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4iG GROUP'S RESPONSE TO

DRAFT BEREC REPORT ON THE ENTRY OF LARGE CONTENT AND APPLICATION PROVIDERS INTO THE MARKETS FOR ELECTRONIC COMMUNICATIONS NETWORKS AND SERVICES

4iG Plc., a Hungarian majority-owned company based in Budapest is the leading regional telecommunications group in Hungary and the Western Balkans. The 4iG Plc, listed on Budapest Stock Exchange, operates mobile networks in three, and fixed networks in two markets in Europe.

4iG appreciates the opportunity to provide feedback on BEREC's draft report on the entry of large content and application providers into the markets for electronic communications networks and services.

4iG's primary vision is to become a regional service provider capable of achieving the customer base and market coverage that will enable it to compete meaningfully with large global providers of both communications and IT services. However, achieving meaningful competition depends not only on economies of scale and operational efficiency, but also on a level playing field. We believe it is important for a medium-sized regional operator such as the 4iG Group to face regulatory opportunities and burdens that are equivalent to those faced by large global operators, particularly content providers, who currently face moderate communications regulatory burdens. In light of this, the following comments are submitted in the hope that they will prove worthy of consideration.

3.1 COMPLEMENTARY SERVICES AND INTERDEPENDENCE

„ISPs, for their part, benefit from the delivery of CAPs services and products through increased demand for connectivity and bandwidth ***that they can monetise to end-users****. Networks with* ***increased capacities also allow for innovations and new forms of content****, which in turn may increase the take-up of enhanced networks."*

In the current reality, it is becoming increasingly challenging to monetise improved bandwidth and higher capacities, especially for end users. As the content promoted to end users requires more and more capacity (for instance, 4K+), the improved QoS is becoming an expectation rather than a surplus. Consequently, end users are not willing to pay more for the improved capacity and bandwidth, especially on the fixed IS market. Over the past decade, the majority of EU end users have switched from copper-based networks and xDSL services to FTTx. This has coincided with a rise in broadband prices below the CPI.

In the context of mobile internet services, there is potential for higher volume of data or unlimited offers to be monetised.

3.2 AREAS OF COMPETITION

"While the number of SMS decreased significantly with the increasing usage of number-independent interpersonal communication services provided by CAPs, number-based voice services do not seem to be affected."

It would appear that the volume of number[1]-based fixed and mobile voice services is showing a tendency towards a moderate shrinking. This may suggest that the impact of the growing use of number-independent voice services is not significant. However, it is important to note that the average monthly mobile call volume reached its peak two years ago and has since been on a downward trend. The impact is even more pronounced in the case of fixed voice services, as such voice services are more heavily affected by over-the-top communication services. In Hungary, the number of residential fixed lines has decreased from 2,640k to 2,300k over the past four years, with the monthly unit traffic falling from 28 to 22 calls. Similarly, the outgoing wholesale traffic is also declining. Interestingly, the number of lines maintained for convenience and retaining fixed bundled services is on the rise. The decline in the number of fixed lines carrying actual traffic, which fell from 1,460k to 990k, is a clear indication of this.

"Also, video-streaming content offered by CAPs (e.g., Netflix, Amazon Prime Video, Disney+) is increasingly competing with linear television as well as with cable TV / IPTV-offers from telecommunications operators, which has often led the latter to integrate CAPs SVoD platforms into their own TV environment or develop their own catch-up and on demand TV services."

One of the common impacts of the video streaming content offered by CAPs on the linear TV service of ECN operators is the cord shaving where subscribers do not cut their cords but downgrade subscription to a cheaper package.

5.5. ISSUES AT STAKE

Diversification of submarine cable investments in the context of routes and operators to enforce resilience of the European digital sector

The diversification of telecommunications infrastructure for transit services, in particular submarine cable systems, which are considered critical infrastructure for global data and internet traffic, is key to strengthening Europe's resilience. We advocate a stronger focus in EU funding programmes – available also for private sector- for investment in submarine

[1]National Media and Infocommunications Authority, Fixed Market Report Q3 2019 - Q2 2023, https://nmhh.hu/dokumentum/243786/helyhez_kotott_piaci_jelentes_2019_harmadik_2023_masodik_negyedev.pdf

communication cables not just between Europe and the Latin Americas but other secondary routes providing geographical diversity of transmission between the EU and other global destinations to effectively address the challenges posed by the existing infrastructure and to build a resilient subsea cable network in Europe, new routes need to be developed. As the Suez Canal is the only access point for subsea cables originating from Asia new landing points must be identified in the Mediterranean Sea.

The Western Balkans could be a key area for the development of new subsea cable entry points from Asia. The economic development of the area and would accelerate the digital development of the Western Balkans smoothing their way to join the Digital Single Market of the EU.