

Press Release

Monopolies Commission publishes Special Report on competition in the telecommunication markets

“Telecommunications 2015: Markets in Transition”

- The dynamic development of competition on the retail markets of telecommunications continues. The regulation of the vast majority of intermediate consumption remains indispensable.
- Vectoring in the vicinity of the main distribution frames will accelerate the expansion of high-performance broadband networks. A technological monopoly of a single provider should be prevented.
- Competitive pressure from innovative Over-The-Top services such as Skype or WhatsApp to be considered in regulatory decision making.

Today the German Monopolies Commission (Monopolkommission) has submitted its Special Report according to Sec. 121 of the Telecommunications Act, bearing the title: **“Telecommunications 2015: Markets in Transition”** (“Telekommunikation 2015: “Märkte im Wandel”). It assesses the state and development of competition in the telecommunication markets and evaluates the official practice of the Federal Network Agency in the field of telecommunications.

The Monopolies Commission positively assesses the activities of the Federal Network Agency. Unlike the agency the Monopolies Commission deems carrier pre-selection dispensable and repeats its request to suspend the regulation of subscriber lines. The regulation of the vast majority of inputs remains essential, since the offer of many competitors is in large parts based on the access to the infrastructure of the dominating company. For the first time the authority has defined regional markets for bitstream access products. This allows to take differences in the regional development of competition into account and to reduce regulation where it has become redundant.

The vectoring-technology is of great importance for a swift and broad rollout of high-performance broadband networks. The Monopolies Commission speaks in favour of its use by all interested companies. However, the currently presented draft by the Federal Network Agency sets high barriers for competitors. **“It must be feared that the Federal Network Agency - unlike in the first vectoring decision of 2013 - does not succeed in the prevention of a technological monopoly of the Deutsche Telekom in the vicinity of main distribution frames,”** said the Chairman of the Monopolies Commission, Prof. Daniel Zimmer.

The Monopolies Commission repeats its request that the federal government should sell

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its 32 percent stake in Deutsche Telekom AG. This is necessary to solve the conflicts of interests arising from the simultaneous role as legislator and shareholder. Selling the shares is not only necessary from a regulatory point of view but would also generate significant funds that would flow into the federal budget and could potentially be used for the promotion of broadband expansion in Germany.

Given the high importance of an efficient switching of suppliers for competition on telecommunications markets on the one hand and the high and increasing number of consumer complaints in this area on the other hand, the Monopolies Commission advocates a more rigorous implementation of existing rules. In addition, it calls on the legislator to drastically increase fines for offenses in connection with switching suppliers.

In mobile communications, the consolidation process has continued. The Monopolies Commission expects that major mergers like the one between Telefónica and E-Plus are more likely to dampen competition between the remaining network operators than to strengthen it. However, at the moment it is too early to make conclusive statements about the actual effects on competition in the mobile markets.

Traditional telecommunications companies are increasingly competing on retail markets with suppliers of innovative services such as Skype and WhatsApp. In the interests of fair competition harmonization of regulatory obligations in functionally similar services should be sought. It is also necessary to take into account the competitive pressure from these so-called Over-The-Top services when taking regulatory decisions. This could also suggest a reduction of traditional regulation.

The Monopolies Commission welcomes the recent decisions of the European Parliament on the subject of roaming charges. Although the abolition of roaming charges is associated with many benefits for consumers, a “Fair Use Policy” should be designed such that roaming services are not being used unduly.

The Monopolies Commission is a permanent, independent expert committee, which advises the German government and legislature in the areas of competition policy making, competition law and regulation. Its legal responsibilities encompass, among others, the preparation of a Special Report analyzing the development of competition in the telecommunications markets. The Monopolies Commission has five Members appointed by the Federal President based on a proposal of the German government. Prof. Dr. Daniel Zimmer of Bonn University is the chair of the Monopolies Commission.