

Press Release

Monopolies Commission presents its 11th Sector Report on Competition in Telecommunications Markets:

“Governmental Restraint in Network Deployment“

- The priority of private investment in broadband deployment should be maintained. State aid should be moderate and targeted where deployment by market players does not take place.
- The planned fixed-network subsidies in "grey areas" need to be adapted in order to prevent large-scale crowding out of private investments in the fixed network. Gigabit vouchers should be used to strengthen demand.
- To improve mobile communications coverage, the deployment in previously unserved areas should be put out to tender in a competitive procedure.

The political broadband targets do not correspond to the current realities of deployment in the fixed network and mobile communications. Therefore, the state is increasingly intervening in the telecommunications markets organized by the private sector. State subsidies for broadband deployment are justified when the deployment without subsidies is not economically viable and where there is less equality of living conditions. "If subsidies are extended to areas that can be developed by the private sector, there is a risk that private investment will be squeezed out and the deployment of networks will be delayed rather than accelerated," said Prof. Achim Wambach, Chairman of the Monopolies Commission.

The deployment of gigabit networks is hampered by the lack of profitability of deployment projects in many places, bureaucratic hurdles and scarce civil engineering capacities. The Monopolies Commission therefore advocates the creation of an investment-friendly regulatory framework without neglecting the goal of effective competition. The imposition of strict non-discrimination obligations should be considered in order to reduce the intensity of access regulation for fibre-optic networks. This would oblige the dominant provider, Deutsche Telekom, to grant competitors the same network access as it grants its own end-customer division. Bureaucratic and legal hurdles for companies, such as the use of alternative engineering methods, must also be systematically removed.

The planned expansion of state funding into areas where high-speed broadband already exists ("grey areas") threatens to substantially crowd out private investment. There is a lack of a mechanism to direct funds to areas where investment is needed the most and where subsidized deployment will bring the greatest benefits. It therefore seems necessary to stick to minimum bandwidths below which an area only becomes eligible for funding. Gigabit vouchers should be used in addition to traditional deployment support. Such vouchers

would strengthen the demand for gigabit broadband connections and improve profitability of deployment projects.

In mobile communications, voluntary infrastructure-sharing agreements between network operators may be an appropriate instrument to facilitate private deployment. However, the Monopolies Commission takes a critical view of the Federal Government's considerations to dispense with the tried-and-tested means of auctioning and to extend usage rights without a reallocation or in return for deployment commitments. Auctions are the most appropriate means to ensure efficient use of mobile spectrum and to enable new providers to enter the market.

In addition, the German government plans to support the deployment of mobile communications networks in unserved areas with its own federal State aid program. In the Monopolies Commission's view, such State aid can be provided at the level of the municipalities or organized in the form of a reverse auction. In this case, the deployment in unserved areas is awarded to the company with the lowest subsidy requirement. A federal mobile communications infrastructure company can provide meaningful support for subsidised network deployment, provided that it is limited to accompanying administrative and advisory tasks.

The complete sector report of the Monopolies Commission in German is now available for download at <https://www.monopolkommission.de/en/>.

The Monopolies Commission is a permanent, independent expert body that advises the Federal Government and the legislative bodies in the fields of competition policy, competition law and regulation. One of its statutory tasks is to prepare a sector report that examines the development of competition on the electricity and gas markets. The Monopolies Commission consists of five members who are appointed by the Federal President on the recommendation of the Federal Government. Chairman of the Monopolies Commission is Prof. Achim Wambach, Ph.D.