

# p r e s s e - i n f o r m a t i o n

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## **Investments in the telecommunications market rise by 20% Competitors make nearly €one billion available to expand high-speed networks**

Competition in telecommunications is the major driving force for innovation and for reasonably priced offers of services to citizens and companies in broadband communication. In the words of Jürgen Grützner, Managing Director of VATM, at a press conference in Munich: "For the first time since 2000, investments by competitors in the fixed network have risen to approaching € one billion in 2005, and the trend could well continue. Over the last five years investment in this field has totalled more than 10 billion, and if we include mobile telephone communications the figure is as high as € 16 billion. We have reason to be proud of these figures, because they show that investments by competitors in networks and services almost exactly match those made by the ex-monopolist Deutsche Telekom AG (DTAG), which still occupies a market-dominating position."

The German Association of Telecommunications and Value-Added Service Providers (VATM) therefore stresses its support for the goal of providing incentives to expand new broadband networks and of removing hindrances to investment arising from state regulation. Jürgen Grützner also reminded his listeners that "Experience nevertheless shows that innovation and investment with the vast potential that they can have for the labour market are mostly at risk when an ex-monopolist can successfully oust competitors for even a short time – as was the case with DSL. In such cases sensible regulation can protect competition, and with it innovation and investment."

The announcement by DTAG that it intends to make further investment in the broadband network dependent on reduced regulation has thus met with intense criticism from competitors. Echoing this criticism, Grützner stated that "Under the disguise of innovation, DTAG is here advocating a strategy which – faced with the further loss of a share in the broadband market with which it is threatened – is aimed directly at eliminating competition in selected, high-competition metropolitan areas instead of focussing on the expansion of infrastructure on a nationwide basis."

The planned extension of fibre optic lines by DTAG beyond the main distribution frame has been a familiar bone of contention to competitors since 1990 – particularly in the former East German states – and still causes serious problems in expanding DSL to this day. Such fibre optic extension is thus essentially not innovation, but is aimed at erecting new access barriers for competitors. Jürgen Grützner is afraid that "These 'dynamic bottlenecks' are a

threat to investment by nationwide network providers, city carriers and TV cable network operators and to business models offered by rapid Internet access providers." The only new feature is the hardware and software components to be employed at these new bottlenecks. Thus, with the investment of € 3 billion, DTAG hopes to succeed in a campaign of massive elimination of competition in areas already well supplied with broadband networks, rather than employing new technology in those areas in which fibre optic extension has been implemented since 1990 and where many subscribers have long been waiting for broadband Internet access. Grützner sees it as "little short of madness to hope to convince politicians and the national network agency to abandon fair possibilities for access by competitors at these new bottlenecks which DTAG has itself created."

The new federal government must therefore keep a sharp eye on the expansion of high-speed networks, and must create the necessary framework conditions in terms of regulatory policy to promote genuine innovation and not sales strategies by market-dominating companies aimed at eliminating competitors. Instead of throttling the current rise of competition in the broadband sector in Germany, similar measures need to be implemented to those taken in Great Britain in order to strengthen competition. Here, more far-reaching possibilities such as the organisational separation of the connection network provided by the market-dominating company are being used to allow all competitors fair access.

It became apparent among the infrastructure providers attending the press conference in Munich that consistent promotion of competition through regulation will trigger future investment totalling billions, thus making a considerable contribution to reducing unemployment in Germany as a result of the pronounced, above-average growth rates of 3% in the sector concerned: with a turnover of €67 billion, the importance of the telecommunications market for the national economy is in the meantime on a par with other traditional sectors of the economy. This was emphasised by the closing warning given by Jürgen Grützner: "All those who ignore the significance of regulation with respect to the ex-monopolist are endangering this important future market."

#### **Information**

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