



Developing broadband - unbundling reality

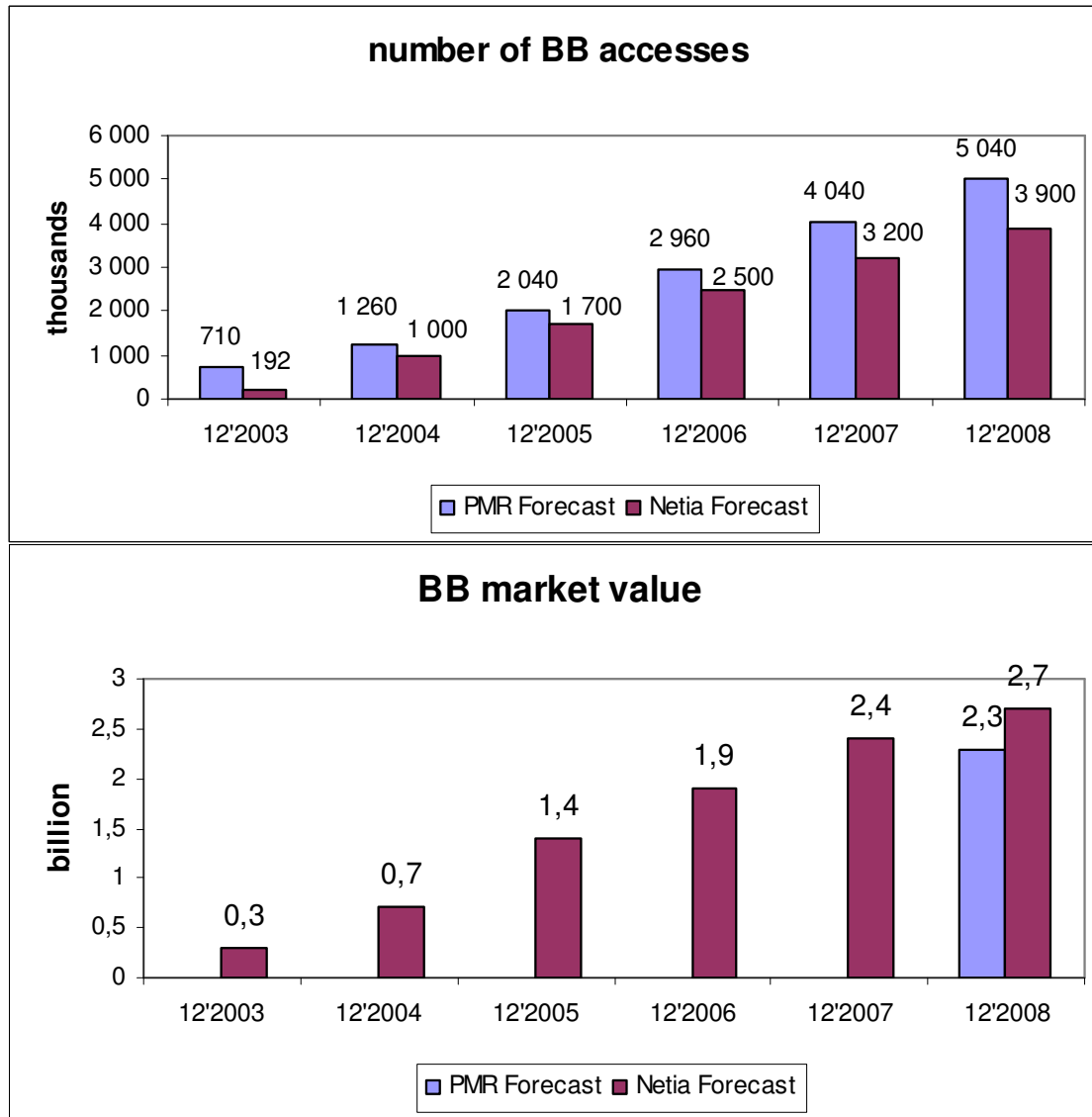
**Prepared by: Pawel Zytecki
Netia SA
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Agenda

- Broad Band growth in Polish Market;
- Local Loop Unbundling current status;
- Prices per unbundled loop in Poland versus other EU countries;
- Altnets market share in Poland versus other EU countries;
- Main problems with developing unbundling in Poland;
- Conclusions.

Broadband (BB) growth in Polish Market

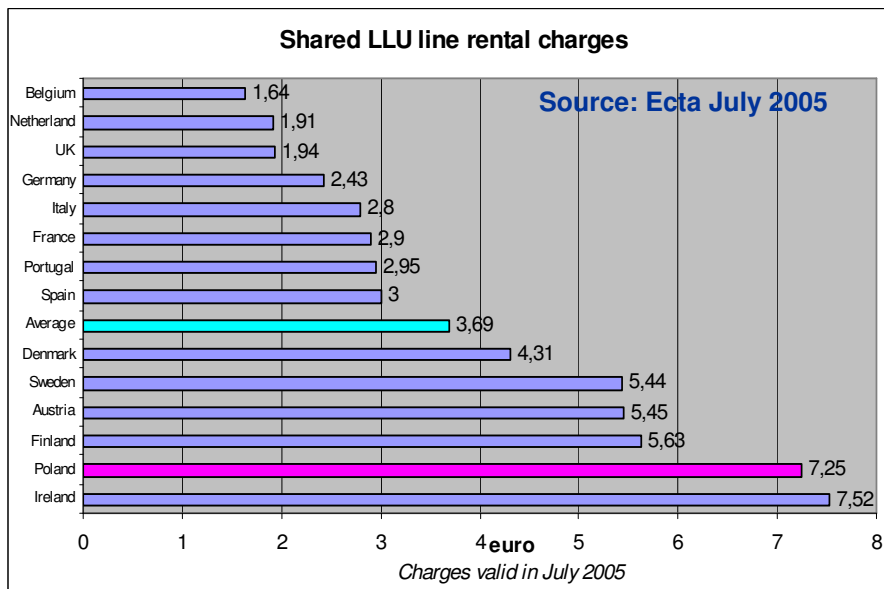
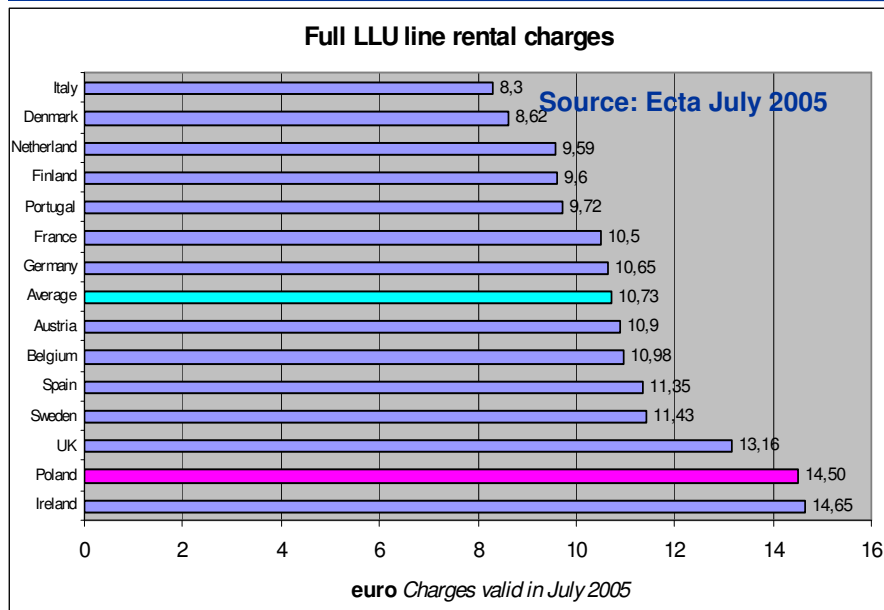


- PMR institute and Netia forecasts illustrate that there will be a rapid overall growth in BB market in 2006-2008;
- It is assumed that the market growth will refer mainly to mass market / SOHO (SME and CMA customers has already BB access).
- **Rapid growth in BB and unbundling is an opportunity for altnets in Poland.**

LLU & Bitstream current status

- Polish market
 - 2005/02/28 Reference Unbundling Offer (RUO) for LLU was published by regulator;
 - 2005/02/28 full unbundling, shared access and sub-loop unbundling is in theory available;
 - 2005/07/01 agreement for LLU was published by TP SA;
 - **2006/01 there is no even one unbundled DSL line in Poland;**
 - GTS Energis has already done Bitstream test with TP SA;
 - Reference BitStream Offer (RBO) is unavailable but regulator has informed that in 2006/02/28 RBO will be published.
- Netia
 - LLU agreement under negotiation (arbitration in Regulator is possible)
 - In our opinion to high prices in RUO – there is no profit for altnets;
 - Netia is waiting for RBO and lower prices in RUO.

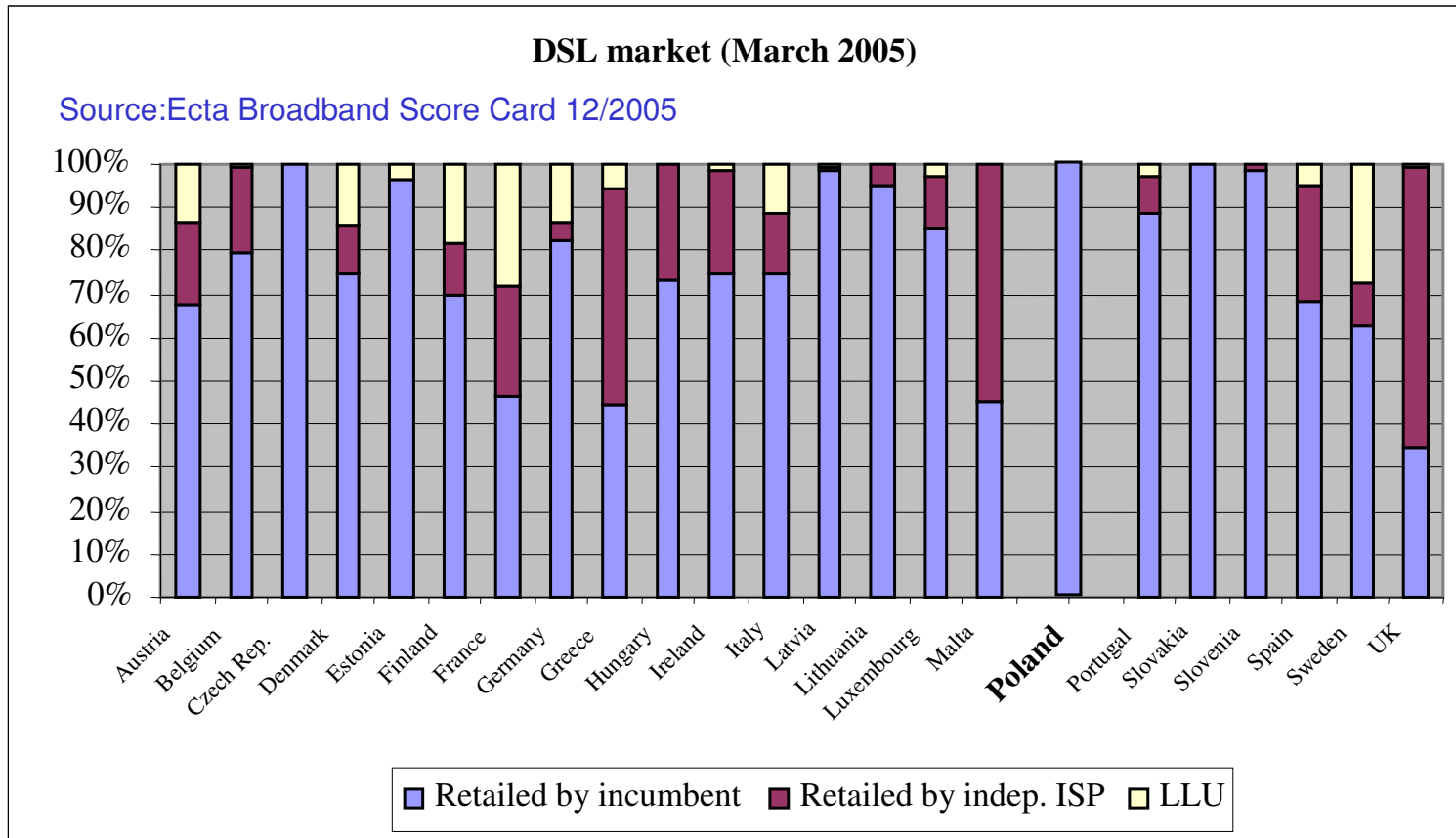
Prices per unbundled loop in Poland versus other EU countries



- Benchmarks illustrate that in Poland LLU rental charges are very expensive;
- End user prices for BB offered by incumbent operator*:
 - Installation for 0,26EUR*;
 - 11,71EUR* for 128kbps (80% of BB sales);
 - 13,68EUR* for 512kbps.
- Contribution margin is too small for altnets to provide the BB services in profitable manner – there is no chance to copy incumbent offer for residential;
- General conclusion
 - If the rental charges doesn't change nobody will offer BB using LLU.

*Promotion offer called "Mistrzowska".

Altnets market share in Poland & other EU countries



- There is a correlation between rental charge for LLU and altnets market share:
 - Lower rental charge especially for shared unbundling equals higher altnets market share.

Main problems with developing unbundling in Poland

- Very high prices per local loop;
- The Reference BitStream Offer is not existing;
- Vague legal regulation
 - Dedicated collocation for every service is demanded by TP SA:
 - Voice interconnect;
 - LLU full and shared access;
 - BitStream?
 - First altnet in each localization pays whole amount to adapt the collocation space (very high CAPEX to enter to the market);
- Undefined charges in RUO e.g.:
 - splitter installation;
 - receiving information regarding the copper quality.
- Unclear regulation in reference to customer migration from TP SA to altnets (especially customer switching time).
- Average in Poland: copper lines divided by number of copper POP is lower than in EU countries, where fully unbundling and shared access is popular:
 - 5K – UK;
 - 3K – France;
 - 4K – Germany;
 - 1,8K – Poland.

Conclusion

- In existing situation to develop BB using LLU and Bitstream it is necessary:
 - Regulator should lower the rental prices:
 - Shared access in Poland: 7,25 EUR;
 - Shred access in France: 2,9 EUR.
 - Regulator should publish the bitstream reference offer in nearest future and the prices for bitstream access should be “market prices” minus margin for the altnets (to avoid margin squeezing). By market prices it is understood incumbent promotion offers for end users. In addition in Netia opinion the margin for altnets should be at least 35%.
 - Collocation problems should be solved by detailed regulation;



Thank you for your attention

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