Cable Europe Statement on EP Resolution on Building a European Policy on Broadband

19 March 2007

Cable Europe fully supports Parliament's call for an all-embracing European policy on stimulating broadband with the aim to close the digital divide. Broader availability of innovative products and services on the back of technological convergence of networks makes the gap between broadband "have's and have not's" appear more tangible than before.

Infrastructure Competition Driving Broadband Penetration

In view of the Draft Report of the Committee on Industry, Research and Energy (ITRE) on a motion for an European Parliament's resolution on Building a European Policy in Broadband, Cable Europe would like to suggest the following amendments:

> 7. Emphasises that the role of the EU is to create a supportive environment for the development of innovation and for the introduction of new technologies by providing a regulatory framework that **creates sustainable access competition through the promotion of investment** in alternative infrastructure, and by the use of relevant funds to support the necessary infrastructure,
>
> 8. Encourages the Commission to closely examine whether the regulatory framework is fully implemented **in a way that is supportive to sustainable competition and investment** and whether the rules on state aid are applied whenever structural and rural funds are to be used for broadband investments and to ensure that EU funding will not ensure market incumbents or monopolies:

We support the above suggested amendments based on the following reasoning.

Cable Europe would argue that the choice for stimulating broadband penetration on the basis of infrastructure competition has proven to be the right regulatory and policy approach. This conclusion is fully supported by available evidence. In the figure below we can see that, in general terms, those countries which show high inter-platform competition between cable and DSL also have the highest broadband penetration.

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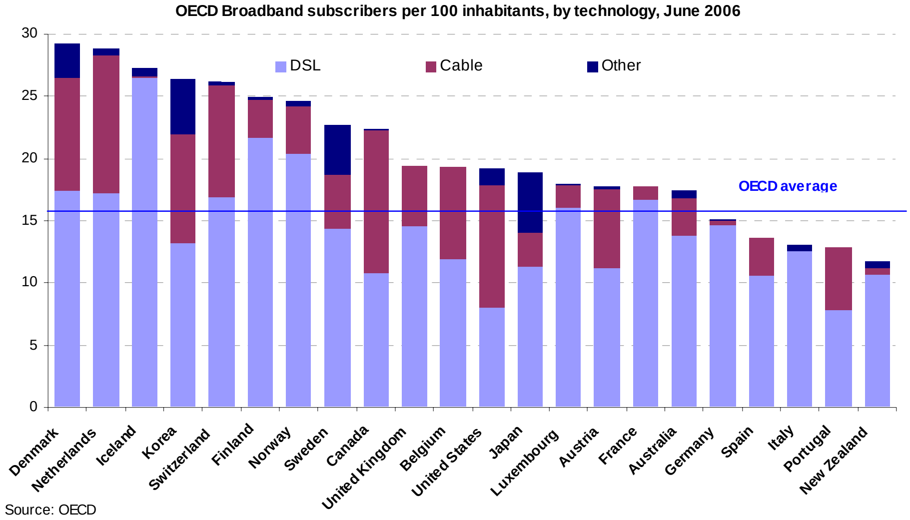
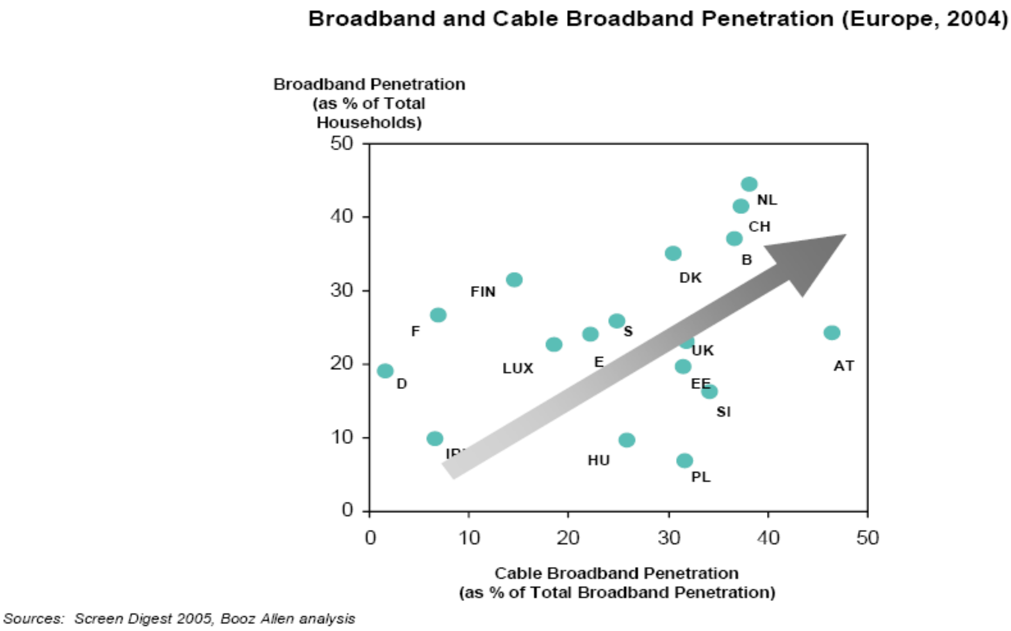


Cable has played an important role in driving innovation in broadband and has accelerated roll-out of high speed networks by the telecom incumbents. Moreover, in those European markets, where cable has been allowed to reach considerable scale through consolidation, broadband penetration is significantly higher than in countries where cable is still relatively fragmented.



Going forward, the scope for broadband infrastructure competition between the Next Generation Networks of telecom and cable is realistic as both infrastructures will be able to cater for the bandwidth demands associated with future broadband applications and services.

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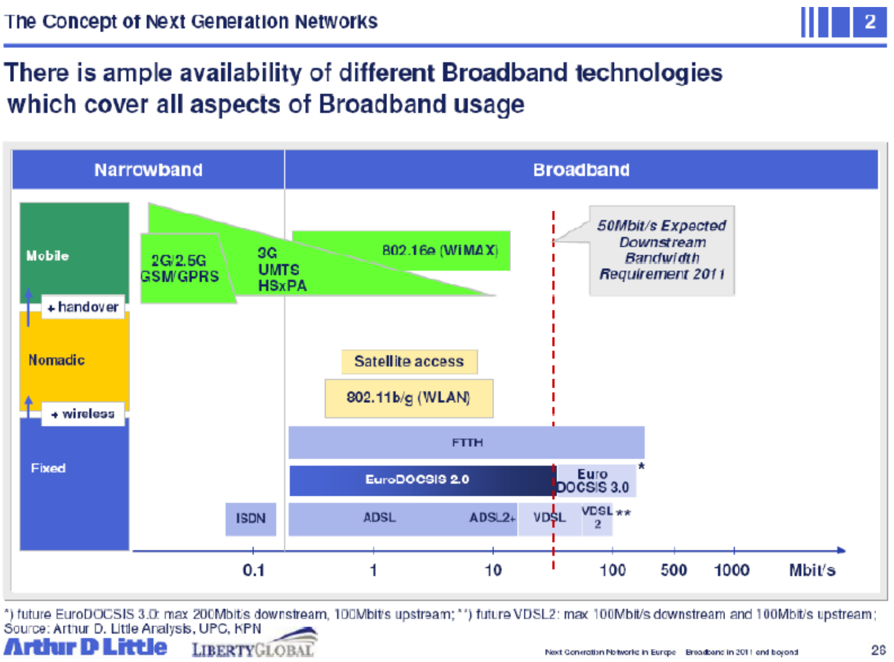
This is shown in the next figure, where we can see how cable technology, based on the EURO DOCSIS standard, can provide a bandwidth as high as that provided by VDSL or fibre technologies, that is to say, upwards of 100 Mbits/seg. Nevertheless, cable technology provides an upstream and downstream bandwidth potential, while ADSL is an asymmetric technology which is not good for emerging bandwidth hungry services.



With both infrastructures being able to offer triple play services (digital TV, internet, and voice telephony), infrastructure competition will intensify. Networks become substitutes to the digital home customer and compete to become the single provider of triple play services to the Digital Home. Customers are looking for a one-stop-shop: one provider, one bill, three services.

As convergence of networks and services intensifies, it is market led competitive investment in alternative communications infrastructure that will drive higher broadband penetration as networks, such as cable NGNs, strive to compete with larger national based telecoms players.

It is important that the substantial investments necessary to carry out this network deployment are not hindered by inappropriate regulation as this could lead to commoditization of infrastructure provision. In addition it is important to ensure that access regulation, if any, is limited to infrastructures with significant market power and potential for abuse.

Maintaining a certain price level reflecting the risks associated with multiplatform competition is necessary to preserve investments in infrastructure. In that sense we suggest to suppress the following recital in the ITRE lead committee report altogether, or at least to clearly state that it is with respect to the incumbent's infrastructure:

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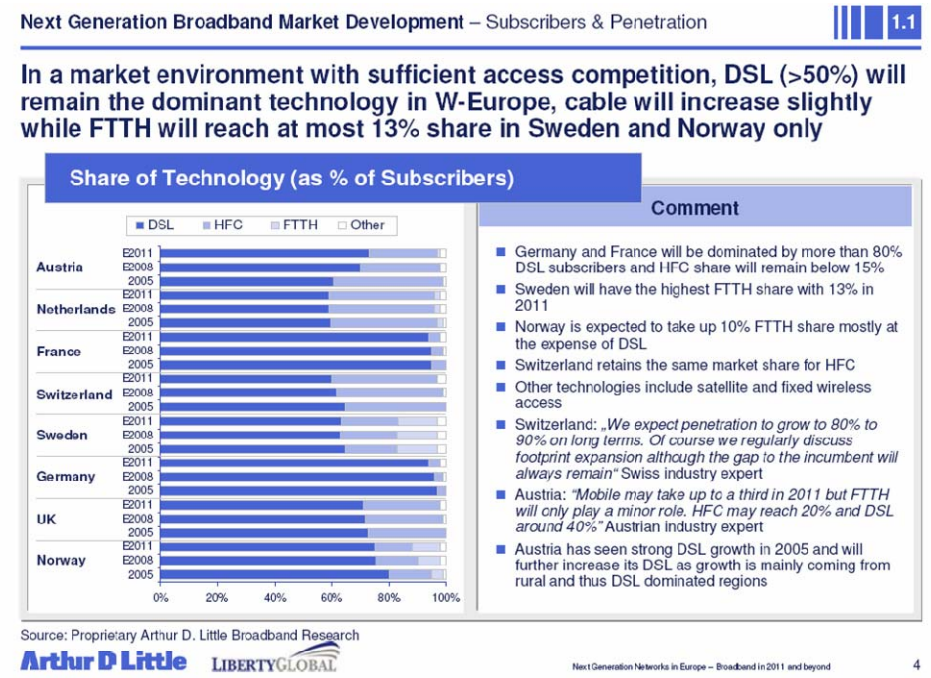
Suppress: *10. Stresses that infrastructure should be provided on an equal access basis, with an ownership structure that favours no particular service providers;*

Future Share of Broadband Access Technologies

xDSL based networks are expected to remain the dominant broadband access technology in Europe in the near future, but we believe cable will be the only credible challenger of telecom incumbents' dominance in the Digital Home arena.



Bridging the Broadband Gap

Infrastructure competition inevitably has its limits and it is reasonable to expect that commercial operators will be hesitant to make significant investment in broadband networks in rural and remote areas.

As both the ITRE and IMCO draft reports recognise, in these instances, government sponsored broadband networks will be needed to close the gap. The conditions for state aid to broadband networks in commercially unattractive areas have been clearly spelled out in a sequence of Commission state aid decisions. These areas are characterised by a persistent lack of commercial incentives for private infrastructure providers to invest in building or upgrading existing infrastructures to deliver the necessary bandwidths to customers needed for accessing information society services.

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Cable has a big incentive to partner with publicly funded broadband projects in such areas as this will increase the scale of cable's service area nationally. At this point, cable's scale significantly lags behind nation-wide telecom networks. Reaching significant scale nationally through i.e. partnering with public private partnerships in areas without significant prospect of infrastructure competition will add to cable's competitiveness vis-à-vis telecom incumbents and bring wider choice of innovative broadband services to consumers in these areas.

About Cable Europe

Cable Europe, the European Cable Communications Association, groups all the leading European broadband cable communications operators and their national trade associations throughout Europe. The aim of Cable Europe is to promote and defend the industry's policies and business interests at international level and to foster co-operation among its members. The European cable industry services more than 64 million customers. In September 2006 the Association changed its name from 'ECCA' to 'Cable Europe'. The Association is active since 1951.

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