

Release Immediate

BROADBAND TAKE-UP DRAMATICALLY SLOWS ACROSS EUROPE

ECTA blames rise in monopolies

Brussels, 01.02.07 – The European Competitive Telecommunications Association (ECTA) has reported a significant slow down in Broadband uptake across Europe, falling from 23% to only 14% growth in the half year period before September 2006. This slowdown comes at a time when once again Europe is seeing the growth of telecommunication monopolies in key countries, a correlation ECTA believes is not coincidental.

The ECTA Broadband Scorecard for Q3, 2006, released today, shows that incumbents have clawed back market share in a number of key markets including a substantial increase in Europe's broadband hotspots, Denmark and Finland, as well as in France. Incumbents also maintain control of more than 50% of broadband lines in Spain, Italy, Luxembourg, Greece, and Belgium.

Steen Clausen, Managing Director of ECTA, said, "The Scorecard shows that growth has stalled in a number of countries where we have seen the power of the incumbent on the increase including Denmark and Belgium, which experienced a paltry 3% growth in broadband penetration, and France, which has fallen to 8th place in Europe well behind the UK. In contrast, in Germany, Deutsche Telekom's market share dropped below 50% for the first time, corresponding with a surge in growth in broadband penetration. "

Europe includes some of the world's leading broadband countries. However, its position could be put at risk if regulators do not act to re-enforce competition and open markets, ECTA warned.

Clausen said, "This is extremely disappointing news from some of the countries which have traditionally been at the forefront of Europe's broadband revolution. Until recently, France was the poster child for broadband with some of the most attractive triple play packages in Europe. It now needs to be vigilant if it is to maintain its position."

Key findings of the report:

- Total broadband lines increased by 14% in the last six months from 64 million in Q1 to 73 million lines in Q3 2006, but growth has slowed dramatically since the previous half year (Q3 2005) where 23% growth was reported
- In the EU15, growth was particularly strong in the UK and Germany (both 15%), as well as in Ireland (30%) and Greece (63%), although in Greece growth is from a particularly low base
- Growth stalled in a number of countries including Denmark and Belgium, which experienced just 4% growth and France, where growth was 10% after a strong performance in 2005. Spain, Sweden and Austria also suffered a slow-down

On the positive side, broadband surged in Germany, where Deutsche Telekom's retail share fell below 50% for the first time following recent action by the regulator, and in Ireland, where competition also intensified. The UK also exhibited strong growth, driven by entrants' investment in unbundled local loops.

Clausen said, "It seems that the UK has learnt some of the lessons that propelled France up the league table, and is now reaping those rewards with a multitude of offers to consumers. Germany too is starting to show signs of progress which is very welcome after a slow start."

The link between increased power for incumbents and stagnation has been confirmed by studies such as SPC Network '[Broadband Markets in the EU: the importance of dynamic competition](#)', which concluded that Europe could gain an extra 20 million broadband lines by opening markets further to competition.

Clausen said, "This is a powerful warning for Governments not to protect national champions, either now or for the future. Monopolies have never been good for consumers, and in some industries Governments have to take action to let competition flourish. In energy for example, the Commission is proposing extra measures to open markets to competition. We believe this could provide some valuable lessons for telecoms."

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About ECTA

The European Competitive Telecommunications Association (ECTA) looks after the regulatory and commercial interests of new entrant telecoms operators, ISPs and suppliers of products and services to the communications industry.

ECTA works for a fair regulatory environment which allows all electronic communications providers to compete on level terms in order to multiply investment and innovation throughout an effective European internal market. The association represents the telecommunications industry to key government and regulatory bodies and maintains a forum for networking and business development.

ECTA member companies include operators, service providers and suppliers as well as National Associations of such, who all contribute towards regulatory policy development and participate in our comprehensive range of networking events, conferences, seminars, briefings and executive meetings.

Key findings of the ECTA Broadband Scorecard:

1 The market experienced continued growth but with considerable variations across countries

- Total broadband lines increased by 14% in the last six months from 64 million in Q1 to 73 million lines in Q3 2006, but growth has slowed dramatically since the previous half year (Q3 2005) where 23% growth was reported.
- Significant disparities remain in the EU15 with the top 5 countries all above 20% and amongst the best in the world (Denmark climbed to 30.3% with Netherlands at 29.8% and Finland at 26%, Sweden 24.4% and UK 21.4%), whilst the lower ranked countries continue to lag with Greece at 3.3% the lowest in the EU as a whole. The EU15 average penetration climbed to 17.6% from 15.9%, whilst for the EU25 the average penetration in Q3 2006 was 15.8%.
- In the EU15, growth was particularly strong the UK and Germany (both 15%), as well as in Ireland (30%) and Greece (63%) although in Greece growth is from a particularly low base. However, growth stalled in a number of countries including Denmark and Belgium, which experienced just 3% growth and France, where growth was 10%. Spain, Sweden and Austria also suffered a slow-down.
- In the new member states, Estonia continued to head up the table with penetration rates of 17.2%, comparing favourably with the EU15 and above rates in Germany, Spain and Italy. Malta with 12.5% was overtaken by Latvia with 13.2%. Penetration in Poland and Slovakia remained low with broadband penetration rates below 5%.
- Amongst the new member states, Latvia achieved the highest growth in penetration nearly doubling its penetration to 13.1% from 6.5% in Q106

2 Incumbents' claw back market share

- Incumbents' market share of the overall retail broadband market in the EU (including cable) stayed static at 46% and when resale services are taken into account, remained at more than half of total broadband lines. A notable trend was the continued substantial increase in incumbent market share in Denmark, Finland and France. The only countries where incumbents lost substantial share was in Germany and Ireland, whilst the slow erosion continued in Italy, Sweden and the UK (where the incumbent has a share of only 22%).
- In the EU15 incumbent market share of total broadband lines remained above 50% in Spain, Italy, Luxembourg, Greece, Finland and Belgium. The market share of DT in Germany dropped below 50% for the first time, corresponding with an increased growth in broadband penetration.
- Incumbent market share as a proportion of total DSL lines fell slightly to 57% from 58% in Q106.

3 DSL maintains dominance

- DSL maintained its share of the European market this quarter at 82% (same as Q106), whilst cable lost one point with 15% of end-user retail connections. Other technologies such as satellite and wireless gained one point at just 3% of total connections

4 The wholesale market picture

- Of DSL connections provided by new entrants, 32% were provided by LLU, 17% by shared access (remained flat compared to 18%), 23% by IP bitstream, 15%

ATM bitstream (a three-point-loss) and 13% were based on reseller products (14% in Q1)

- Full LLU and shared access increased over the half year, with a combined 6 point surge – with particular focus on fully unbundled lines. IP Bitstream products lost 2 point while ATM products lost 3 point. The use of resale decreased slightly (minus1 point). The trend towards unbundling products appears to be accelerating.

The ECTA Broadband Scorecard is recognised as an industry benchmark that is used by the European Commission, National Regulators and major institutions such as the OECD. ECTA collated and published data on a quarterly basis tracking progress on Broadband Penetration and Local Loop Unbundling in the 25 member states across Europe but now turned to half a year data collection.

NOTES

European broadband league table Q3 2006

Ranking	Q3 2004	Q3 2005	Q3 2006
1	Sweden	Denmark	→ Denmark
2	Denmark	Netherlands	→ Netherlands
3	Netherlands	Finland	↑ Finland
4	Belgium	Sweden	↓ Sweden
5	Finland	Belgium	↑ UK
6	France	France	↑ Luxembourg
7	Austria	UK	↓ Belgium
8	UK	Luxembourg	↓ France
9	Germany	Austria	↓ Austria
10	Portugal	Germany	→ Germany
11	Spain	Portugal	→ Portugal
12	Italy	Italy	→ Italy
13	Luxembourg	Spain	↓ Spain
14	Ireland	Ireland	→ Ireland
15	Greece	Greece	→ Greece

To access the ECTA Broadband Scorecard Q3 2006 please check:

<http://www.ectaportal.com/en/basic650.html>

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Evolution of Broadband penetration rates since Q103 to Q306.



