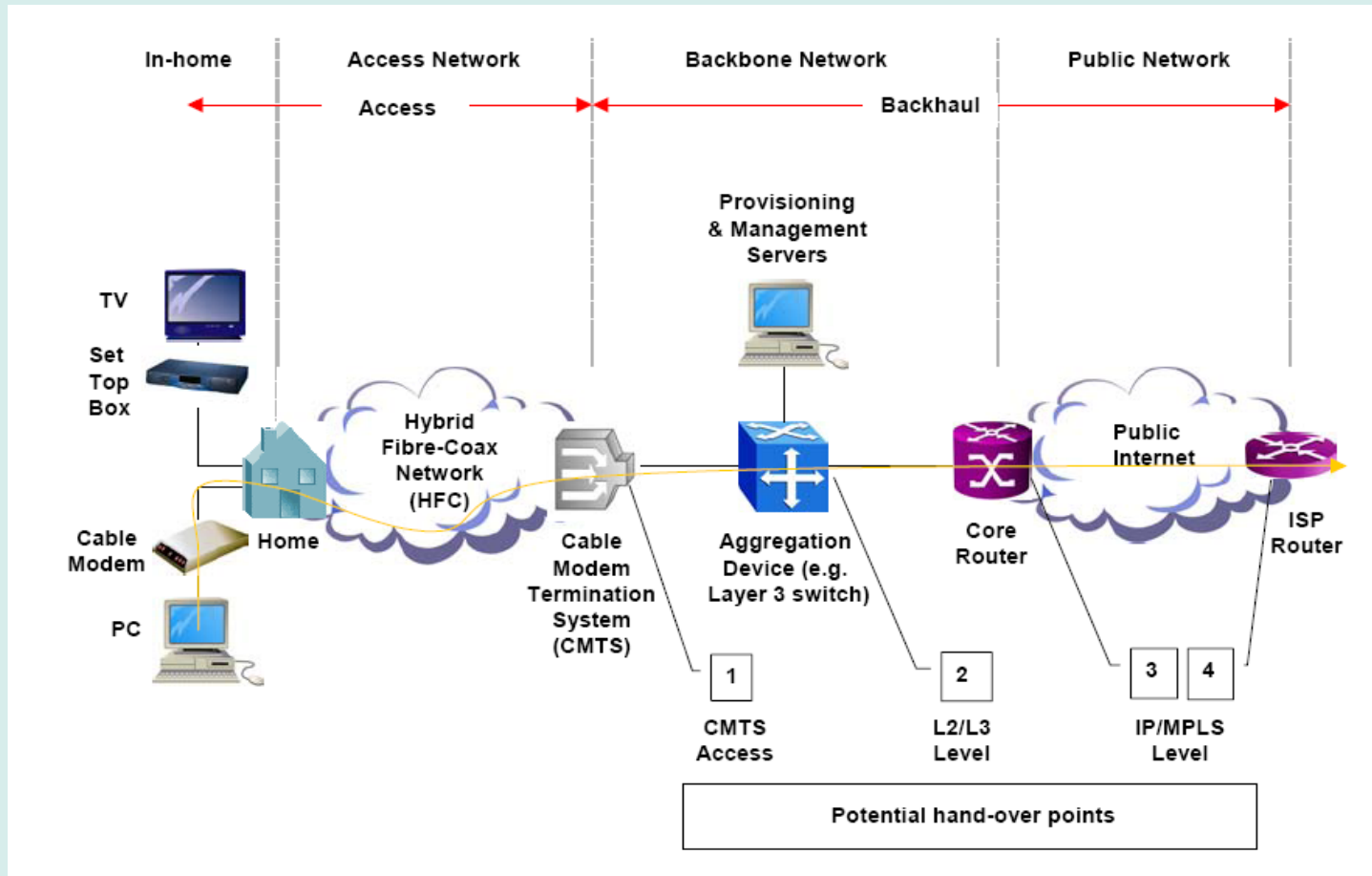
- ✦ Malta – Joint SMP
- ✦ UK – Sub-national markets
- ✦ Some open questions

Malta – Market definition

- MCA argues at wholesale level broadband access over both DSL and cable substitutes in terms of:
 - Functionality
 - National coverage (both cover 95+% households)

- Wholesale broadband access market includes:
 - Self-supply over DSL and cable
 - Third party access over DSL and cable

Potential cable access points



Malta - Joint SMP

- Maltacom and Melita Cable each 50% market share by volume and revenues (incl. self-supply)
- Focal point – Refusal to provide wholesale access to third party ISPs absent regulation
- Supported by other factors:
 - Market concentration
 - High entry barriers
 - Homogenous products and prices at retail level
 - Parallel behaviour in retail market
 - Limited potential competition during forward-looking timeframe of the market review
 - No countervailing buyer power

Malta - Remedies

- Wholesale broadband access on reasonable request at cost oriented prices
 - Maltacom: ERG options 1, 2 and 3
 - Melita Cable: equivalent to ERG options 2 and 3

- Prices and other terms and conditions should be negotiated on commercial basis. MCA intervention as last resort

UK – Market definition and SMP

	Exchanges where	Number of exchanges and Population coverage	SMP	Market shares by volume (incl. self-supply) July 2006 <i>Jan. 2008 forecast</i>		
				BT	ntl:Telewest	LLUOs
Hull area	Kingston only operator	14 0.7%	Kingston	100%	None	None
Market 1	BT only operator	4074 24%	BT	98%	2%	None
Market 2	2-3 operators (incl. BT and ntl:Telewest) OR 4+ operators but exchange serves less than 10K homes and businesses	729 21.3%	BT	73% <i>60-67%</i>	26% <i>23-26%</i>	1% <i>9-13%</i>
Market 3	4+ operators and exchange serves 10K+ homes and businesses	784 54%	?	56% <i>36-48%</i>	34% <i>29-32%</i>	10% <i>24-31%</i>

UK - Remedies

- BT (Markets 1 and 2) and Kingston
 - Network access on reasonable request
 - No undue discrimination
 - Publish reference offer and technical information
 - Advance notification of terms and conditions (90 days M1, 28 days M2)
 - Accounting separation

- But NO price controls
 - Imposition of cost orientation obligation could *“act as a disincentive to any future LLU entry and thus the current geographic market definition could become fixed through regulation”*

Some open questions...

- ▼ Could definition of narrower geographic markets lead to finding of single or joint SMP for cable operators in other Member States?
- ▼ Is Maltese market of 400K inhabitants really so different to a “city market”?