



# Wholesale fixed access

## Joint SMP on the Dutch market

Henk Don

Board member at Authority for Consumers & Markets (NL)

# Contents

- Background on Dutch market
- Draft WFA market analysis
  - Market definition
  - Finding of joint SMP
  - Remedies
- Relation to the SMP Guidelines
- Next steps



# The Dutch retail market for (bundled) internet offers



**Network type**

Copper, fibre

Coaxial cable

**Market share**

40-45%

40-45%

**Network coverage**

95-100%

90-95%

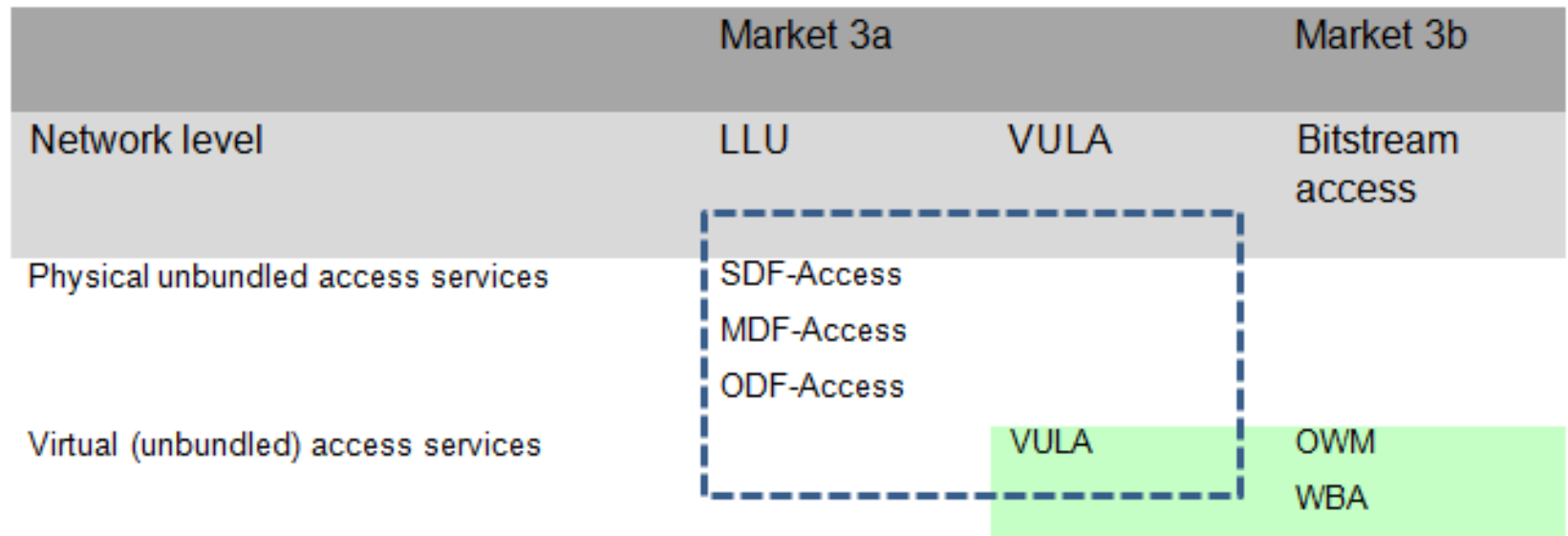
**Fixed + mobile offer**







# Market definition WFA (1/4)

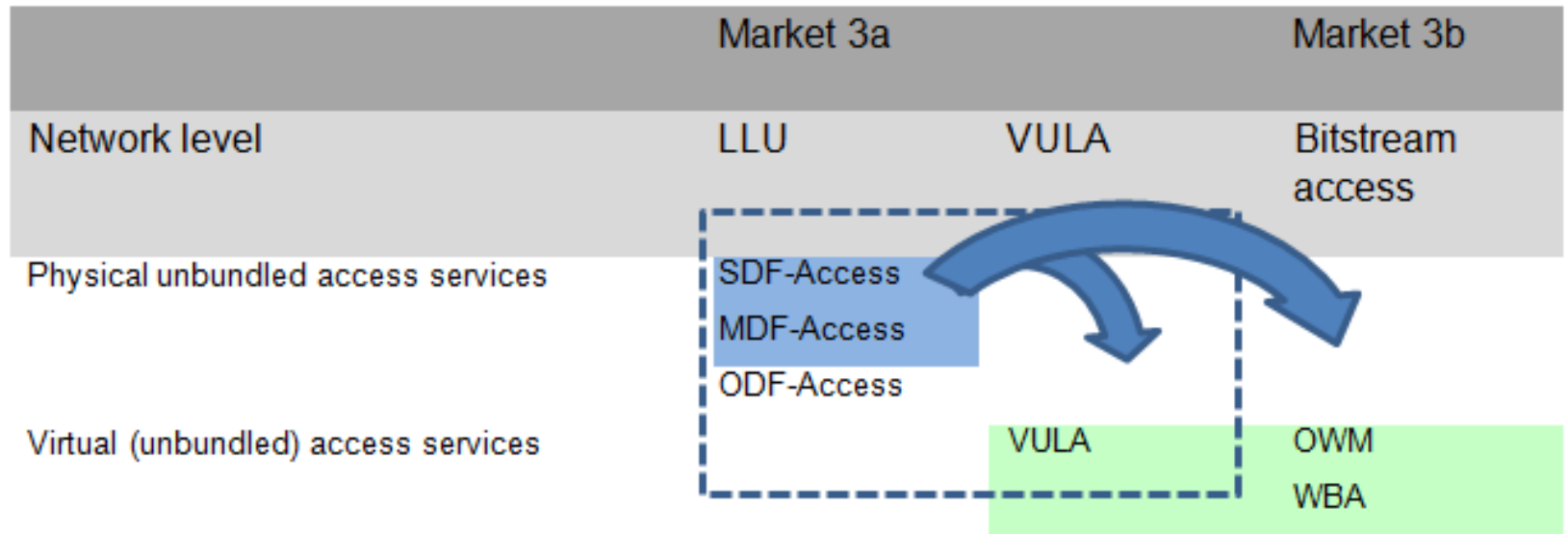
## Original market definition (2015)



 = Starting point  
  = Functional equivalent

# Market definition WFA (2/4)

## Switching from 3a to 3b



= Starting point  
  = Functional equivalent  
 ➔ = Switching

# Market definition WFA (3/4)

The market consists of 3a + 3b products

	Market 3a		Market 3b
Network level	LLU	VULA	Bitstream access
Physical unbundled access services	<div style="border: 2px solid red; padding: 5px;">SDF-Access MDF-Access ODF-Access</div>		
Virtual (unbundled) access services			

= Product market definition for WFA





# Market definition WFA (4/4)

## Cable belongs to the market

- Cable-based retail products equivalent to fibre and copper-based retail products
- There are indirect pricing constraints of cable-based retail services on copper and fibre-based wholesale services
- Market 3b products possible on cable
- There is a business case for market 3b cable access, even for small entrants

**Conclusion:** Market consists of 3a + 3b products via copper, cable and fibre. It is a national market.

# Finding of joint SMP

- Symmetry at wholesale level:
  - Market shares
  - Network coverage
  - Economies of scale, vertical integration, etc.
- Little competitive pressure:
  - Competitive fringe < 5% market share
  - No buyer power
  - Very high entry barriers for nation wide roll-out

# KPN and VodafoneZiggo are in a Prisoners' Dilemma: Access or No access?

		VodafoneZiggo	
		Refuse access	Grant access
KPN	Refuse access	3, 3	1, 4
	Grant access	4, 1	2, 2

# Incentives to collude

- By not providing access at the **wholesale level**, parties can increase prices at the **retail level**



# Ability to collude

- High degree of symmetry at wholesale and retail level
- Stable markets with limited complexity
- KPN and VodafoneZiggo place more value on long-term gains than on short-term gains
- The wholesale and retail markets are transparent, so that “cheating” is easily detected
- Retaliation either via providing wholesale access, or lowering retail prices

# SMP Guidelines

## Practical tools for joint SMP

- Takes into account Airtours and Impala rulings
- Offers practical guidance, such as:
  - Complexity of retail products and prices can be reduced by identifying pricing rules and flagship products
  - Focal point(s) and retaliation can be both at wholesale or retail level
  - Analysis should not be too mechanical, but rather a story about how the coordination mechanism works and how wholesale and retail levels interact
- Critical note

# Proposed remedies

- Access remedies:

## Copper

MDF – access  
& VULA (Metro-  
core)

## Fibre (FttH)

ODF – access  
& VULA (Metro-  
core)

## Cable

Wholesale  
Central Access  
National Head-  
End

- Non-discrimination
- Transparency
- Tariffs are negotiated between KPN and access seekers
  - Market players get 6 months to negotiate
  - If they don't succeed, ACM will set tariffs

# Next steps

- Draft is under consultation until April 10th
- KPN has made an alternative access offer. ACM has asked market parties to share their views on this proposal during consultation
- Notification to EC before summer
- Final decision before the end of 2018