

*ERG – Public consultation*  
*on*  
*Geographic Aspects of Market Analysis*  
*Submission by Portugal Telecom, S.A.*

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**Portugal Telecom position**

1.

Portugal Telecom supports ETNO's response to the current public consultation on "Geographic Segmentation" launched by ERG.

Portugal Telecom welcomes ERG's step and its acknowledgment that the importance of geographic aspects of market analysis has increased over the last years, in particular due to an increase in coverage and market share of alternative networks. The level of competition has progressively increased and incumbent operators are competing with several operators (cable, unbundlers and wireless).

The geographic market analysis is being discussed in several countries where cable networks have an important presence in the market when compared with the copper network<sup>1</sup>.

In fact, the segmentation process started with OFCOM analysis of the broadband market and is now being followed by the Austrian and Spanish regulators.

2.

In Portugal, ANACOM launched a national public consultation in June in which it also proposes geographic segmentation of the broadband market, taking into account the presence of cable and ULL operators.

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<sup>1</sup> Examples of this trend in EU are the moves of:

- Ofcom by considering that 70% of the UK broadband market is highly competitive;
- TTK, who recently identified areas with strong competition, especially with cable operators;

Portuguese broadband market has unique characteristics. The country has different levels of socio-economic development, being possible to clearly identify competitive areas where the presence of alternative operators is very significant. These areas are located around urban and metropolitan areas and along the western coast, the region of Algarve and of Madeira.

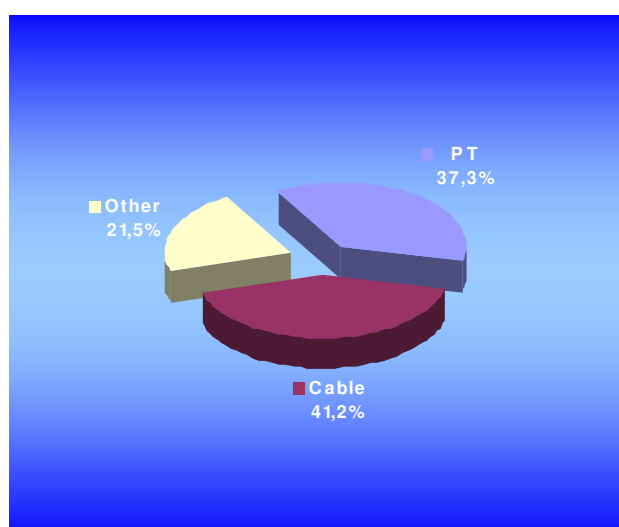
On the top of that, a robust cable operator with national coverage is present and operating in all major profitable areas, enjoying a strong market share in broadband market and is ahead of the triple play and TV markets.

Cable operators cover 4.1m households from a total of 5.5m Portuguese households.

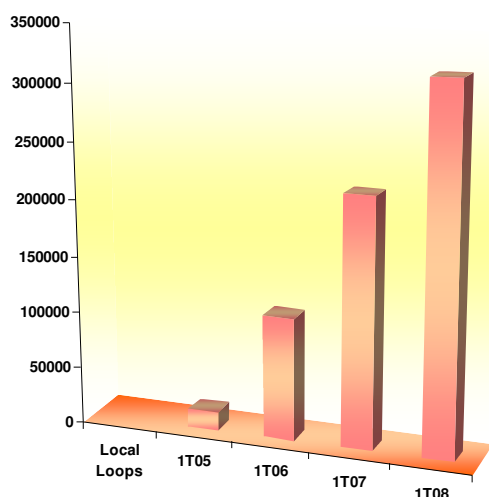
Portuguese broadband market presents the following levels of marker share (Fig. 1):

- Portugal Telecom: 37,3% (in big cities below 20%);
- Cable: 41,2% (ZON Multimedia with 27,4% and other two cable operators with 13,8%);
- Other (mainly ULL operators, offering DSL): 21,5% (Fig.2 shows the evolution of ULL).

(Fig.1)



(Fig.2)



It is important to understand that ZON Multimedia (resulting from the spin-off process of Portugal Telecom's cable operation) is now the main challenger in the communications market with a dominant position in TV contents. ZON Multimedia is involved in the acquisition of other cable operator which has announced a project to roll-out fibre to 100.000 households around Lisbon.

In Portugal, the race to rolling-out fibre also involves Sonaecom, with 16,3% market share, which announced the campaign to cover 25% of the population with fibre to the home.

The Portuguese broadband and access markets have been under a radical change over the last few years, clearly showing that NGN/NGA will develop in Portugal in a competitive environment.

3.

In our view, the geographic segmentation analysis has to take into account the presence of alternative operators, not only national operators, independently of the technology they are operating.



Portugal Telecom is therefore in favour of a segmented market analysis and urges that such process shall take into account all the alternative networks and not only the unbundlers.

The role of cable operators is relevant in market analysis process and cannot be forgotten, not only because of their importance in offering triple play solutions, but also because they are in a better position to evolve to NGN/NGA. Cable networks are strong candidates, because of the structure and technology to create next generation networks.

Obviously, the rolling-out of NGN/NGA will take place progressively and along those areas with a high level of competition. The deregulation process through geographic segmentation is nowadays another dimension of the regulatory policy in order to create a stable environment supporting the investment in NGN/NGA.

Considering that geographic segmentation of the wholesale broadband markets is an instrument of deregulating the solutions supported in the legacy network, it should confirm the forbearance of regulating NGN/ NGA.

Portugal Telecom is strongly convinced that the identification of geographic markets will pave the way to much more flexible regulatory process and to the identification of the so-long waited sunset clauses.

Consumers will be the main beneficiaries of this regulatory evolution, which will result in a wider and faster development of new networks and the subsequent competitive offer of innovative services.