

Approaches to FTTH-Regulation: An International Comparison

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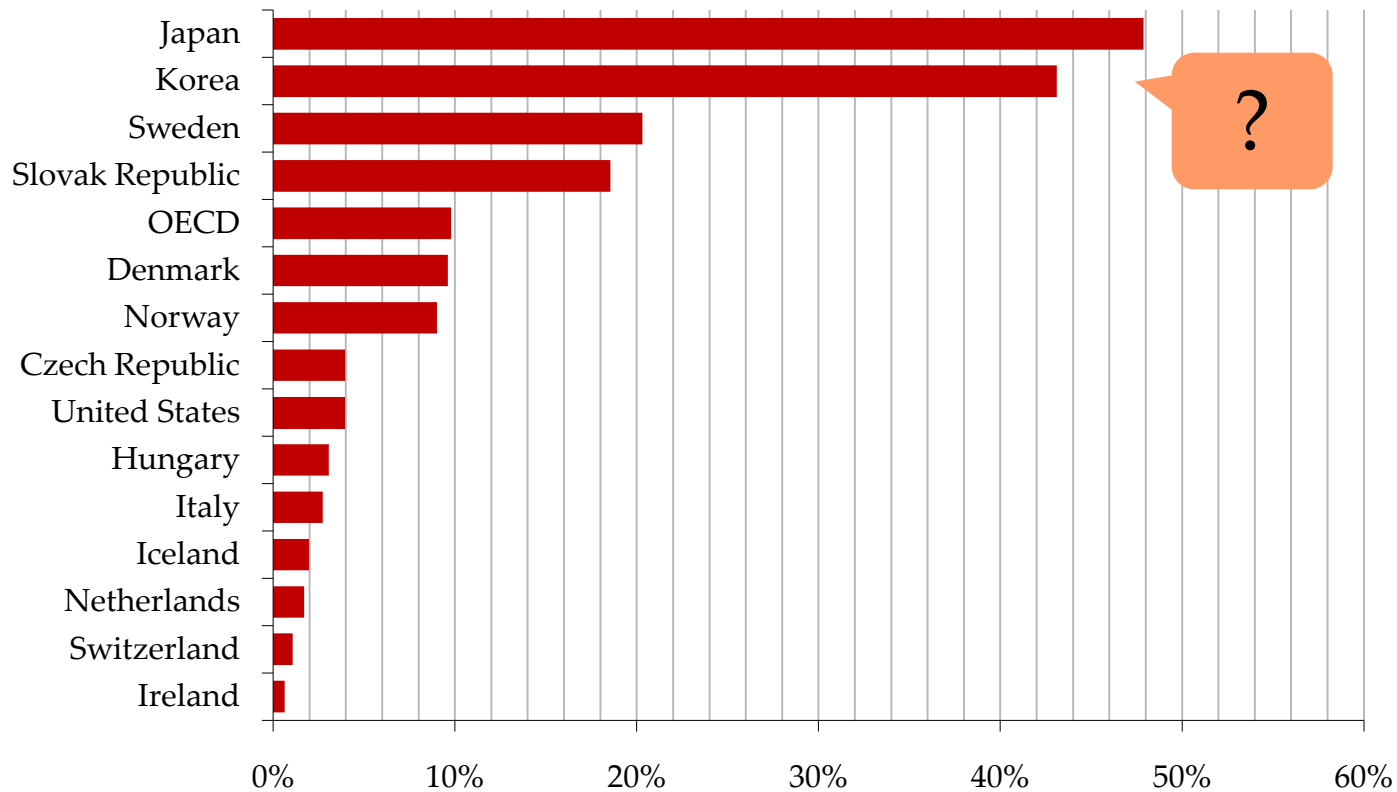
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Introduction: Fiber Connections in OECD Countries

Percentage of fiber connections in total broadband subscriptions

Source: OECD, December 2008



FTTH-Policies: Macroeconomic Perspective

Fiscal policy to cope with economic crisis

Danger: Take actions that in the name of saving 1% of GDP this year sacrifice 1% growth rate of GDP for extended period of time.

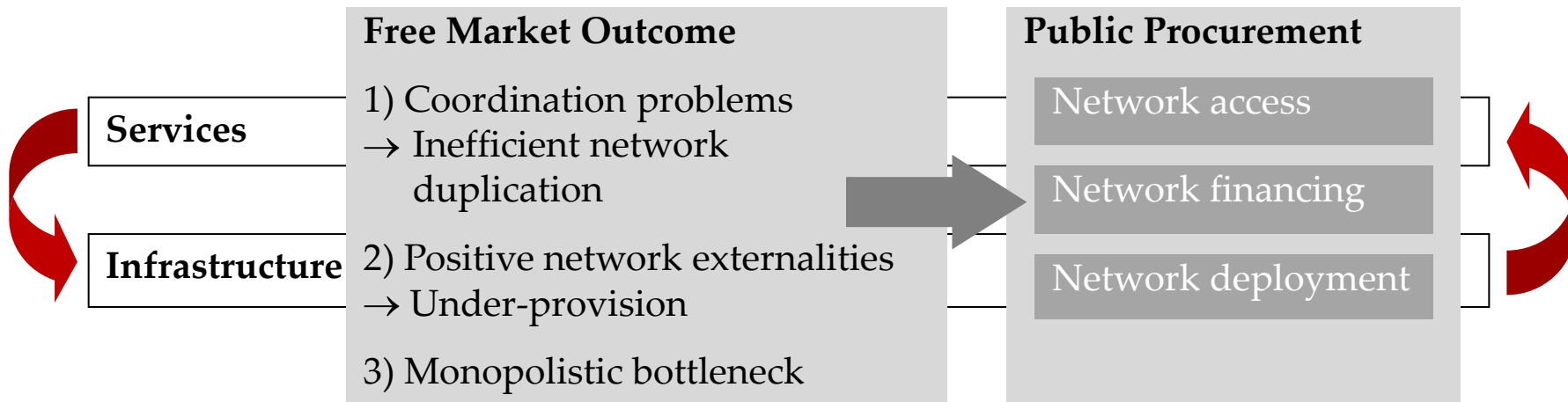
Option 1: ~~Invest in obsolete technology (e.g. "Detroit Big Three")~~

Option 2: Invest in new technology (e.g. FTTH)

Estimated fiscal multiplier (Katz et al. 2009): 4-5

FTTH-Policies: Microeconomic Perspective

Correct market failure
to cope with inefficiency



Example: South Korea

Vision (2003): Broadband IT Korea Vision 2007

Network Deployment	Network Financing	Network Access
No USO for FTTH	Favorable settlement pattern (apartment complexes)	Access regulation for fibre-based networks built before 2004
Obligation on KT to deploy fibers	Cyber building certificate system	Regulatory holidays for newer networks
Obligation on public institutions to connect	Cost sharing; public funds; >\$70B in loans	Mutual access to copper-based networks
Telecom operators are allowed to offer IPTV		
IT trainings for potential users Tax breaks for businesses		

Example: Japan

Vision (2006): Next Generation Broadband Strategy 2010 u-Japan Promotion Program

Network Deployment	Network Financing	Network Access
Market dominated by NTT East / NTT West (public ownership)		Regulation of access to NTT network since 2001 „Layers oriented“
Fiber not part of the USO Planned: Technologically neutral definition of the USO	Tax incentives, subsidies, loans	Access technologically neutral
\$2B to eliminate digital divide	Support for local governments that incentivize fiber deployment	

Conclusion: Policy Implications

- Challenges
 - Crisis
 - Over- / underinvestment
 - Persistent market power
- Fundamental efficiency trade-off:
infrastructure vs. service layers
- Differentiated policy needed with respect to
 - Network deployment
 - Network financing
 - Network access
- How to spur demand?

Thank you very much!

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