

Cable Celebration! - Speaking Notes - Manuel Kohnstamm, President of Cable Europe

10 December 2008

Cable's Journey in Europe

Ladies and Gentlemen, Dear Ms Trautman;

By all standards, Europe's current approach to Telecommunications regulation is one of the most modern in the world. For one, the standard regular review every five years to keep in step with technology and market progress does not even exist in the United States.

There is one area, however, where the US had a very early lead with an impact still lasting today. Ever since the breakup of the old AT&T, the US effectively opened its markets for infrastructure competition. Europe followed, but only 14 years later.

The European Union reluctantly started to liberalise in the 1990s. An area traditionally dominated by significant national political influence, the EU Commission's first baby steps were to liberalise the market for handsets, or terminal equipment. A few years later came the market for leased lines, after that the phone services, and only in 1998 new infrastructures were really set free to compete.

Unbelievable but true: before 1998, cable companies in many EU countries were technically capable to provide telephone and internet services over their own infrastructures, but were often legally forbidden to do so. It was political caution and compromise that prompted European policy makers to do it this way.

The initial reluctance to allow full infrastructure competition in European telecoms resulted in a relative over-reliance on services competition on the incumbents network. Many regulators were trained to stimulate this type of service competition with a strong emphasis on wholesale access based on regulated rates of return. But it has brought only temporary benefit.

When European cable started to compete in the years after 1998, it was not only late to the party, it had to compete with a price regulated industry and did not have much time to prove itself. National regulators were generally too impatient to see the results of true infrastructure competition materialise.

We managed, however, and today cable can rightfully claim to be the only serious contender to telecom incumbent dominance. Investing over 4 Billion euro a year or around 20 to 25% of revenues, more than twice what most telecom companies do.

Today, cable operators in Europe services over 73 million customers with IP Telephony, Digital television, High Definition, Video on Demand and Interactive. And on the broadband side we are setting new world records with the launch of 100Mb services and beyond.

And generally I think we can say that the European telecom industry is delivering a significant level of innovation and investments. We are building the core of tomorrow's economy, which is in today's market circumstances more needed than ever.

But there are a number of concerning issues now emerging.

First, in a consolidating market, Europe's incumbent telecom operators are getting more dominant than they have been before. They generally still prefer to do their acquisitions in their own home territories, and with a few exceptions they are sweeping the market of remaining resellers and altnets.

In the Netherlands, the regulators are just about to allow the incumbent not only to control the national DSL and Digital Terrestrial Television networks, in addition to the largest mobile position, but now also acquiring the only national Fibre To The Home operator. If we keep going this way, there are no competitors left other than the original incumbents and the local cable networks.

Second, a number of national regulators are starting to bend to persistent pressure to apply SMP regulation they are facing, equally on cable networks.

This puzzles me. Because we are the only remaining alternative game in town we should be regulated more? How can this be justified? They should be happy there is an alternative left to begin with!

It gets even more absurd, there is a Dutch regulator who tries to force cable operators to resell a basic analogue television package at historic cost levels, presumably because it is so difficult for telecom operators to enter the market for digital television.

There is a debate in Scandinavia to get telcos some kind of bit-stream access to cable, to roll out IPTV services, so as to save them the upgrade investments in their own networks.

How would all that be possible when we are so unequal to begin with? Any cable company in Europe does not have the same national footprint as their incumbent and is typically less than one-tenth in size.

A similar debate is now emerging over the much heralded new Next Generation Networks.

Even though it still needs to be proven that the investments will actually be made, there is a distinct trend in a number of countries to believe that there will only be one network left in the end.

Let me give you a bit of news here: if telcos are indeed starting to invest in fibre deep networks beyond dsl, they are not doing it because their governments want them to do so.

They are doing it because we, cable, are providing them with tough competition on broadband. Our Eurodocsis speeds of 60, 120 MBs and more, force them to invest and respond. The traditional DSL networks can not go beyond 20Mb so they will have to go fibre.

That is exactly where national regulators should want us to go. In full infrastructure competition. It is in the public interest that at least one additional robust infrastructure emerges next to the dominant incumbents of Europe.

If anything, you should cherish and support cable getting stronger. It may be the only way to keep Europe's 500-pound gorillas really honest.

Fortunately, the European institutions see the need to ensure this evolution and supported us in crucial debates in several countries throughout Europe.

And despite all these policy challenges, we keep a strong conviction that cable will thrive in the coming years. Which is good for the industry and also for telecom incumbents. The stronger we get, the easier it is for them to get their regulators off their backs. And that should be the final objective: to let the markets do their job.

A final word of thanks to the entire Cable Europe team led by Caroline van Weede in Brussels: You are doing an outstanding job!

I am certain I speak for all of our members if I say that we could not conceive a few years ago, how we have transformed the presence and understanding of our industry in this town. Well done!

One other person in particular deserves a mention. Toon Diegenant, our tireless Communications Head who has masterminded and supervised the Cable Europe rebranding and scored great successes with the annual conferences. We are sorry to see you leave for private entrepreneurship, but very grateful that you'll work with us on the annual conferences going forward.

That ends my contribution on Cable Europe.

We are very fortunate today to have with us Mme Catherine Trautman, MEP and rapporteur for the Telecom Better Regulation proposal.

Welcome Mme Trautman

* We have admired your ability to forge cross party consensus on the highly political charged dossier of the Telecom review. We recognise that the pressure will be even greater to strike a deal and that we hope that the second reading you will broker text will be as balanced. We are committed to maintaining the good, positive dialogue we have had with your office during second reading.

* We support your effort to bring NGA investment within the scope of the review. The European cable industry is delivering a significant level of innovation and investments. We are building the core of tomorrow's economy, which in today market circumstances is more needed than ever. But all NGA investors are not equal, and should not be treated as such.

* Cable companies are living proof that NGAs are replicable given the right business case, long term commitment to invest, and high quality technology. Full symmetry of regulation at all levels will only benefit the incumbent, not the competitors - including but not exclusively cable - of investing in NGAs.

Thank you for your outstanding work Mme Trautman and we would be delighted if you would want to make a few comments.

The floor is yours,

Manuel Kohnstamm
President
Cable Europe