

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

PM 32 / 2005

18 October 2005

Expansion of broadband promotes investment in German economy VATM welcomes further development of high-speed networks

The announcement by Deutsche Telekom AG that it intends to provide ten cities with a modern fibre optic network in future confirms VATM's conviction that further innovation and investment in the German economy can only be promoted through sustained competition in the broadband market.

"Deutsche Telekom has now also reacted to market trends and is following the example of competitors by investing several billion Euros in efficient infrastructure," is the satisfied reaction by Gerd Eickers, President of VATM. "Overall investments in this future market will bring Germany a little closer to its goal of occupying one of the top places in broadband networks among leading industrial nations."

Nevertheless, Eickers sees large-scale investment in the tearing up of roads and in the expensive laying of fibre optic lines alongside existing copper cables to be somewhat less than appropriate. DTAG's competitors are operating much more efficiently in this field and are already using ADSL 2 with a transmission rate of 16 Mbit/s, which is due to improve to 25 Mbit/s in the future.

"However, 50 Mbit offers at best more television. Most companies hope to be able to provide television in future, besides Internet access. But our focus should quite decidedly be on the development of a knowledge society, and not on an expansion of the range of television programmes offered." Eickers is thus convinced that this does not constitute an innovative advantage over what competitors have to offer.

Seen in technical terms, the mere extension of the existing fibre optic structure beyond the main distribution frame is not really new, given that this has been implemented by DTAG since as early as 1990 – particularly in the former East German states.

Here, this familiar ISIS/OPAL technology has largely prevented the expansion of broadband networks to the regret of citizens and local government alike. For years, DTAG has refused to develop these areas because technical upgrading does not turn out to be profitable. For years, many communities have been fighting on behalf of their citizens, and above all for commercial

users who wish or have to use broadband services. For years, the extension of fibre optic lines as far as the branch node has been not a spur, but rather a hindrance to rapid Internet access.

Eickers believes that "Technical innovation lies not in fibre optic extension, but in the technology used at the new end of the optical cable (formerly in the main distribution frame, now at the branch node). DTAG now intends to use this new technology not in low-competition, poorly supplied areas, but concertededly in first 10, and later in 30 metropolitan areas in which the provision of broadband lines already functions excellently thanks to the competitors."

Politicians and regulatory officials will thus quickly detect that Deutsche Telekom AG is attempting to attack primarily the investments made in infrastructure by competitors – whether these be TV cable network providers or telecommunications network operators – in order to safeguard their old access monopoly in the online, value-added and media services sector which will become so important in the future (87% share of the market in directly connected subscribers)."

Within the context of its planned network expansion, Deutsche Telekom AG is not really interested in the importance of Internet inside Germany, but ultimately only in ousting competition from the market and in re-establishing its monopolistic position – wherever competition has finally taken root.

Information

Association of Telecommunications and Value-Added Service Providers (VATM)

VATM Office

Jürgen Grützner, Dr. Eva-Maria Ritter

Oberländer Ufer 180-182

50968 Köln

Germany

Tel.: +49-221-37677-25

Fax: +49-221-37677-26

Press contact

VATM Press Office

Kaiser Editorial Dept.

Max-Joseph-Weg 6 **(new address!)**

85399 Hallbergmoos

Germany

Tel. +49-811-9995836

(new telephone number!)

Fax: +49-811-9995846

VATM on the Internet: www.vatm.de

mailto: presse@vatm.de