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Gbit Networks, Kbit government? A View from Germany

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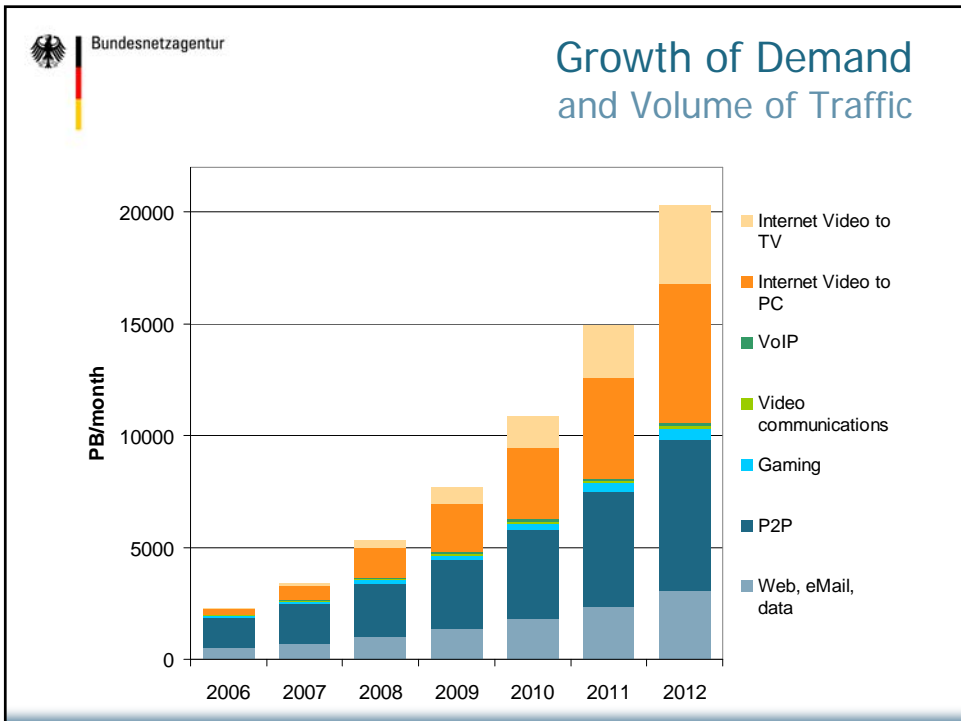
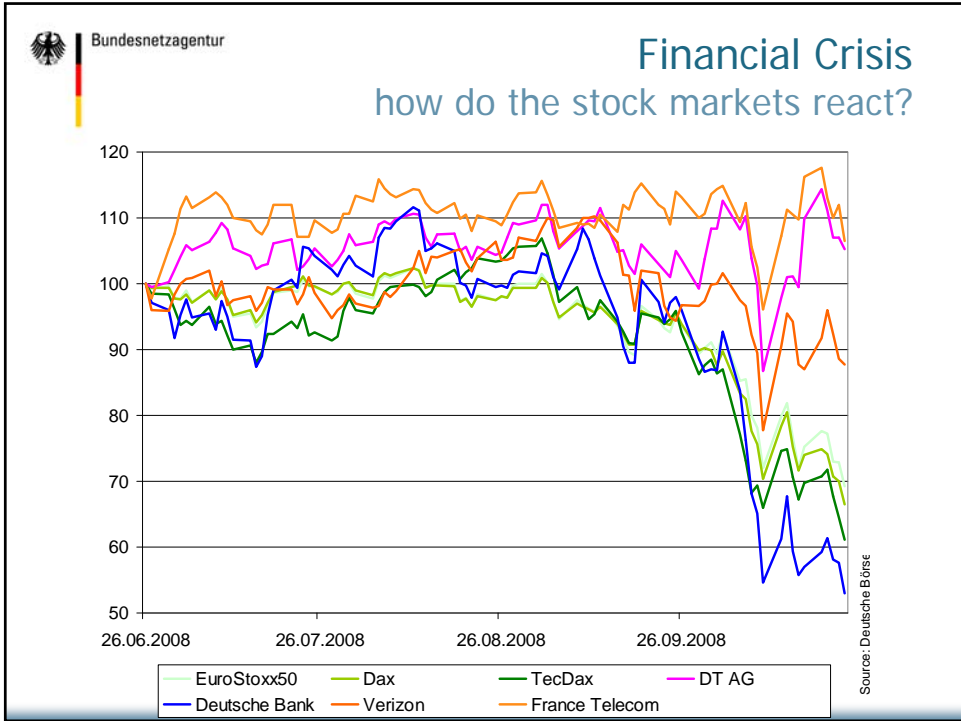
International Summit on Communications and Media
New York, 31 October 2008



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Financial Crisis Will the telecom industries suffer more or less than other industries?

- Telecommunication might be better off than other industries because
 - Telecommunication is experienced with and already had to survive one boom bust 2000
 - Telecommunication networks have a continuous revenue stream, other than i.e. the car industry
- In unstable times industries with stable monthly income and inflexibility of demand might be preferred investment targets
- Public services and infrastructure investment in network industries might be a less risky option for pension funds





How can the further development of telecom networks be financed?

- Users demand for ever faster networks and more capacity but is there a willingness to pay premium prices for premium connectivity?
- High capacity connectivity requires expensive investments i.e. in FTTH rollouts or new mobile networks
- Refinancing such investments may be difficult in urban areas, but it may be impossible in rural environments (because of the lower population/user density)
- It is doubtful, that the infrastructure cost of NGN/NGA can be refinanced by access fees only



How can the state help?

- The state has an interest in equal opportunities all over the country
- Broadband connectivity in rural areas is a hot potatoe in the political debate
- Possible concepts:
 - Fostering of platform competition (fixed telephone networks, cable TV, 3G, femto cells, Wimax, LTE) and allowing the different technologies to find their niches
 - Making available frequencies recovered through the digital dividend for wireless broadband access
 - Differentiate regulation following geographic differences?
 - Even public subsidies may be an option in specific cases (universal service)
- But above all the competitive gains and perspectives should not get out of sight



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Network Neutrality

Only a hype in the US or a real problem of the industry?

- Demand for video over internet in all its varieties is growing fast
- Specific services need specific QoS levels (VoIP, Streaming, Gaming, Downloads, P2P)
- As video is bandwidth intensive, users will demand more of it without wanting to pay more and while sticking to flatrate tariffs
- The revenue for paid video is likely to go to the content suppliers while the delivery costs will stick with the network providers
- "Dumb networks" (utilities) and intelligent services might not get a "fair" share in the new environment



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Network Neutrality

How will future network user affect financing?

- Still: New networks (NGN/NGA) need to be paid for. How can that be achieved?
 - Limited access, bundles and restricting interoperability -> a return to the walled gardens of the early AOLs is not a promising option
 - No more flatrates, instead a per Gigabyte rate
 - Different prices for different QoS levels might be OK if transparent
 - Acceptance of "network management" by ISP also OK if transparent



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Regulatory Actions on Broadband and NGN in Germany and Europe

- Expert group launched by BNetzA has published paper on a „Framework for the interconnection of IP based networks“
- Common position of the European Regulators Group on NGN published on 17. October 2008
- Regulatory administrative order on LLU from July 2007:
 - Collocation at the street cabinet
 - Access to ductwork for cables as new unbundling service
 - If ductwork is clogged, dark fibre access can be used as alternative
 - Incumbent is obliged to inform on available ductwork and dark fibre capacity



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Bitstream Access

- Bitstream access on an IP basis (including stand-alone bitstream) has been mandated at 73 Broadband-PoP
- Reference offer has been published in April 2008
- First contracts on bitstream access have been signed in July
- Rates for IP bitstream have been approved in May, the stand-alone variant is priced at 19.15 €



Regionalized Markets?

- A new market definition process for bitstream access is in progress
- Question of a regional differentiation (subnational markets) arises
- Industry hearing on the topic has been held
- Comments are being evaluated right now
- Taking the comments into account, a careful decision concerning the definition of the bitstream access markets will have to be made



Vielen Dank für Ihre Aufmerksamkeit!

Thank you for your attention!