

Creating a brighter future

Margin Squeeze

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Margin Squeeze 1

- Recognise BEREC are acting to interpret the Commission's replicability tests in the Recommendation on Non-Discrimination and Cost Accounting.
- FTTH Council Europe are strong advocates of competition being the best driver of investment and consumer welfare.
- There is a danger that an overly benign margin squeeze regime (a) creates retail price regulation through the back door and (b) encourages alternative operators to sit on the network assets of the incumbent rather than make their own investments.
- Margin squeeze tests can be a double edged sword, it can soften competition by guaranteeing a return or used well, it can preserve nascent competition.
- In the ladder of investment context, with physical unbundling removed (+/-) do you move up or down the ladder?

Margin Squeeze 2

- Alternative operators can become network independent via network investments (facilitated by the cost reduction Directive [Directive 2014/61/EU](#))
- Adverse effects are more likely in developing markets where penetration pricing is more likely. This is a concern of the FTTH Council as fibre take-up is low in Europe and needs to be encouraged (take-up, not ARPU the key to breakeven in studies).
- In general, the report highlights the complexity of the analysis with markets are getting much more complex, most operators of 2/3/4 play offerings have anchor products and accepted loss leaders. Margin squeeze tests with regulated and unregulated products risk being complex and potentially send the wrong signal that detailed/complex regulatory management of markets will continue.

Conclusion

- Working to give guidance on a Commission Recommendation, The FTTH Council appreciates BEREC's work in highlighting the complexity of the issues involved.
- Margin Squeeze in the absence of a regulated wholesale charge almost seems a contradiction.
- However, the risks of softening competition or the potential negative impact on incentives to invest could be highlighted more.
- The FTTH Council believe that the whole approach in this area is creating uncertainty particularly relating to new products and services. We are told that the pricing flexibility will facilitate 'penetration pricing' in order to promote new networks and services but the FTTH Council believe that it simply creates a kind of double jeopardy since both an ex-ante and ex-post pricing regimes will apply.

Thank you for your attention!

