

# Belgian Cable Observatory

Brussels, 12 September 2017

# Agenda

## Cable opening at a glance

### **Context and status of Belgian broadband market**

- A well-developed market
- Copper unbundling not a major success
- Fresh momentum for a rigid broadband market

## Retail TV and bundled market

### **Situation in retail standalone and bundled TV market**

- Market dynamics: market evolution and market shares
- Consumer prices compared
- Service quality compared

## Wholesale market

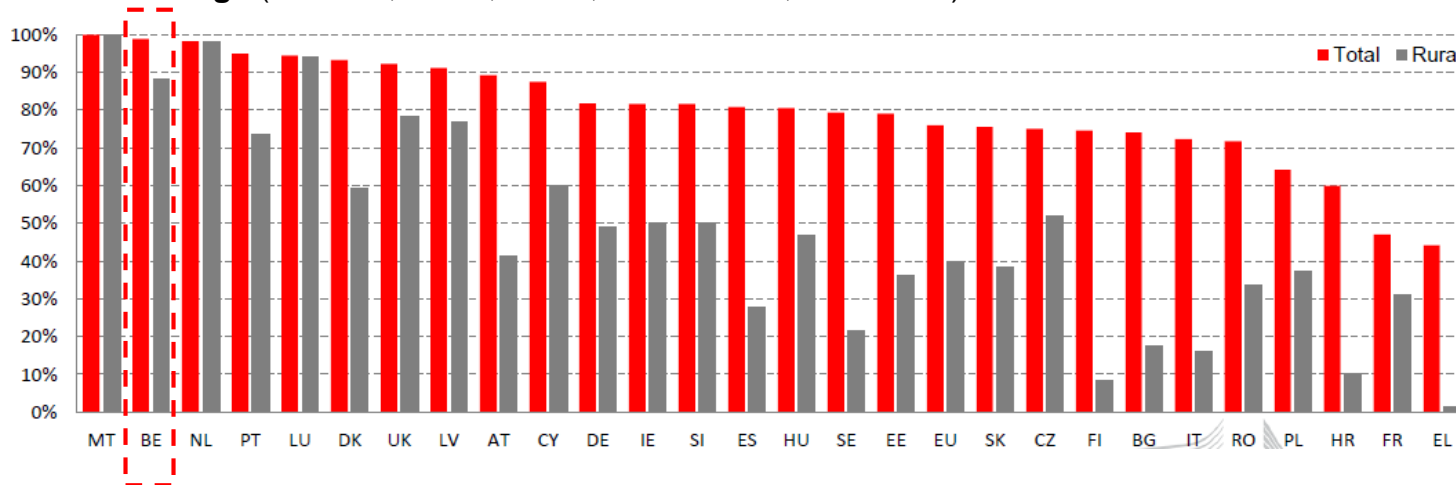
### **Wholesale aspects: underlying market observations**

- Wholesale pricing approaches in Europe
- Access prices for cable:
- Quality of cable access: Cable KPIs and comparison with BRUO/BROBA

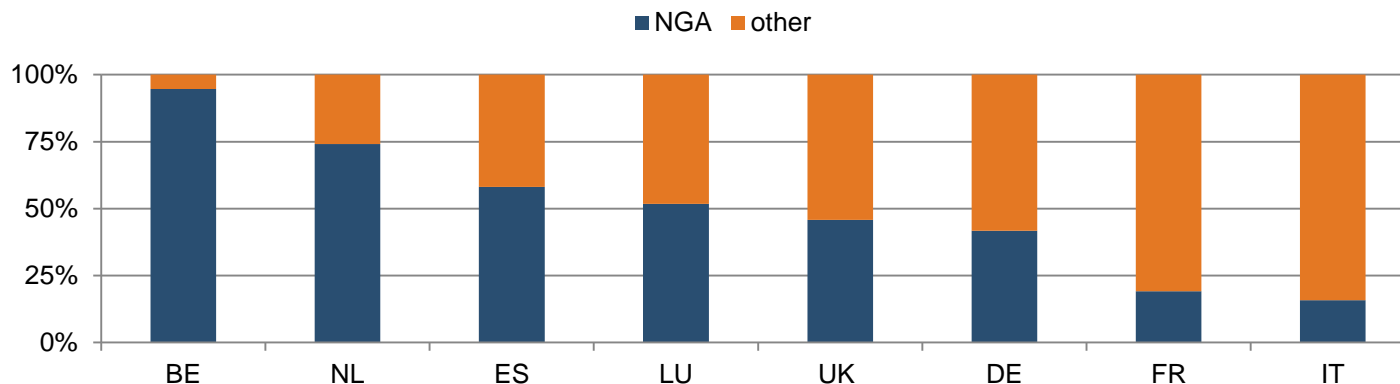
# Belgium enjoys a well-developed broadband market...

## A European leader in coverage as well as take-up of high-speed broadband

NGA coverage (% of HH; FTTH, VDSL, DOCSIS 3.0; June 2016)



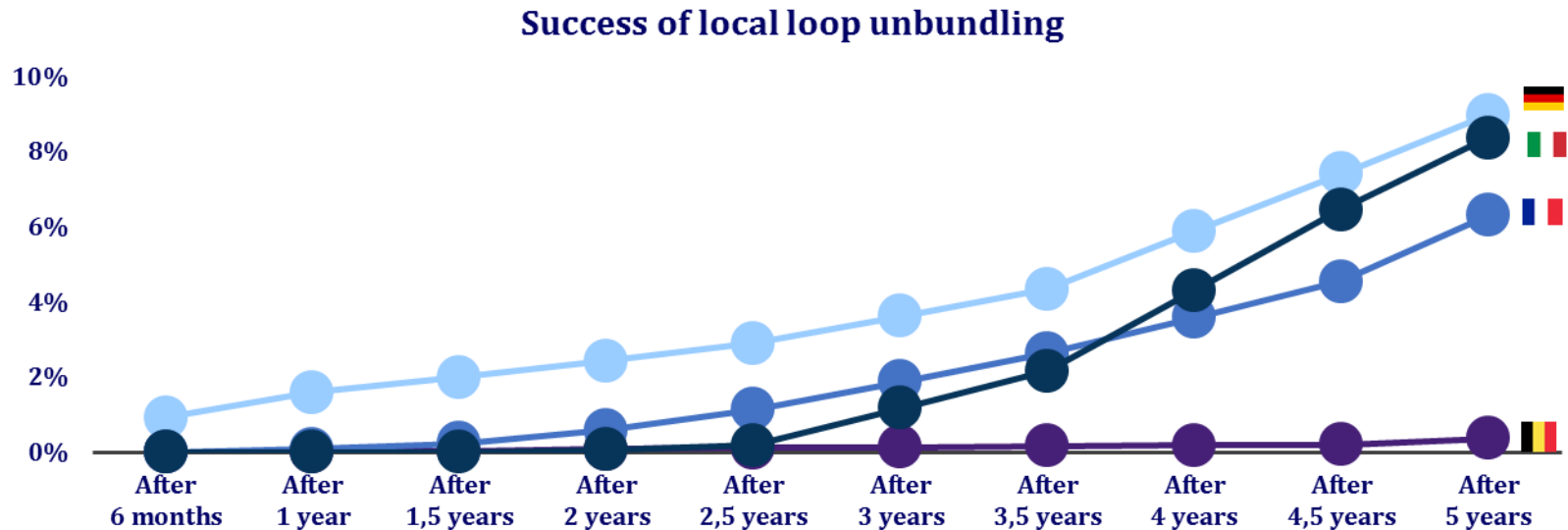
Share of NGA broadband in all broadband lines (% lines, December 2016)



Source: European Commission, IDATE

# ... but competition is weak...

## Copper unbundling failed in Belgium

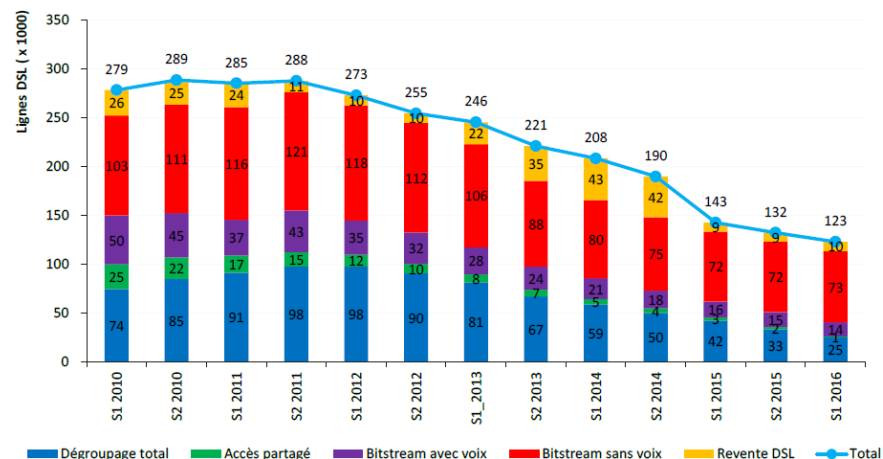
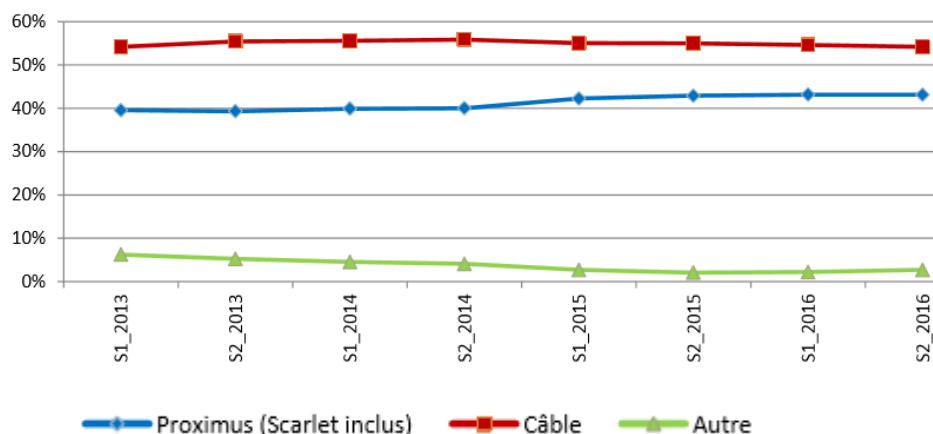


# ... intra-modal competition has run out of steam

## Competition essentially a duopoly between Proximus and local cable-co

Fixed residential BB market shares (% of subscribers)

Take-up of telco wholesale products



Source: BIPT

# Opening of cable may provide fresh momentum for rigid broadband market

**To create competition on the bundled offers, entrants need access to the different components of the bundled offers**

- **When a component is not easy to replicate, access needs to be imposed**

**Economic literature shows that infrastructure-based competition is stronger and more sustainable than service-based competition**

- **Entrant which rely on regulated access need to invest**

**But access is not easy to impose and requires a strong regulatory strategy**

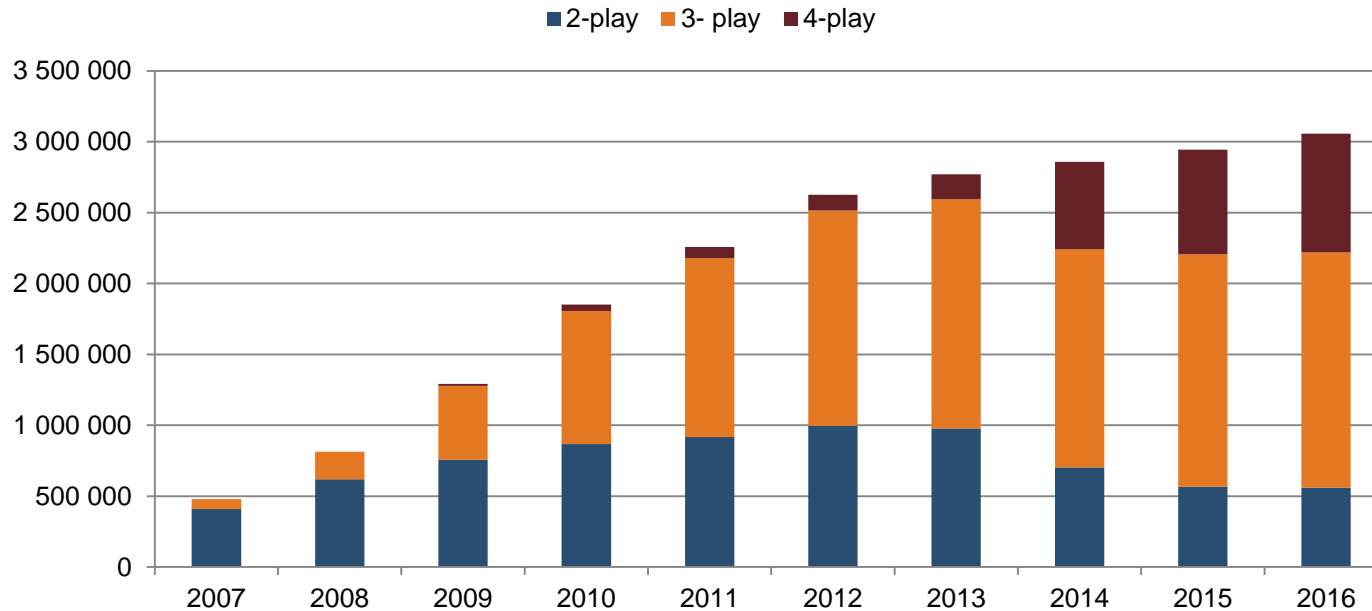
- **Access prices**
- **Access quality**
- **Strong and quick regulator**
- **Good data and market monitoring**

# Situation in retail TV and bundle markets

# Bundling is the name of the game

## Convergence is progressing rapidly

Take-up of multi-play bundles (subscriptions; end 2016)

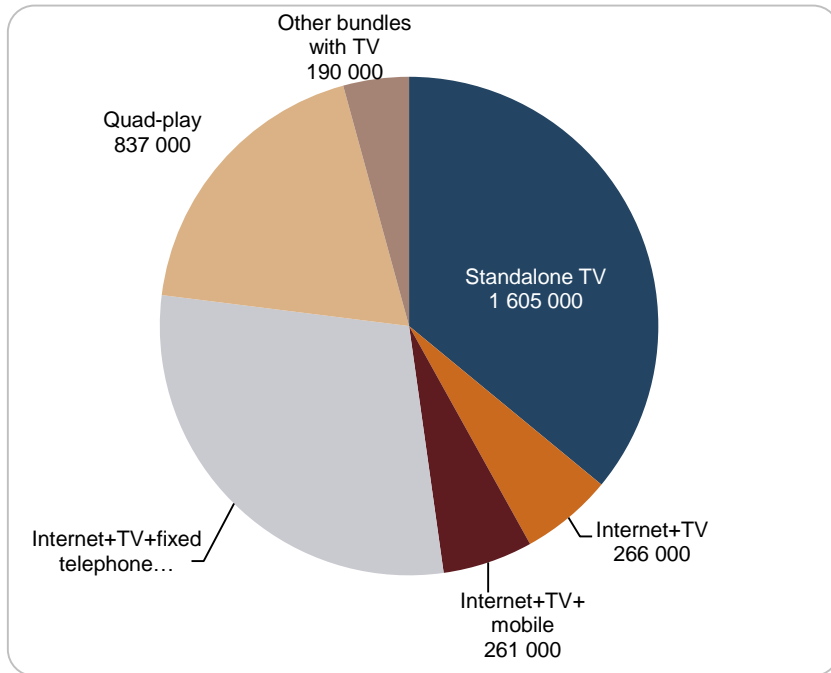


Source: IDATE based on BIPT

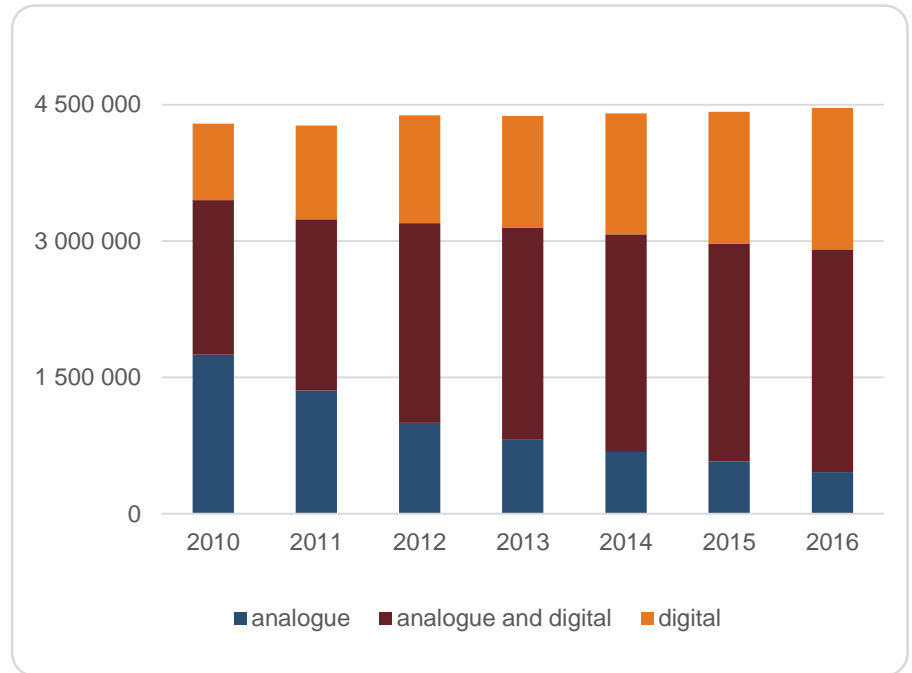


# TV remains popular – especially if bundled with other services

3- and 4-play bundles make up almost 50% of TV market



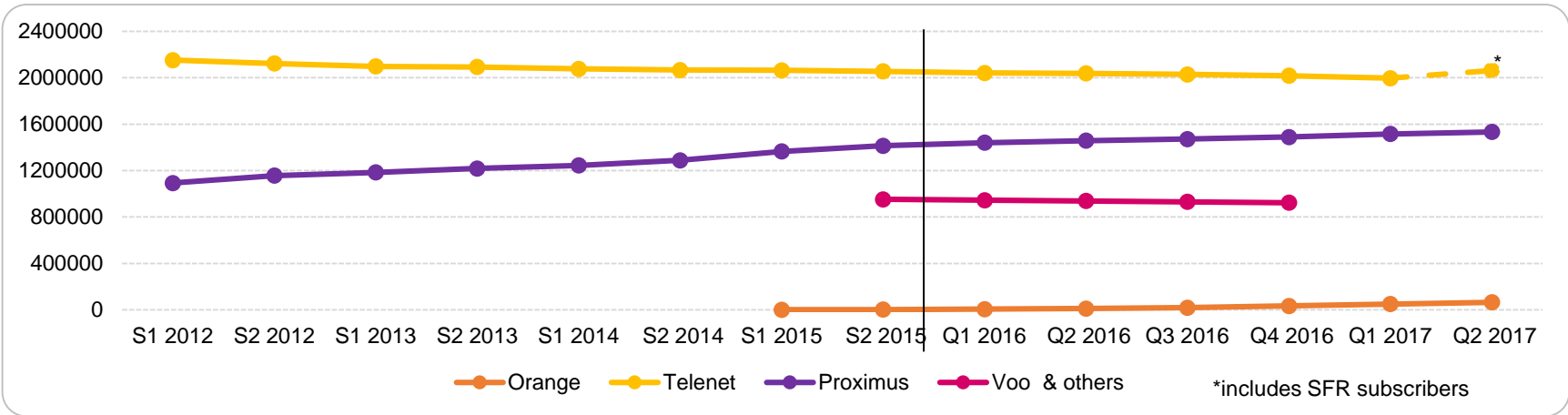
Cable analogue TV switch-off not completed (TV subscriptions)



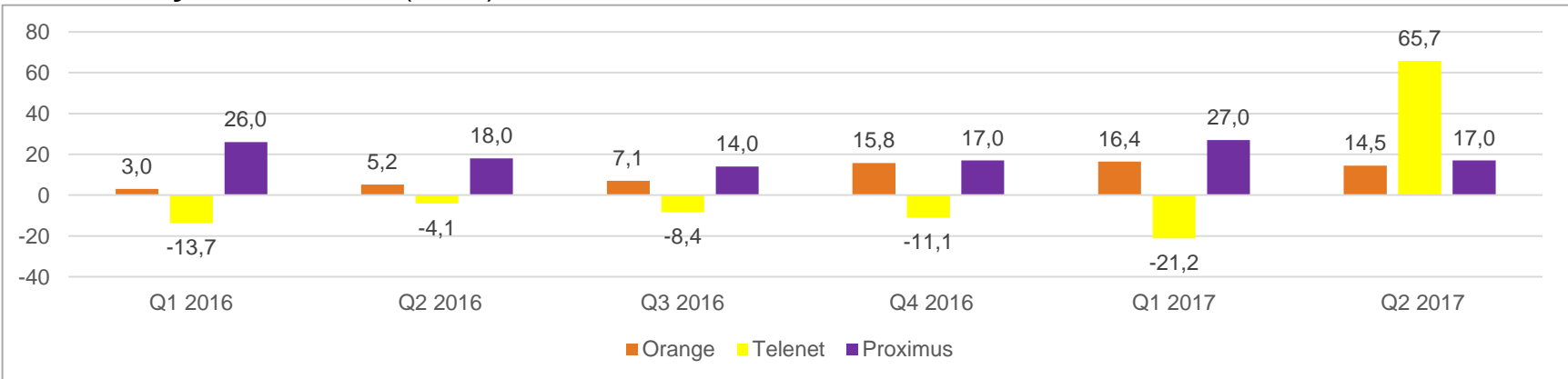
# Market dynamics: new entrant's steady progress shows users appreciate choice

## Orange Belgium making healthy progress

### TV subscribers by operator



### Quarterly TV net adds (000s)

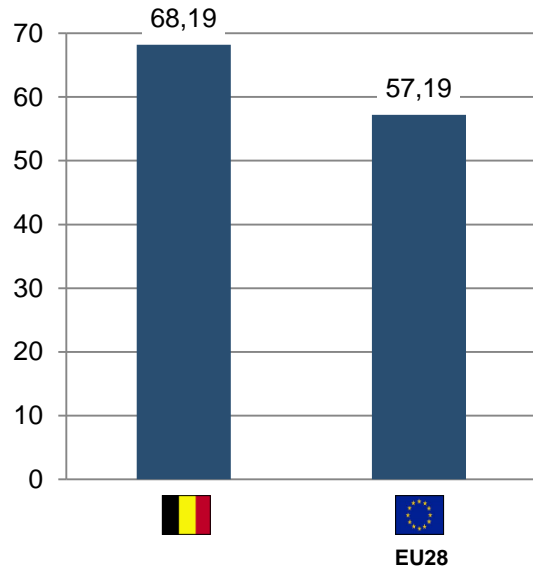


# However, Belgian users do not enjoy most favourable pricing conditions...

## International benchmarks show prices levels are elevated in Belgium

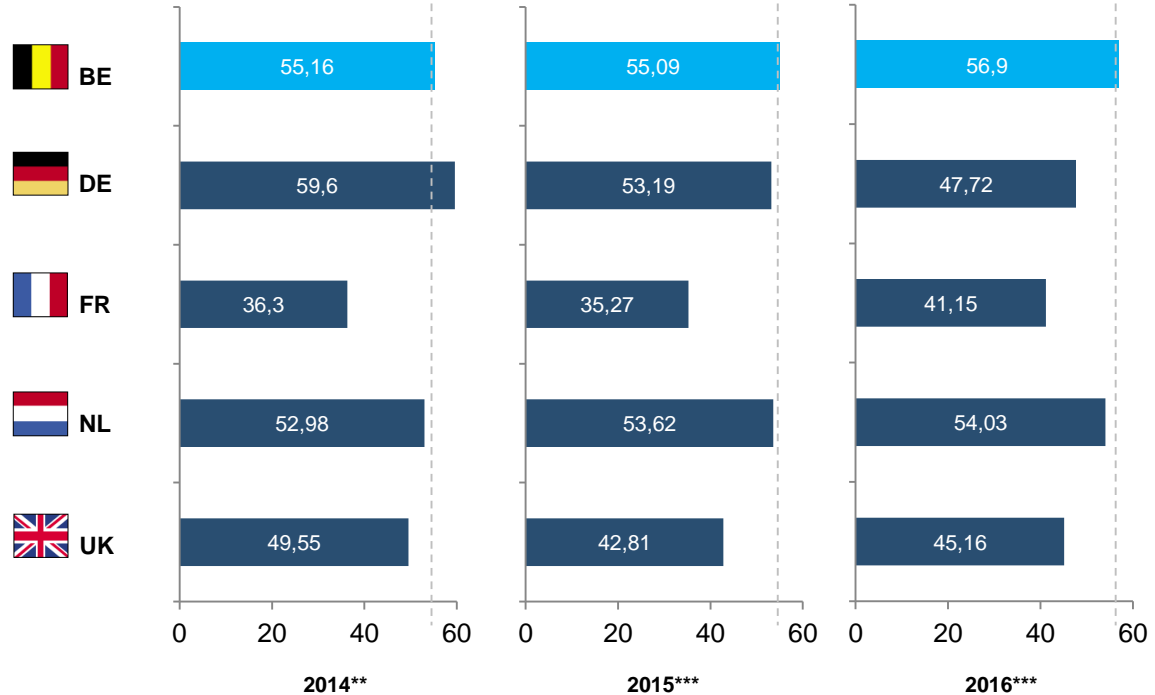
### 3-play subscription (EUR PPP/ month)

■ Median offer (with line rental or cable TV subscription included)



Source: European Commission, BIAC 2016

### 3-play subscription\* (EUR PPP/ month)



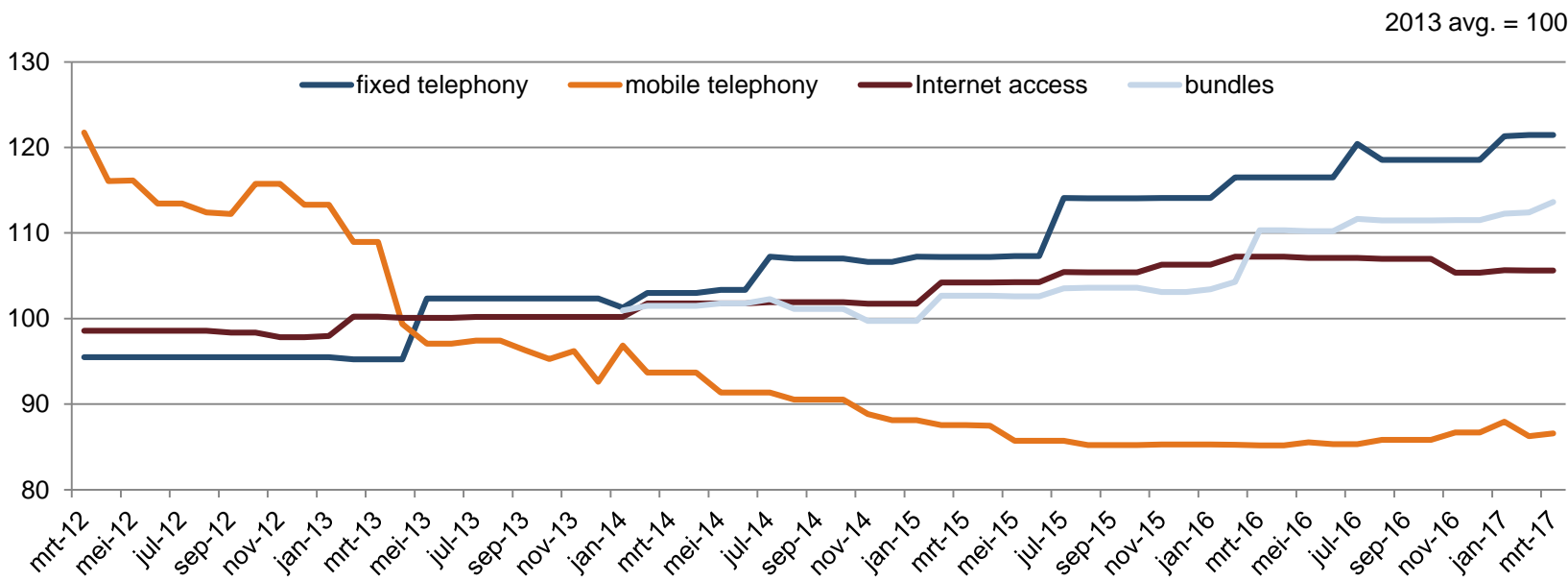
Source: IDATE based on BIPT

\* Weighted avg., incl. VAT; \*\* 30-60 Mbps, \*\*\*30 – 100 Mbps

# ... in particular the evolution of bundle prices may give rise to concerns

## Long-term upward price trend for service packages

Evolution of communications price indices

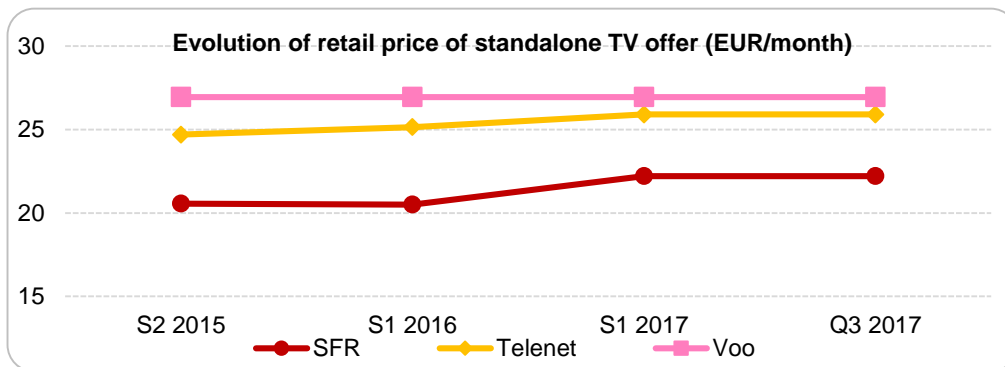
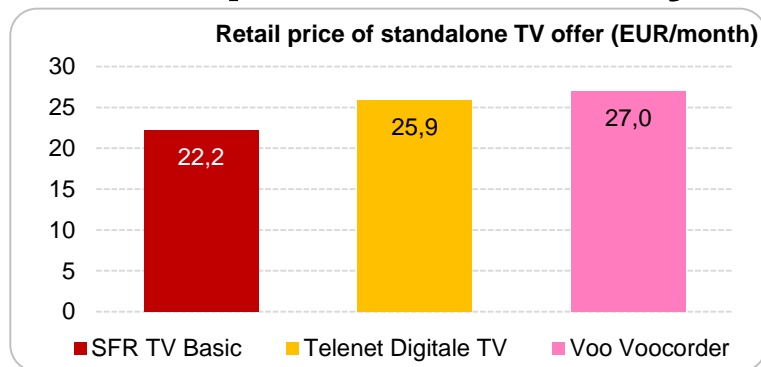


Source: Statistics Belgium

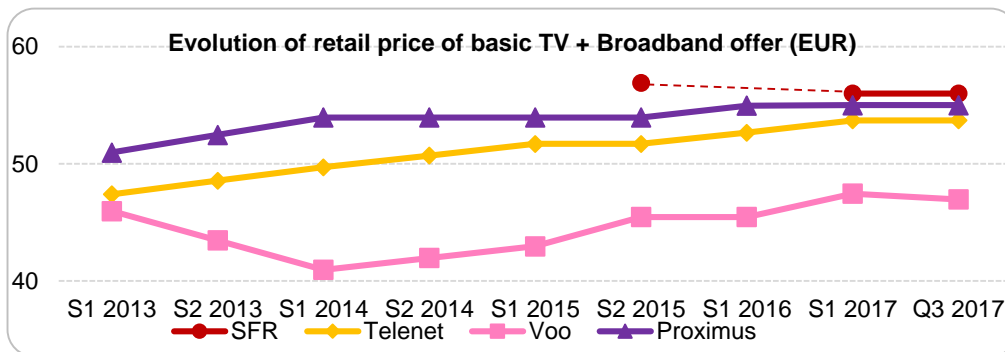
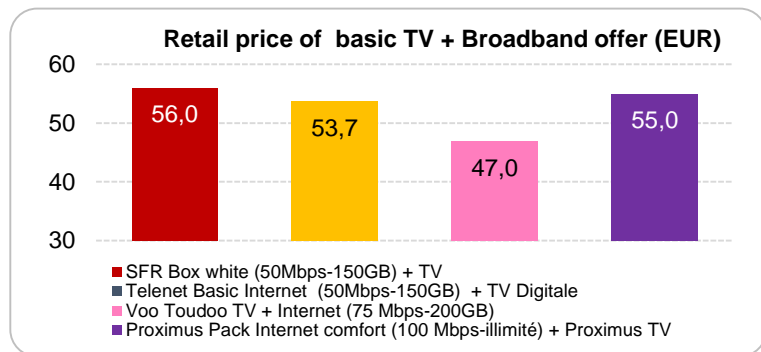
# No favourable trend for consumer

## - but competitive offer by cable entrant

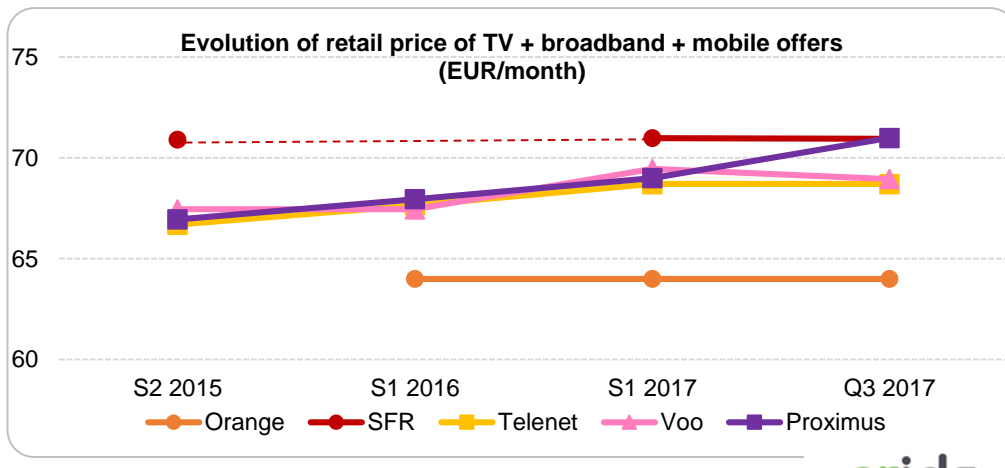
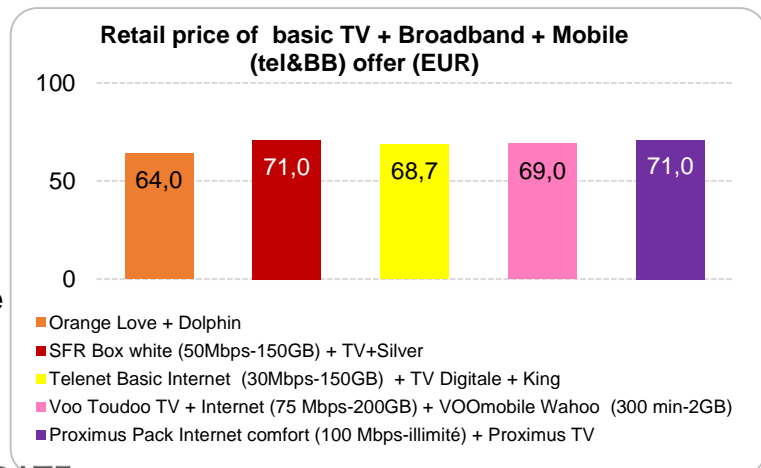
TV



TV + BB



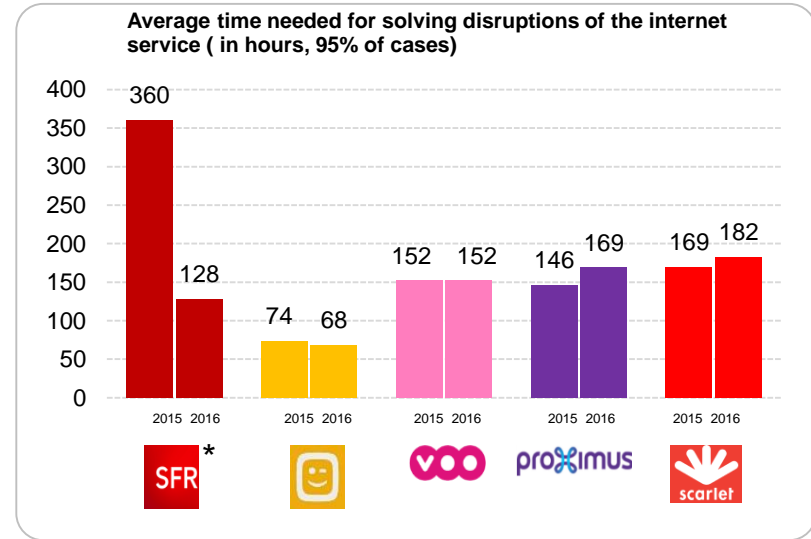
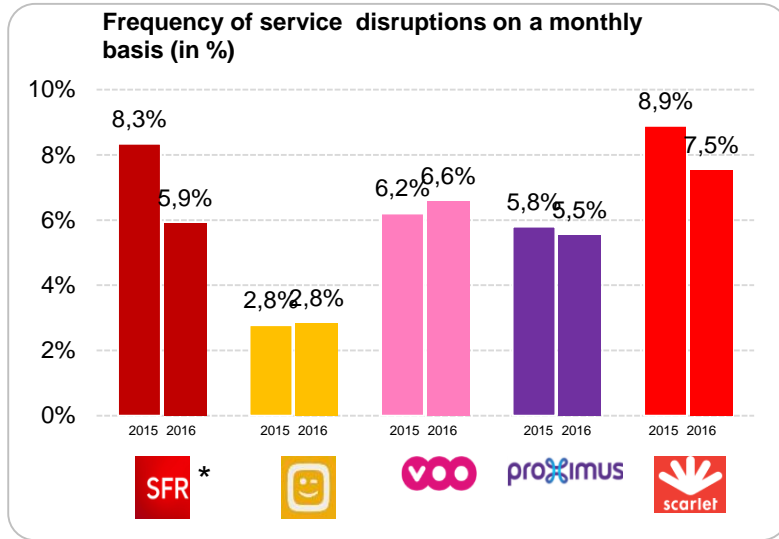
TV + BB + mobile



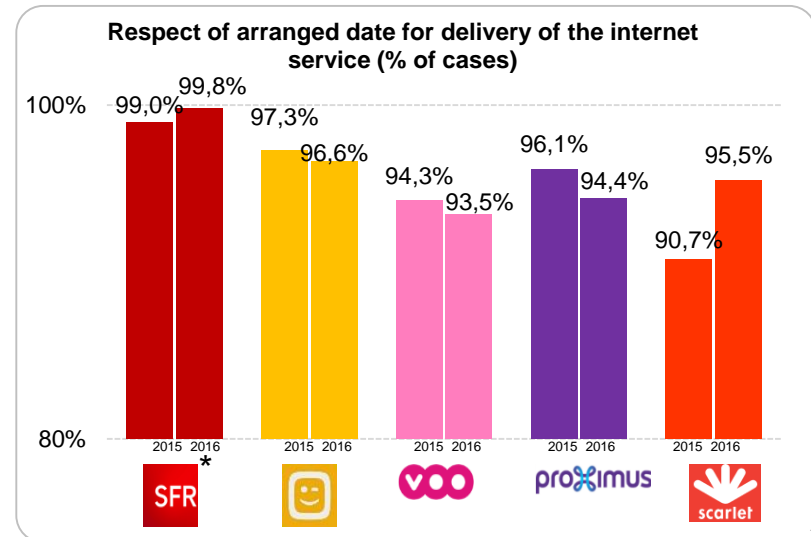
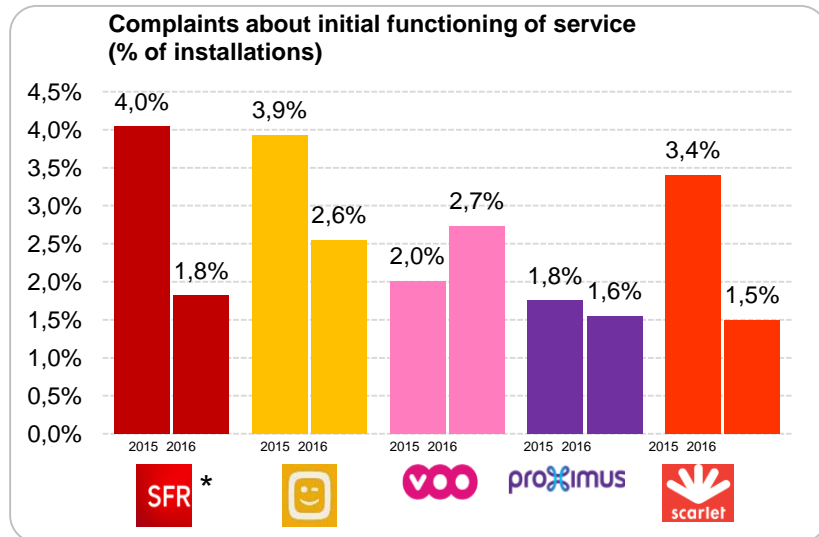
Source: vanDijk, IDATE based on operator web sites

# Quality of Service: no provider progressing on all aspects

Some progress on disruptions – but no so much on repair times



Improvements at 'first-time right', but three out of five players regress in respecting delivery dates



# Wholesale aspects

# Setting wholesale tariffs a crucial challenge for NRAs, competitors and markets

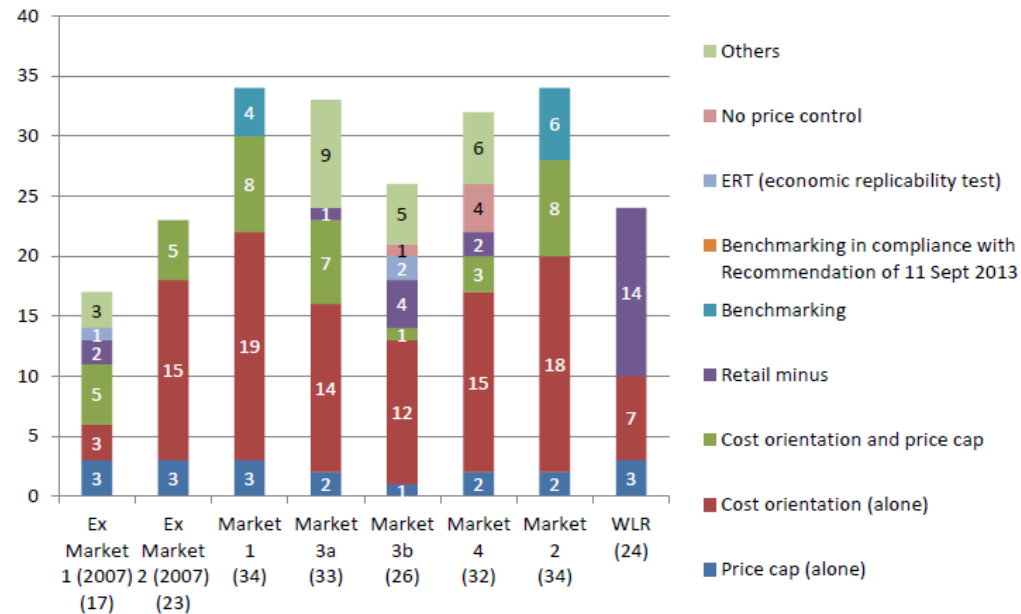
## Cost-orientation is the most widely used approach in practice

### Several methods to regulate access prices

- **Price cap**
- **Benchmarking:**
  - difficult to find correct benchmark
- **Retail Minus and Economic Replicability:**
  - Complex calculation of “minus” factor
  - Wholesale tariff dependent on retail price strategy, difficult to come with “disruptive” offer
  - Difficult to account for promotions
- **Cost orientation**
  - Should ensure access and cost orientation when costs are correctly calculated

**=> Retail minus methodology was chosen by the Belgian Regulators**

Price control method used in 2016



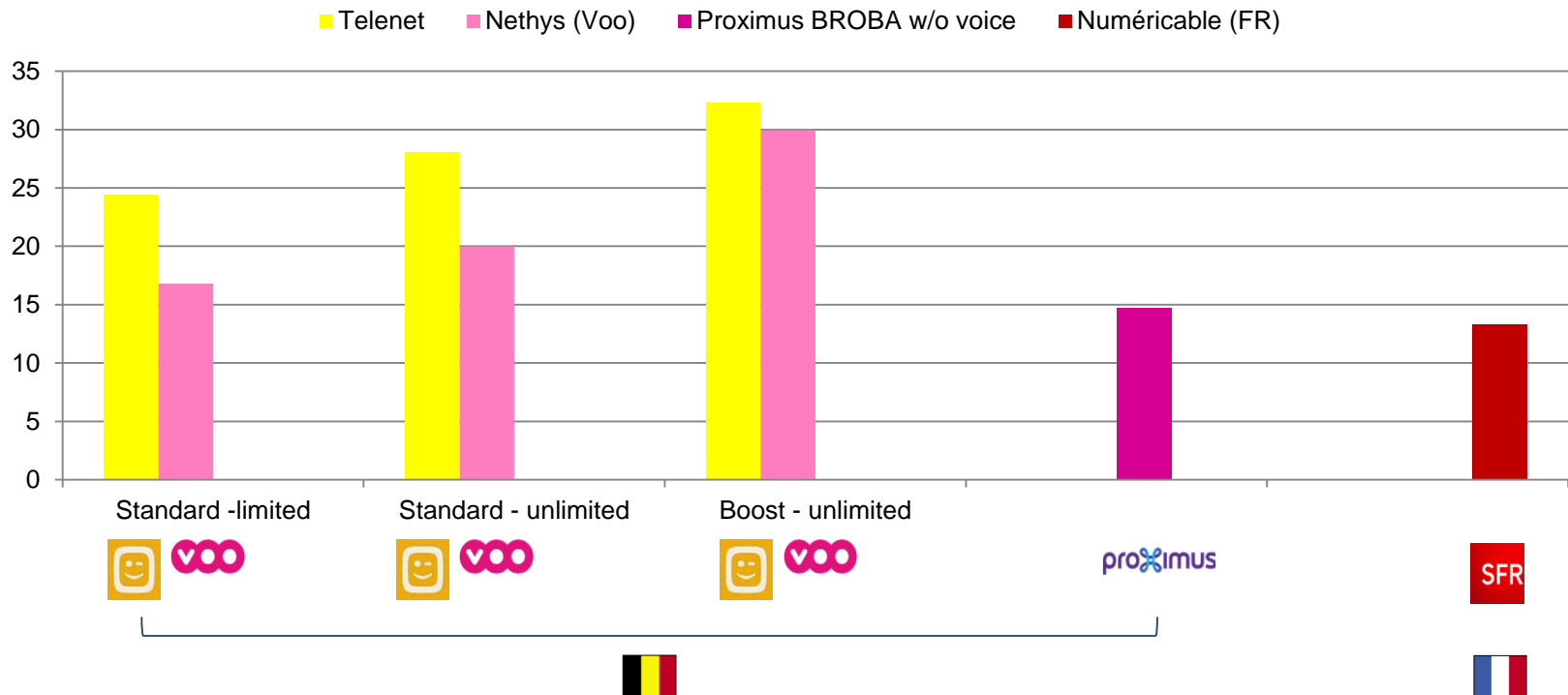
Source: BEREC



# Wholesale prices

## Cost-orientation seems to offer more attractive conditions for challengers

Monthly fees (EUR/access line; BE: bundles)

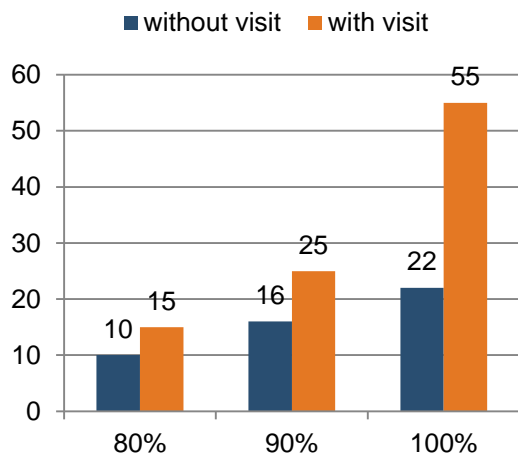


# Quality of service: line activation

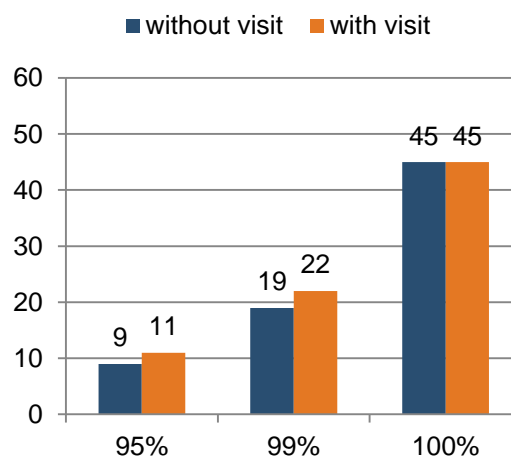
**Threshold values are not directly comparable, but cable KPIs do not seem more challenging than Proximus' BROBA and BRUO**

## Line activation (working days)

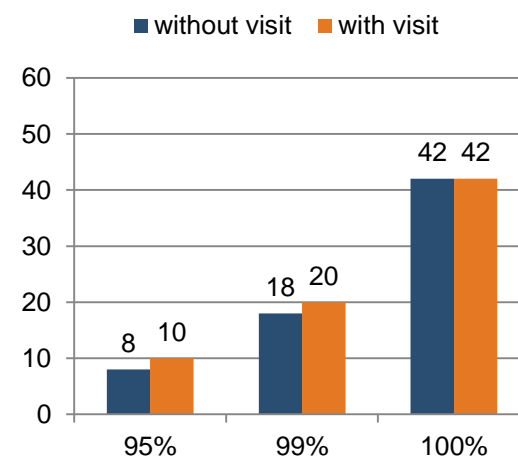
cable



BROBA VDSL2

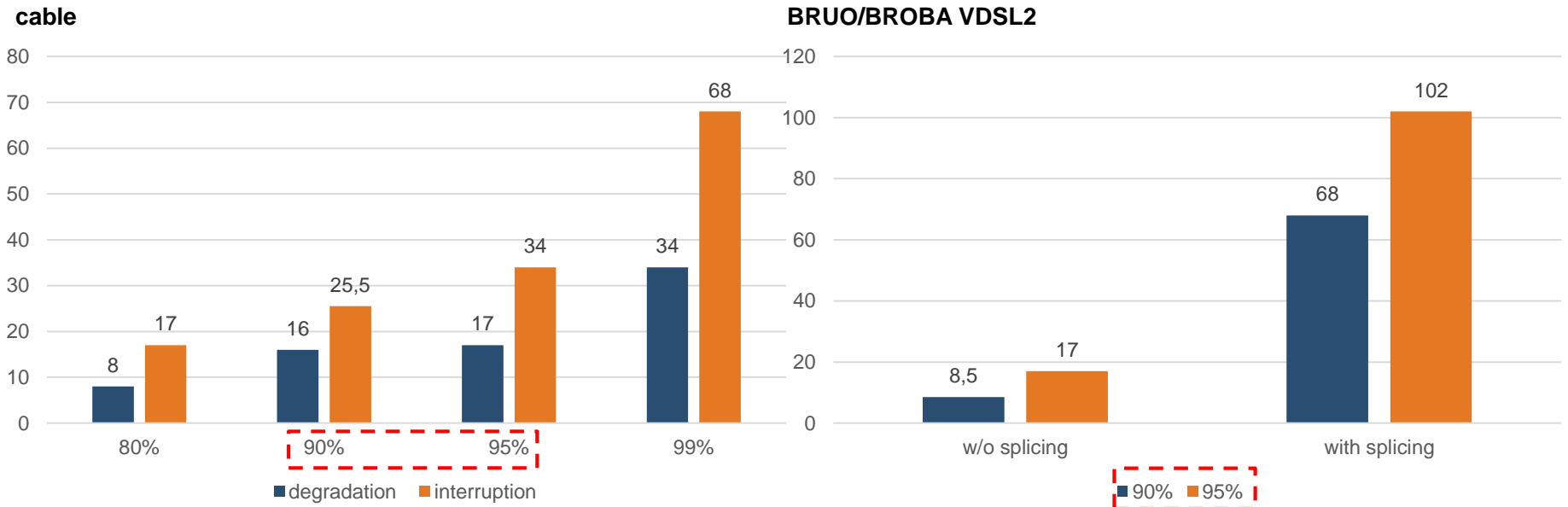


BRUO



# Quality of service: Repair time

## Repair time (working hours\*)



Source: reference offers; \* assumption: working day = 8.5hrs

# Conclusion of this edition...

... it's too early to draw a conclusion!



# Q&A

**We're happy to take your questions – here are ours ...**

- **Are the selected indicators relevant to assess the effects of cable opening?**
- **Do our data give the right picture of the market evolution?**
- **Could you provide us with more precise data on network investment?**

# Thank you!