

Traffic light model in The Netherlands

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Dynamic market situation

18% Mobile-only households

75% Broadband penetration

High VoIP penetration

The Netherlands is 'competition champion' of Europe

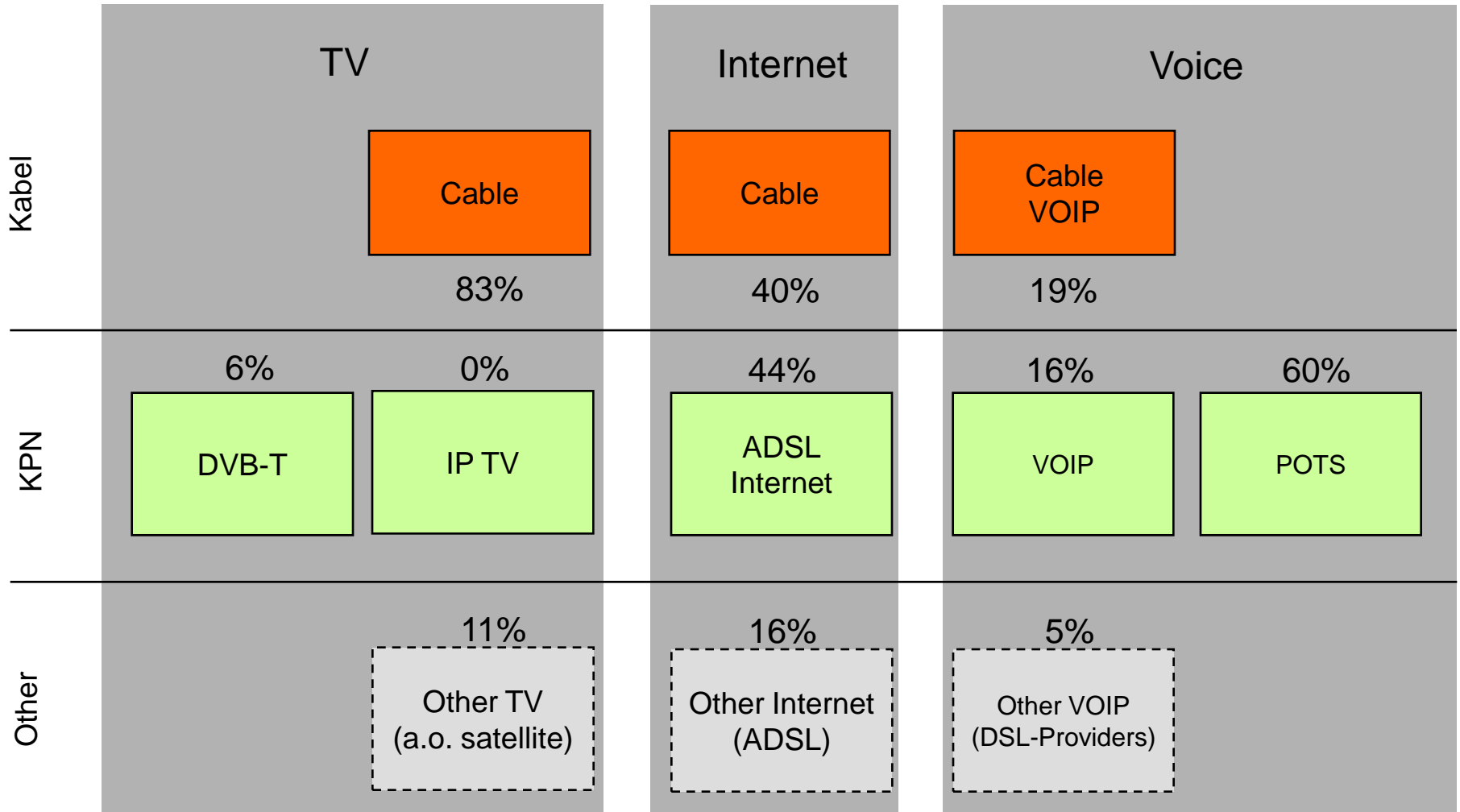
Existing operators are consolidating
Fibre to the home operators are emerging



On top of existing service providers,
new entrants with other business models



Marketshares The NL



Market Shares Consumer Market in % (indicative/management estimates Q4 2007)

Traffic light model

- Introduction: 1/1/2006;
- Less administrative burden;
- Ex ante price regulation;
- Protection of access seekers against squeeze by KPN;
- Scope: voice telephony including Multplay bundles

Less administrative burden: spread sheet approach

- OPTA has agreed with the spread sheet of KPN;
- KPN runs the spread sheet for each new voice service;
- Every two weeks KPN reports new services/rates;

Green:

Rate is above price floor;
No notification by KPN

Orange:

- Rate is in the Red zone;
- Reasons to justify
- Notification by KPN

Red:

- Rate is below price floor;
- KPN does not introduce rate or service

Ex ante price regulation: price floor regulation

- Test on the level of the service:
 - Incremental cost of purchasing underlying wholesale services at the standard external rates;
 - Incremental costs of the specific retail voice service;

- Test on the level of the market (access lines, traffic):
 - Total costs of purchasing underlying wholesale service at the standard external rates;
 - Total retail costs;

Scope: voice

- Issue: bundles of voice and not-regulated services;
 - How to secure that the price floor for voice is not circumvented if voice is part of a bundled rate?
 - What is a bundle?

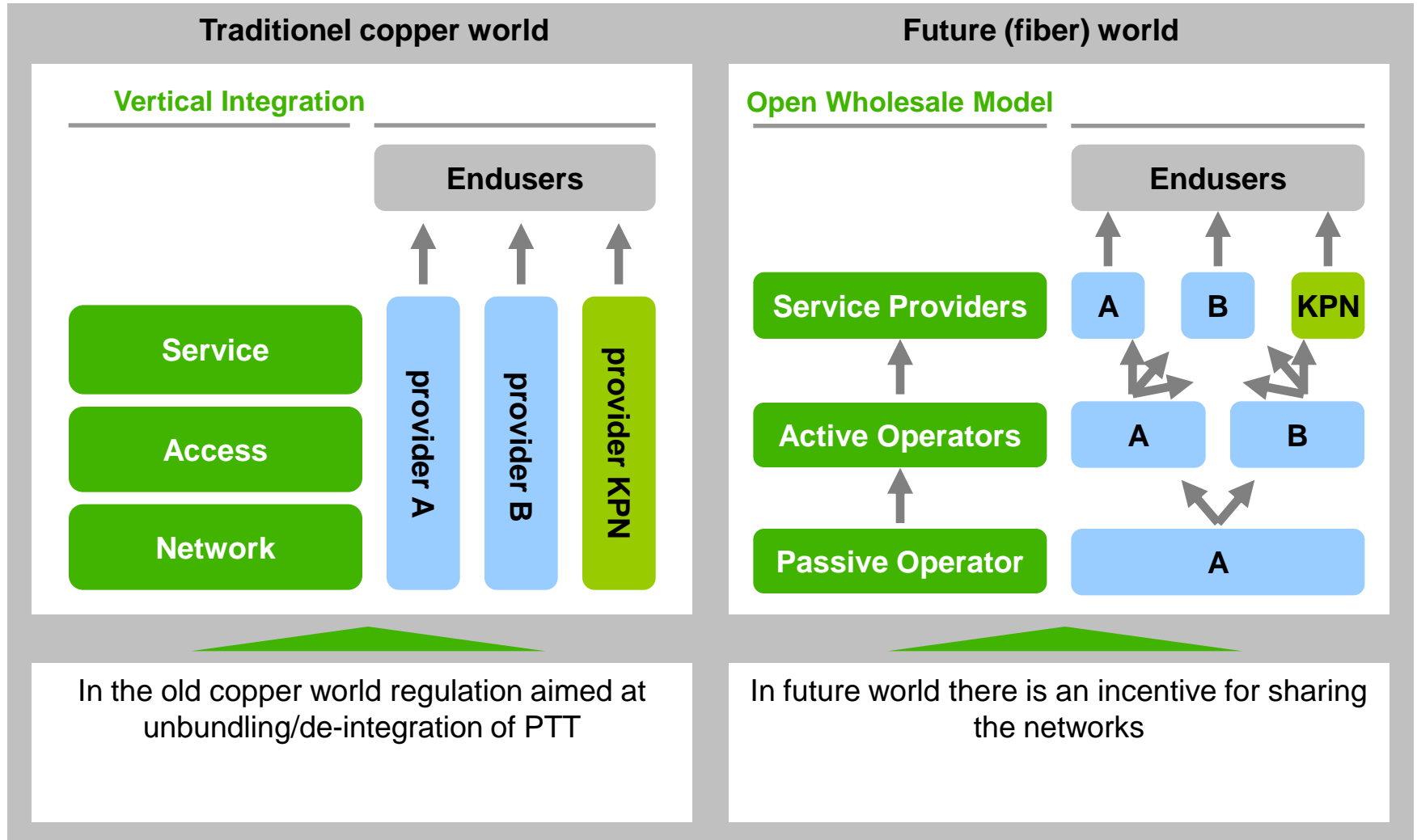
- Three possibilities:
 1. Difference between bundled rate and the sum of each separate rate should fit in a separate squeeze test for the voice service;
 2. The difference should fit in a separate squeeze test for the not-regulated service;
 3. Price floor test on the bundle as a whole:
 - Used for Voice-over-Broadband

Goal of OPTA: Protection of access seekers

KPN

- Goal of the price floor regulation does not match the market circumstances;
 - Cable TV operators have their own networks and fiercely compete with KPN;
 - Low entry barriers for fiber to the office
- Goal should be: efficient competition

Any future for price regulation?



Thank you
for your
attention