Workshop on Carrying out relevant market analysis following new EC Recommendation

Podgorica, Montenegro

Roland Belfin
Head of International Affairs

Aim of the workshop: to support Enlargement and Eastern ENP countries in the implementation of framework and market analysis.

Outline workshop

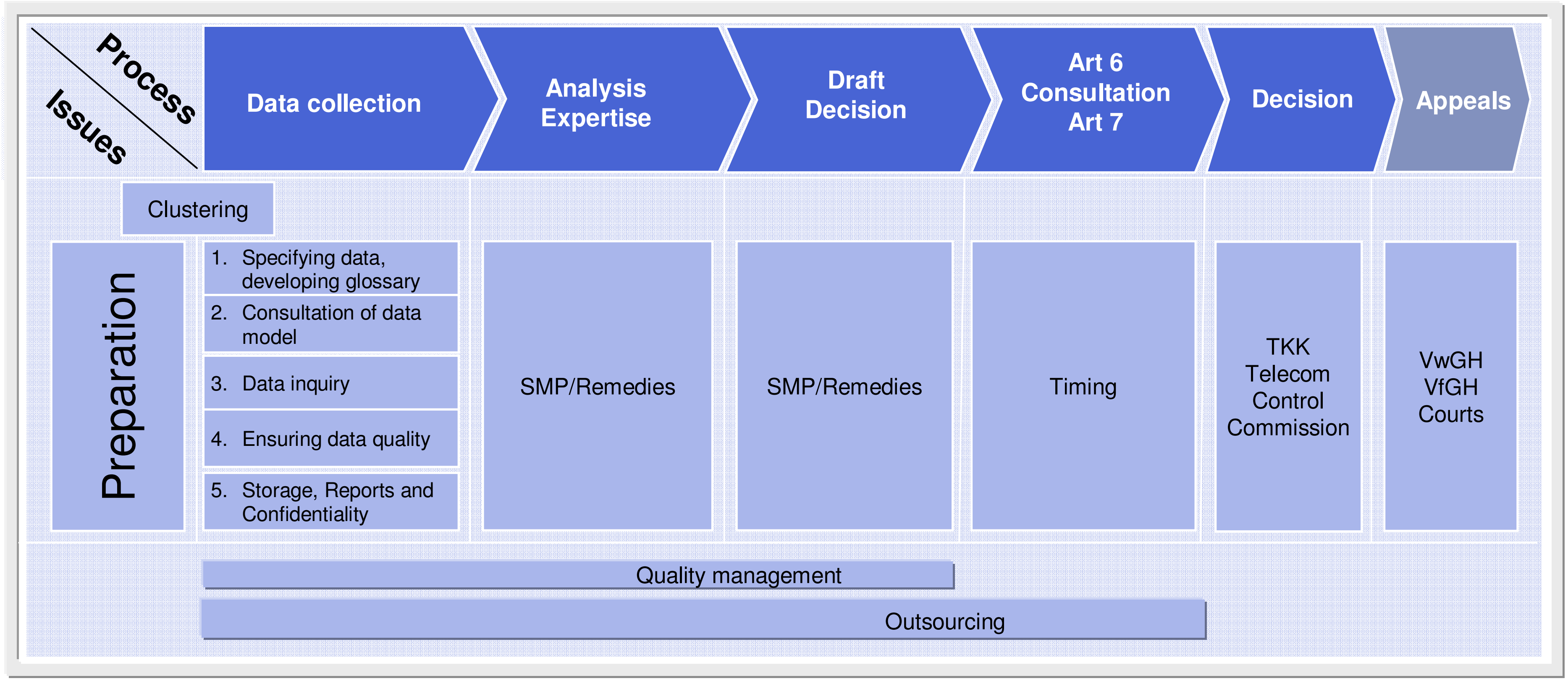
- Content: 3 Layers
  - 1. Primary law and preconditions
  - 2. Market analysis process
  - 3. Focus: Infrastructure access and bitstreaming
- Method: Exchange of practical experiences
  - 1. Input from European Commission
  - 2. Input from NRAs from EU member states (Netherlands, Slovenia, Austria)
  - 3. Input from participating NRAs
- Result: concrete next steps to take home

Layer 1: Session 1 and 2

Primary law in the light of market analysis – experiences, best practices and recommendations

➢ Presentation by EC and RTR	*(Session 1)*
➢ Q & A session	*(Session 1)*
➢ Structured discussion	*(Session 2)*

Within the process of market analysis different issues arise in practice.



Process

Issues

Data collection

Analysis Expertise

Draft Decision

Art 6 Consultation Art 7

Decision

Appeals

Clustering

Preparation

1. Specifying data, developing glossary
2. Consultation of data model
3. Data inquiry
4. Ensuring data quality
5. Storage, Reports and Confidentiality

SMP/Remedies

SMP/Remedies

Timing

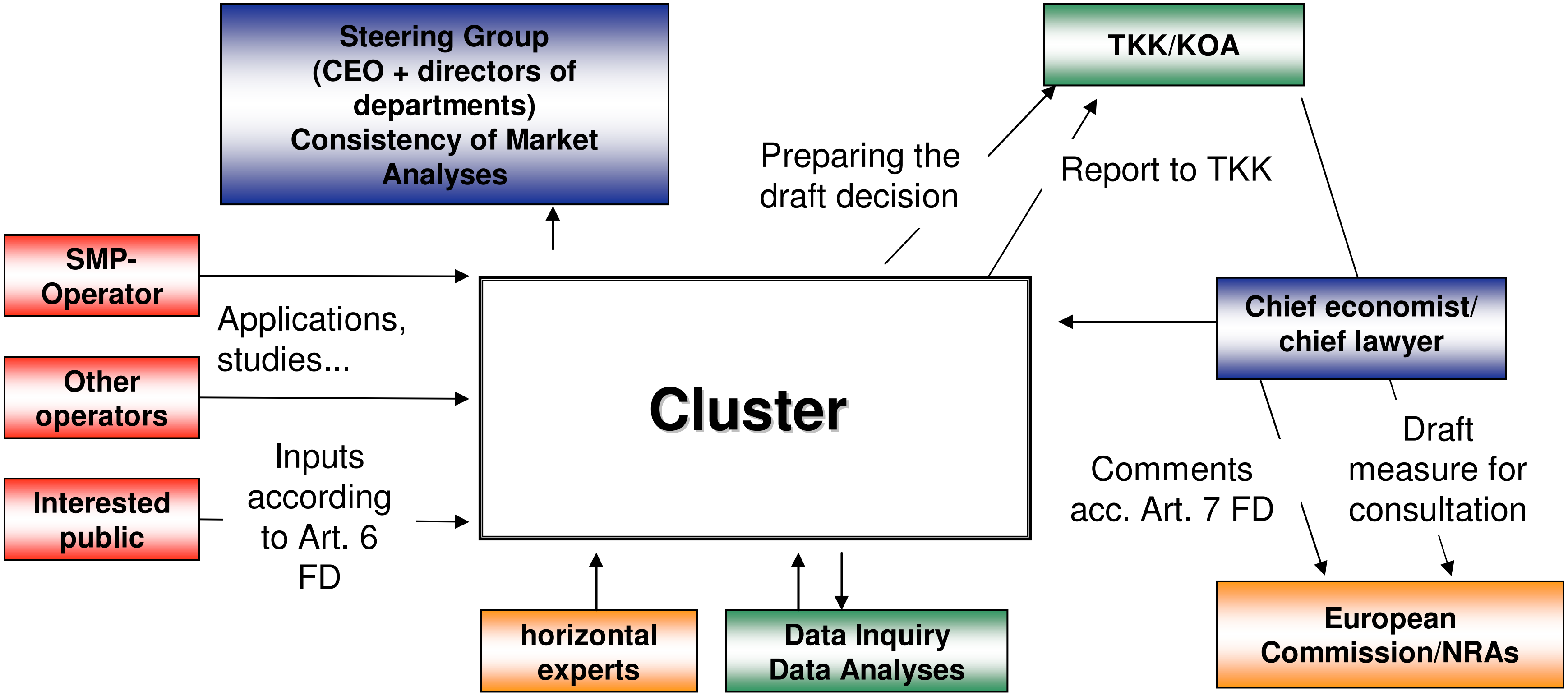
TKK
Telecom Control Commission

VwGH
VfGH
Courts

Quality management

Outsourcing

It is important to set up clearly defined interfaces between relevant stakeholders of the process.



Steering Group (CEO + directors of departments) Consistency of Market Analyses

TKK/KOA

Preparing the draft decision

Report to TKK

SMP-Operator

Other operators

Interested public

Applications, studies...

Inputs according to Art. 6 FD

Cluster

Chief economist/ chief lawyer

Comments acc. Art. 7 FD

Draft measure for consultation

horizontal experts

Data Inquiry Data Analyses

European Commission/NRAs

Relevant issues.

Questions framework

- Trigger and timing
    - Who triggers the market analysis process? Start, order, NRA? On request?
    - Who sets the timetable and priorities? (clustering, wholesale/retail)
- Data collection
    - How and when can data be collected? What kind of data can be collected? Who can collect data? From whom data can be collected? What happens if data is not delivered (consequences)?
- Involved parties
    - Who is a party in the procedure? Rights and duties of parties in procedure?
- Steps
    - How is the process structured?
    - Steps, milestones, how many formal decisions?
- Decision making
    - Who appoints experts? Who prepares the decisions? Who takes the final decisions?
    - Market involvement in decision making (e.g. consultation)?
    - How is EC involved in the process?
    - How are other NRAs involved in the process?
- End of process and enforcement
    - Where does the process end? (level of detail)
    - Appeal and enforcement

Layer 2: Session 3 and 4

Practical experience with market analysis so far

➢ Wrap Belgrade workshop (EC/RTR)	*(Session 3)*
➢ Case study 1 (all)	*(Session 3&4)*
➢ Discussion	*(Session 4)*

Aim of the workshop: to support Enlargement and Eastern ENP countries in the implementation of framework and market analysis.

Belgrade workshop and the time after

- ➢ Market analysis workshop Belgrade in October 2007
  - ➢ Focus methods
  - ➢ Focus practical steps
- ➢ EC
  - ➢ finalisation of relevant market recommendation
  - ➢ Review Art 7 FD recommendation
  - ➢ New termination recommendation
  - ➢ ongoing review (NGN, harmonization)
- ➢ ERG
  - ➢ Geographic aspects
  - ➢ monitoring of common positions
- ➢ RTR
  - ➢ finalization of round 2 of market analysis and start of round 3 (based on new recommend.)
  - ➢ focus: geographic segmentation
  - ➢ several international projects

EC published a revised market recommendation.

Markets

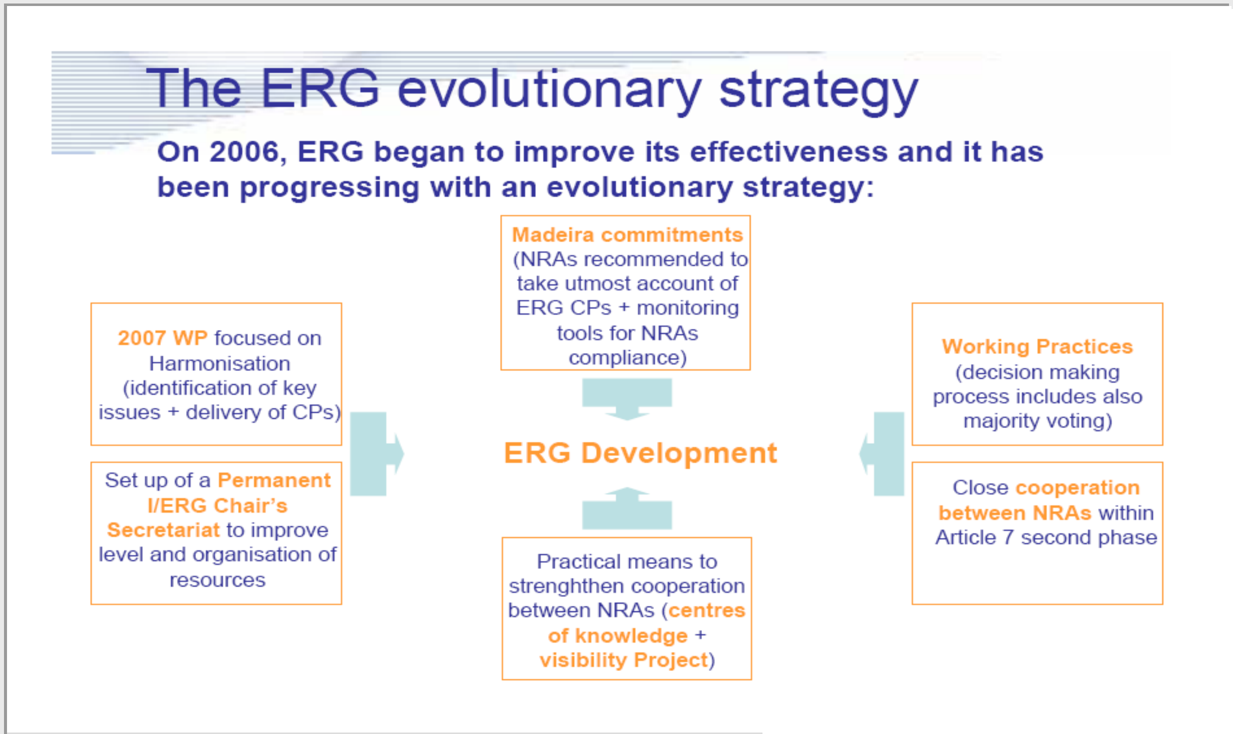
18 markets as per 1st recommendation on relevant markets

Retail Fixed Voice	1	access network residential	connected	Access	1	Retail Fixed Voice
	2	access network non-residential				
	3	national telephone residential	x			
	4	international tel. residential	x			
	5	national tel. non-residential	x			
	6	international tel. non-residential	x			
Retail leased lines	7	minimum set of leased lines	x			
Wholesale Fixed Voice	8	call origination fixed		Origination	2	Wholesale Fixed Voice
	9	termination on individual networks		Termination	3	
	10	transit fixed	x			
Wholesale ULL Broadband	11	unbundled access	●	Unbundling	4	Wholesale ULL Broadband
	12	broadband access		Bitstream	5	
Wholesale Leased lines	13	terminating segments		Terminating Segments	6	Wholesale Leased lines
	14	trunk segments	x			
Wholesale Mobile	15	access and call origination	x			Wholesale Mobile
	16	call termination		Termination	7	
	17	International Roaming	x			
Wholesale Radio/TV	18	Broadcasting	x			

7 markets as per 2nd recommendation of relevant markets

Harmonization in the EC is supported by the independent national regulators who have committed themselves.

Network of regulators as key driver of harmonization



The ERG evolutionary strategy

On 2006, ERG began to improve its effectiveness and it has been progressing with an evolutionary strategy:

2007 WP focused on Harmonisation (identification of key issues + delivery of CPs)

Set up of a **Permanent I/ERG Chair's Secretariat** to improve level and organisation of resources

Madeira commitments (NRAs recommended to take utmost account of ERG CPs + monitoring tools for NRAs compliance)

ERG Development

Practical means to strenghthen cooperation between NRAs (**centres of knowledge** + **visibility Project**)

Working Practices (decision making process includes also majority voting)

Close **cooperation between NRAs** within Article 7 second phase

Source: ERG

- ERG finds Common Positions based on best practices
- Reporting of market development is done on a regular basis
- Informal networking plays also a very important role.

- BEREC (Body of European Regulators for Electronic Communications) is under construction

Focus EU: more harmonization and move to NGN.

EC developments *(selection)*

- Art 7 recommendation
  - Purpose: simplification of notification process
  - New: short notification form and simplifications when remedies are removed

- Termination rates recommendation
  - Purpose: harmonization of termination rates
  - New: Recommendation of specific cost accounting methodology
    - “pure” LRIC
    - bottom up model

- Framework review
  - more harmonization through BEREC
  - Debate on NGA/NGN

Case studies

Case studies

- 3 groups (doing case 1 and case 2 together)
- recommended: join different groups (split if possible)
- informal
- report to us all and discuss with us
- names
  - **green** (gather in Emily´s corner)
  - **yellow** (gather in Dieter´s corner)
  - **blue** (gather in Roland´s corner)

Case study 1 - purpose: give mutual update on the experiences so far with market analysis, discuss critical issues.

Outline Case Study 1

- Topics/main issues (proposal)
  - Current status and past experiences of market analysis (already carried out/in progress/planned/not foreseen yet)
  - Main challenges/problems so far
  - Main lessons learned (e.g. impact on the consumer market)
  - Experiences of human resources necessary and timing and duration of market analysis
  - Acceptance by the market (appeals, inputs to consultations, public feedback, etc.)

  - Recommendations to the group
  - Questions to the group

- Proposed steps of the group work
  - 1. Introduction (personal, organization, status of market analysis)
  - 2. Discuss the topics/main issues
  - 3. Prepare the report for the plenary
  - 4. Decide on a “rapporteur”

Rundfunk & Telekom Regulierungs-GmbH

RTR

Layer 2: Session 5 and 6

Market analysis and infrastructure

➢ Introduction (NRAs)	*(Session 5)*
➢ Case study 2 (all)	*(Session 5&6)*
➢ Country case studies	*(Session 6)*
➢ Discussion	*(Session 6)*

Case study 2 - purpose: follow up on the challenges and issues identified in case study 1 and formulation of concrete next steps.

Issues which came out of Case Study 1 *(selection)*

- Cooperation Regulator and Competition Authority
- Implementation of primary law and responsibilities
- Transition in the markets (eg Recommendation old to Recommendation new)
- Data collection
- Resources

Case study 2 - purpose: follow up on the challenges and issues identified in case study 1 and formulation of concrete next steps.

Outline Case Study 2

- Topics/main issues (proposal)
  - What measures can be taken to overcome identified challenges and who should take these measures?
  - What strategies can be developed to mitigate risks in the different stages of market analysis?
  - What inputs are needed to facilitate the process of market analysis and from where this input should be provided?
  - What concrete next steps are foreseen?

  - Recommendations to the group
  - Questions to the group

- Proposed steps of the group work
  - 1. Discuss the topics/main issues
  - 2. Prepare the report for the plenary
  - 3. Decide on a “rapporteur”

Layer 3: Session 7 and 8

Infrastructure access and bitstreaming

- Presentation and discussion of country cases *(Session 7&8)*
  - *Albania*
  - *Slovenia*
  - *Croatia*
  - *Netherlands*
  - *Austria (optional)*

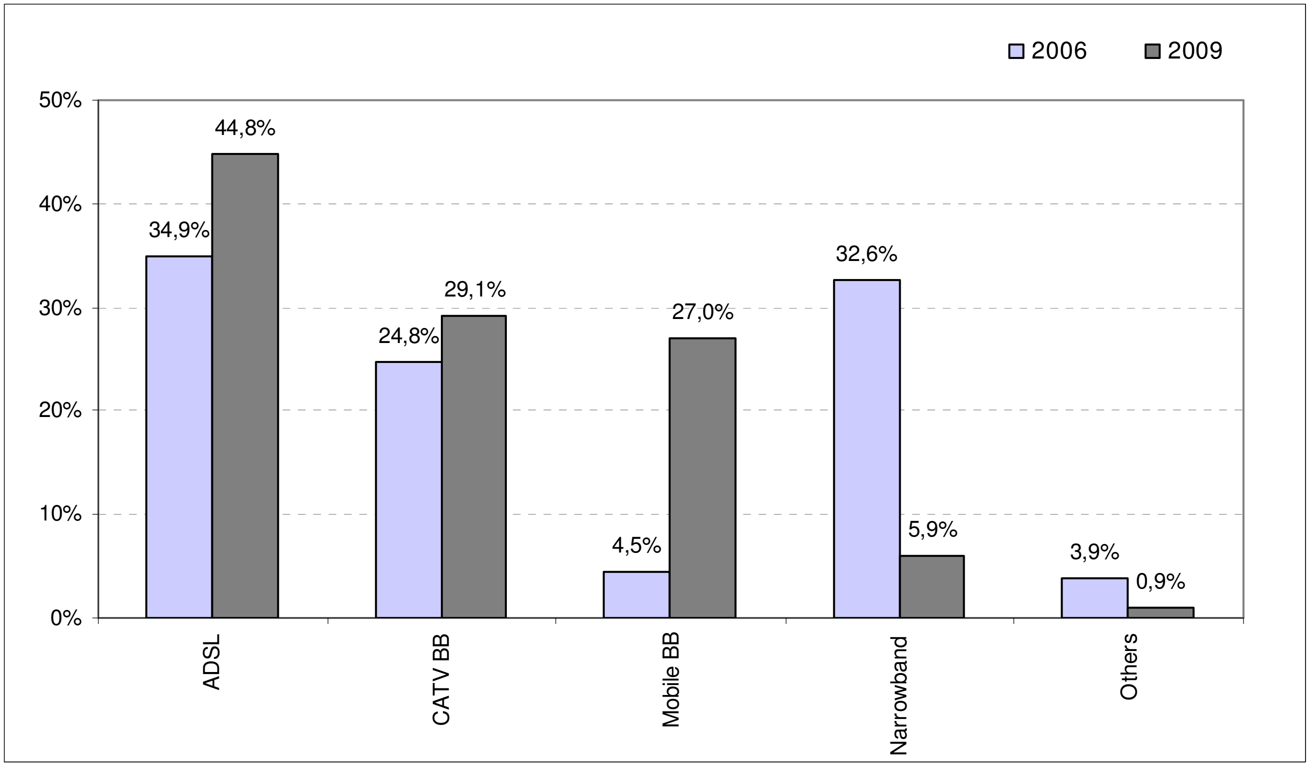
- Wrap up and way forward *(Session 8)*

Case Austria

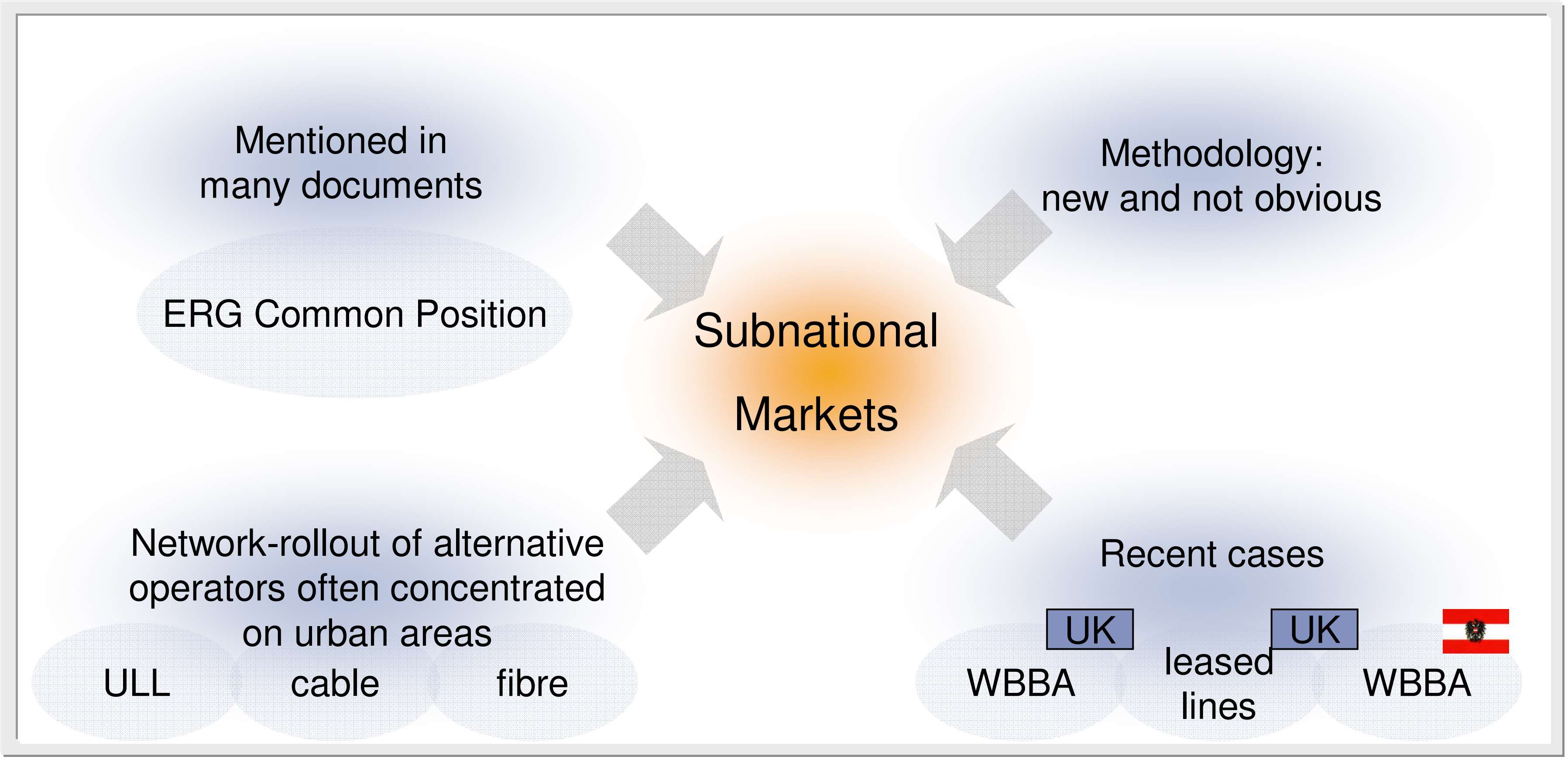
3 aspects
- geographic segmentation
- bundles
- mobile

Clear trend towards (mobile) broadband access technologies – at the expense of narrowband access technologies

Internet Access by technologies 2006 and 2009



Geographic differentiation has become an important issue for NRAs for different reasons.



Mentioned in
many documents

ERG Common Position

Methodology:
new and not obvious

Subnational

Markets

Network-rollout of alternative
operators often concentrated
on urban areas

ULL

cable

fibre

Recent cases

UK WBBA

UK leased lines

🇦🇹 WBBA

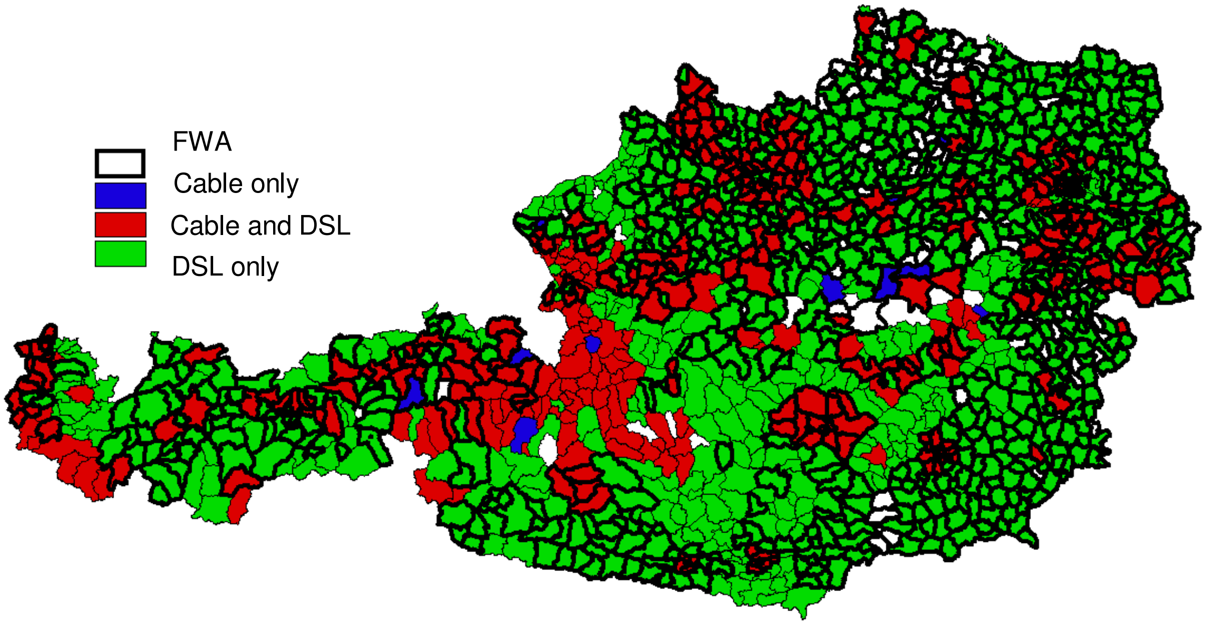
Bitstream market analysis 2007/2008

- Market share: incumbent 47%, slightly decreasing
  - Low market share in highly populated areas
  - High market share in low populated areas (less CATV)
- Barriers to entry
  - High in low populated areas
  - In highly populated areas: entry took already place
- Control over replicable infrastructure
  - Yes
  - No
- Countervailng buyer´s power
  - Low in low populated areas (nearly no alternatives)
  - High in high populated areas
- Tarifs
  - No uniform picture

SMP and remedies

- Geographical segmentation on the basis of MDF areas
- Area 1 (competition):
  - 3 or more large operators (incl. TA, CATV if coverage is more than 65%
    - Large operator: 9 broadband providers with highest market share
  - >2.500 households in the MDF area
  - Market share TA <50%
  - ➢ Remedy: accounting separation
- Area 2 (no competition)
  - All other MDFs where TA offers broadband
  - ➢ access, non-discrimination, price control, standard offer, accounting separation
  - ➢ Retail-Minus is calculated country wide

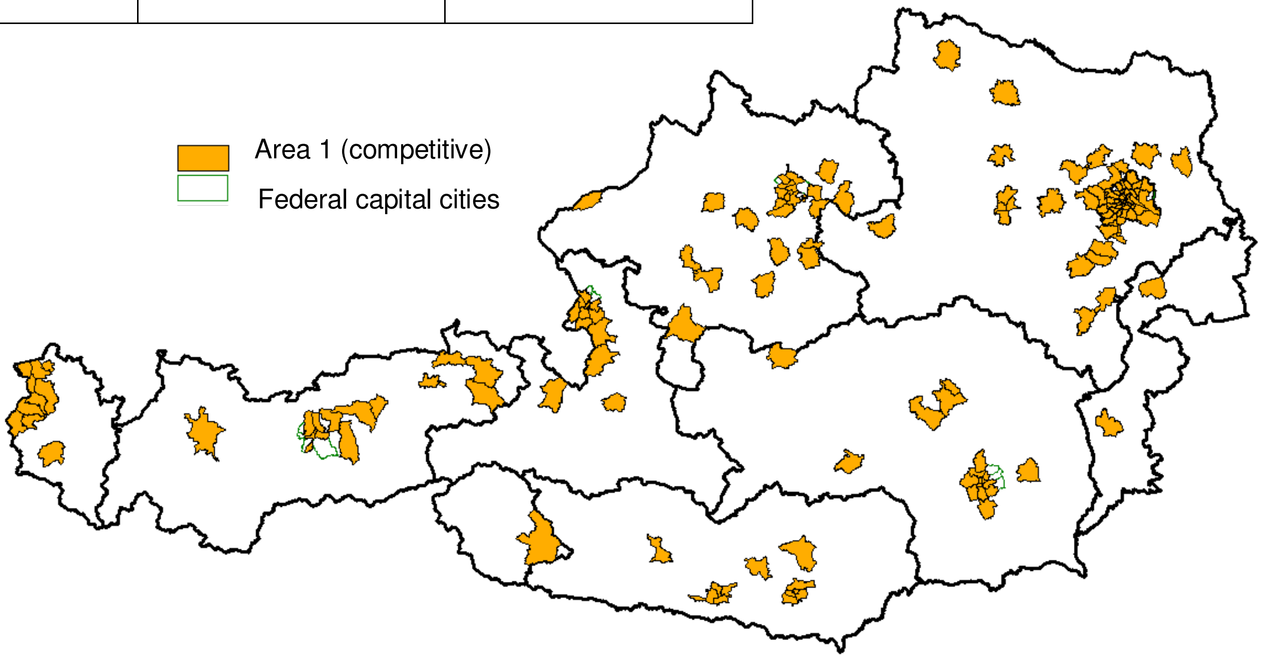
Geographic availability varies across the country.



- Area divided according to MDFs of Telekom Austria
- Area considered as “cable/FWA available” if >65% of households are covered

Results of the geographic segmentation

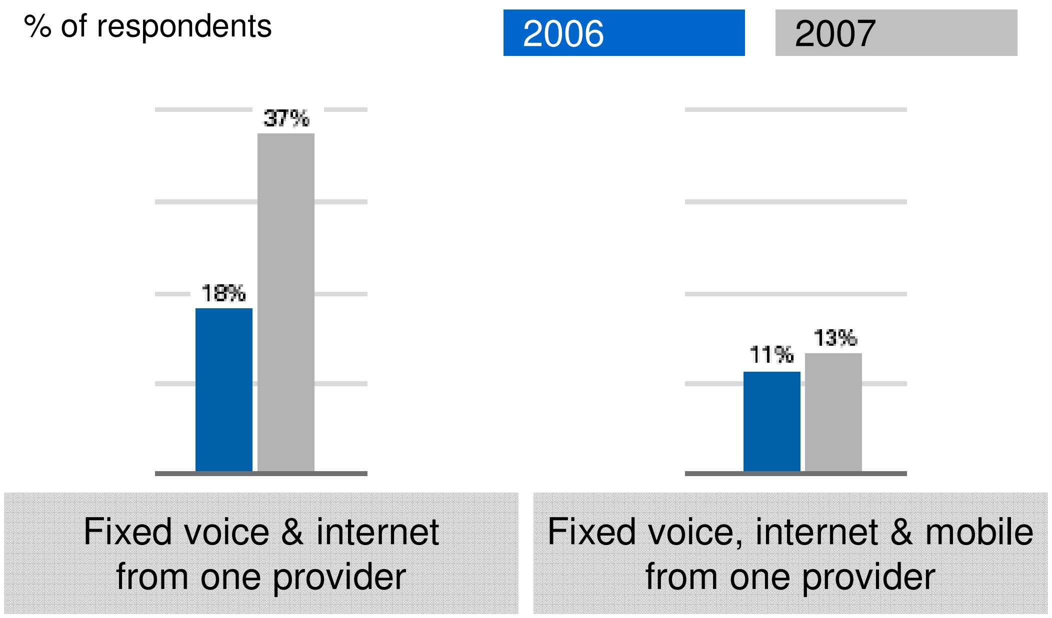
	households	broadband lines	market share Telekom Austria
Area 1	52,7%	60,4%	28,4%
Area 2	47,3%	39,6%	74,7%



More and more bundled products in the market.

Bundling

Demand for bundled products

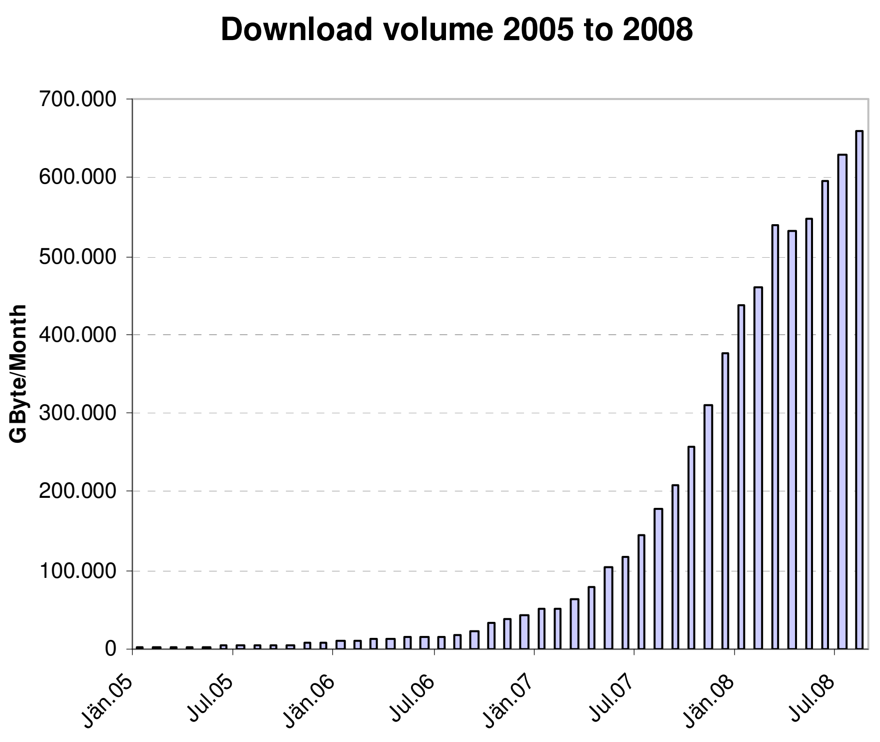


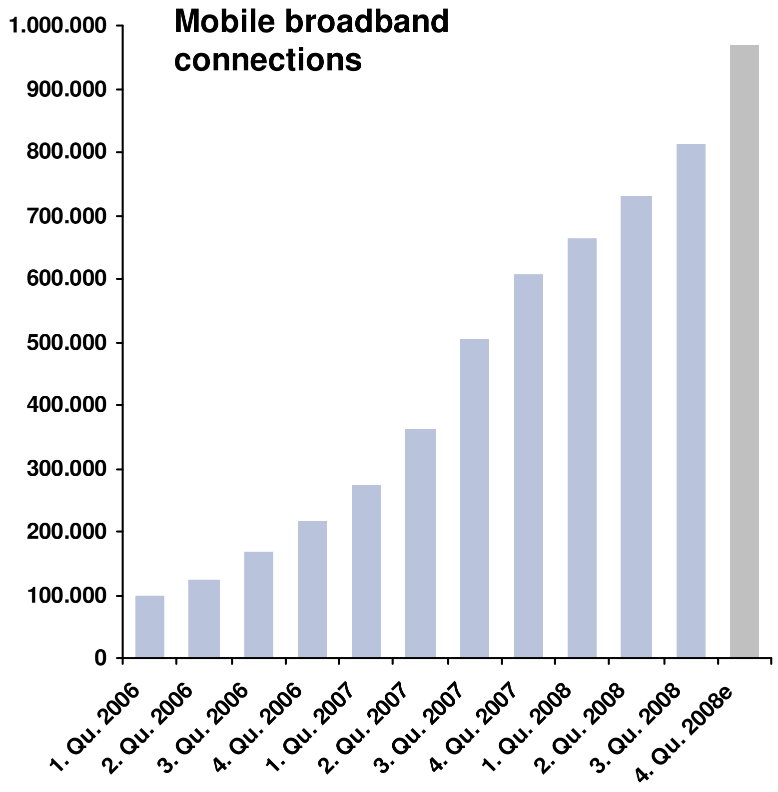
Source: RTR NASE 2007

Trends

- Many bundled products in the market
- Trend to one stop shopping
- Inclusion of TV over internet
- Price aggressive packages

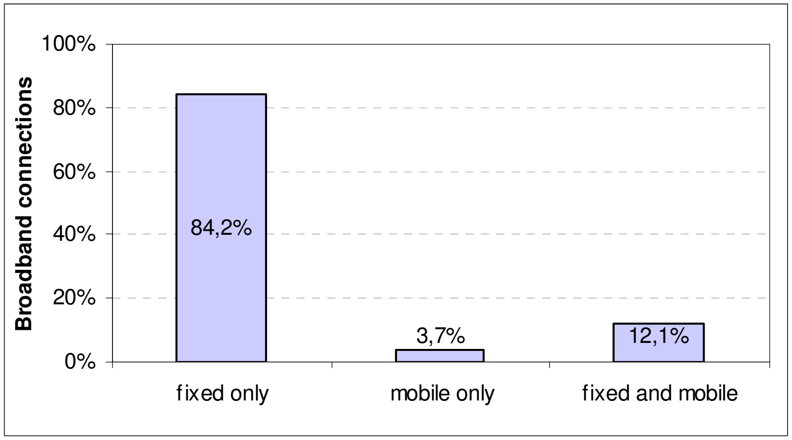
Exponential growth of mobile broadband connections and mobile data volume


Download volume 2005 to 2008


Mobile broadband connections

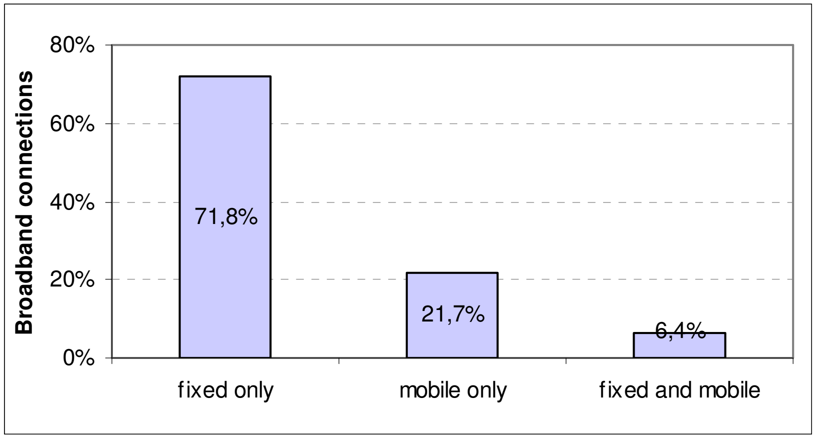
Is mobile broadband a substitute or a complement for/to fixed broadband?

Business customer



For business customers it seems to be rather a complement than a substitute **...**

Residential customer

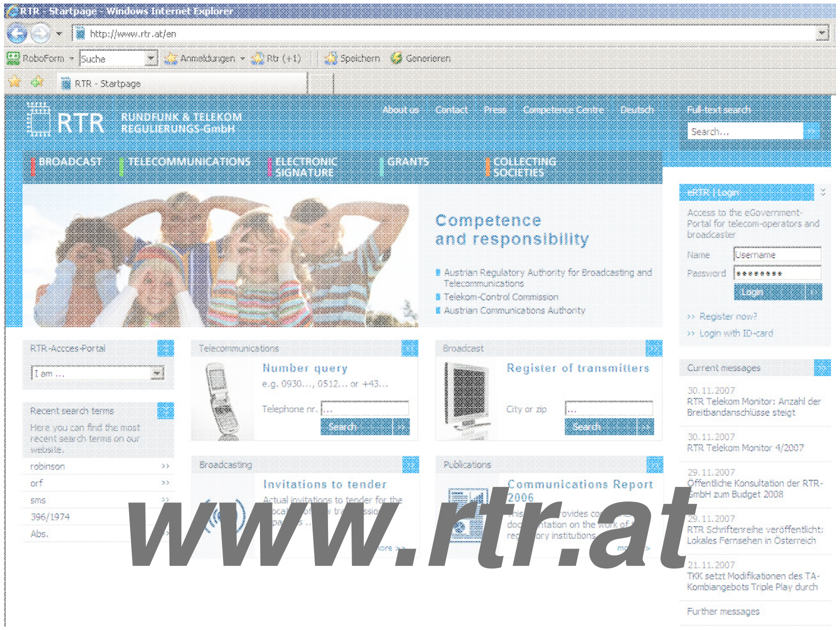


Whereas it seems to be a substitute for residential customers

Infrastructure competition

Fixed Broadband	Mobile Broadband
Duopoly in cities; Monopoly in rural areas; limited competition through FBWA operators	Infrastructure competition – four networks with a country-wide footprint
Regulated wholesale access for service providers (retail minus and margin squeeze regulation)	No wholesale regulation - effective competition on the retail and on the access and call origination market
Scalable investments (entry on a small scale); smaller portion of fixed/sunk cost	Large portion of fixed/sunk cost due to investment into minimum coverage (coverage obligations, demand)
	Incentive to exploit economies of scale and economies of scope – e.g. by offering mobile data services

Questions & discussion



Competence and responsibility

- Austrian Regulatory Authority for Broadcasting and Telecommunications
- Telekom-Control Commission
- Austrian Communications Authority

Access to the eGovernment-Portal for telecom-operators and broadcaster

>> Register now?

>> Login with ID-card

Here you can find the most recent search terms on our website.

e.g. 0930..., 0512... or +43...

30.11.2007
RTR Telekom Monitor: Anzahl der Breitbandanschlüsse steigt

30.11.2007
RTR Telekom Monitor 4/2007

29.11.2007
Öffentliche Konsultation der RTR-GmbH zum Budget 2008

29.11.2007
RTR Schriftenreihe veröffentlicht: Lokales Fernsehen in Österreich

21.11.2007
TKK setzt Modifikationen des TA-Kombiangebots Triple Play durch

Contact information

Roland Belfin
Head of International Affairs
+43 1 58058 102
roland.belfin@rtr.at
RTR-GmbH
Mariahilferstrasse 77
1060 Wien
Austria
www.rtr.at