Press release

FIXED MARKET REGULATION

Arcep delivers a scorecard on broadband and superfast broadband in France, and opens the door to possible regulatory changes for 2020 – 2023, in preparation for fixed market analyses

Paris, 11 July 2019

In its "Scoreboard and Outlook" document being published today for public consultation, Arcep identifies the core issues for fixed market regulation in the coming years. The Authority's aim is to adapt regulation to the key objectives that have been identified: to future-proof effective competition in the fibre retail market, to amplify it in the business market and to shepherd the legacy copper network's transition to fibre.

Market analysis decisions: the cornerstone of "asymmetric" sector-specific competition regulation

Market analysis decisions define "asymmetric" obligations – in other words the obligations that apply only to the operator that enjoys significant power (SMP) in the market being considered – for a period of three years. In the fixed market, the SMP operator is incumbent carrier, Orange. The purpose of these obligations is to remedy identified competition imbalances. In submitting its "Scoreboard and Outlook" document for public consultation today, Arcep is kicking off the first step in the review process for fixed broadband and superfast broadband market regulation. The new market analysis decisions are scheduled for adoption in late 2020.

For the sixth round of market analysis, Arcep also plans to complete "symmetric" optical fibre regulation, which applies to all of the operators deploying fibre to the home/building (FttH/B) networks, to satisfy new requirements resulting from the acceleration of fibre use, without altering the overall balance of the existing framework.

• SCORECARD: retail market competition remains healthy, but still lacking in the business market

→ **In the residential market**. In the "Scorecard" portion of its document, Arcep reports that competition in the retail market remains lively, sustained by four convergent fixed-mobile operators. In this time of technological transition, their vast product selection at competitive prices is nurturing a steady switchover to superfast access. The Fibre to the Home (FttH) momentum continues to accelerate: rollouts nationwide are intensifying and subscriber numbers are growing at an increasing rate every quarter. All of the operators have clearly made fibre their technology of choice. The trend is now market-wide, and so requiring a rethink of how to manage its amplification, as well as preparation for the now plausible handover from copper to optical fibre.

The retail market's generalist segment[1] has seen an acceleration in the sale of superfast access products (downstream speeds of 30Mbit/s) driven by fibre. There are now 9.4 million superfast access lines in use in France, which marks a roughly 61% increase between 2017 and 2019. The number of broadband access lines decreased by around 10% during that time. The technological transition that is underway has not altered market players' rankings, which have changed very little since 2017. Orange has maintained its market share by and large, on all of the different types of access product. It has a significantly larger share of the market for generalist access plans sold to professionals and businesses.

In the wholesale market for broadband and superfast broadband local loop solutions, we are seeing a rapid expansion of FttH networks' geographical footprint, which is still being driven to a very large extent by Orange rollouts and the progress being made by other operators. This increase is also occurring within a context of increased fibre network sharing and improved third-party access conditions.

→ **Regarding products for professionals and businesses**, if several operators have begun to make strides, market positions have evolved very little thus far, and competition remains insufficient.

The retail market segment of high quality access products for businesses is growing slightly: 2% a year over the past three years. Fibre access is enjoying significant growth in this market (20% per annum over the past three years), but 74% of lines are still copper-based. Competition rankings have changed very little since 2015: Orange is in the lead (35% – 40%), followed closely by SFR (30% – 35%).

[1] **Segment** that includes both residential products and business products that do not differ substantially from residential ones.

In wholesale markets for businesses, competition remains more or less unchanged for FttO wholesale products supplied over a dedicated fibre line, and SDSL products over copper lines. Several active wholesale solutions have nevertheless been introduced and are developing on FttH networks.

• OUTLOOK: anticipate the handover from copper to fibre, foster increased competition in the business market

Through a series of factsheets, the document explores **the core issues that Arcep has identified for the period running from 2020 to 2023, along** with avenues for regulatory changes in the three fixed broadband and superfast broadband wholesale markets[2].

→ Ensuring that, when the time comes, optical fibre is able to take over fully and completely from the legacy copper network

The availability of services for all users, the range of possible applications and quality of service for consumers and businesses: in future, the fibre (FttH) infrastructure must be able to satisfy the needs and expectations of an increasingly connected and ever more high tech economic and social fabric.

→ Ensure that the current transition to fibre maintains the competition dynamic, and increases it in the business market in particular

Attention must continue to be paid to ensuring that the accelerated pace of fibre deployments does not divert operators' infrastructure resources to the detriment of network sharing schemes with commercial operators. It is also important that every infrastructure operator commits to having robust and high-quality processes in place that provide strong non-discrimination guarantees.

On the particular matter of businesses, the current transition is an opportunity to democratise fibre access products, and to vitalise a market whose competition Arcep deemed vastly inadequate in 2017. This situation resulted in several new obligations being imposed on Orange. Today, in addition to the actions already being taken, Arcep intends to produce a first assessment of these obligations, and to consider possible changes, notably to strengthen non-discrimination obligations, if necessary with new types of guarantees, to accelerate coverage of the professional and business market.

→ Ensure that the copper network continues to provide a good quality of service during this transition period, and set out the terms and conditions of its future switch-off

The copper network continues to serve the majority of users, and the quality of the services it provides remains vital, particularly in those parts of the country where there is no fibre coverage.

At the same time, the transition to fibre must be planned and prepared for. In those areas where fibre has been deployed, and premises are eligible to subscribe to multiple offers, the conditions must be created for encouraging the gradual shutdown of the copper network. Arcep is in the process of investigating the concrete methods for carrying out this transition, and possibly introducing incentives to send out the right economic signals.

• What happens next?

This public consultation will run until 27 September 2019.

Before the beginning of 2020, draft market analysis decisions and a draft symmetric decision on the optical fibre regulatory framework will be published for consultation, then submitted to the Competition Authority for its opinion, before being notified to the European Commission.

In late 2020, the review process will be complete, and will conclude with the adoption of the new decisions which, for the market analysis decisions, will come to replace those that Arcep adopted in December 2017.

[2] Wholesale local access provided at a fixed location (3a), wholesale central access provided at a fixed location for mass-market products (3b), wholesale high-quality access provided at a fixed location (4).

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Associated documents:

“Scorecard and Outlook” documents being published for à public consultation (in French)

Market analysis table

Arcep at a glance

The Electronic Communications and Postal Regulatory Authority (Arcep), a neutral and expert arbitrator with the status of independent administrative authority, is the architect and guardian of internet, fixed and mobile telecoms and postal networks in France.

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