



Press release

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Bundesnetzagentur proposes new rates for the last mile

Today the Bundesnetzagentur published its rate proposal for the local loop (LL), also known as the 'last mile', under which Telekom Deutschland GmbH must make its LL available to competitors for a monthly rental of € 10.08 from 1 April 2011. To date, Telekom Deutschland GmbH was entitled to charge its competitors € 10.20 per month. In mid-January the company itself had applied to the Bundesnetzagentur for an increase of the rate to € 12.90. As for access to the LL at a feeder distribution interface (FDI), the grey cabinets along roadsides, under the current rate proposal Telekom Deutschland GmbH may only levy € 7.17 rather than € 7.21 as was hitherto the case.

„The rate proposal published today is the result of very thorough investigations and transparent Ruling Chamber proceedings which took place in recent weeks. It emerged that the current values of most of the LL calculation components diverge – in some instances significantly – from the valuations in the last approval round two years ago. In particular we noted an increase in the investment level due to a rise in several price positions (such as civil engineering work), lower economies of scope in shared use of other infrastructure, and a decrease in unit provision in copper access networks. However, the increase in investment value should be seen alongside a fall in efficiency-oriented operating costs of other calculation components such as leasing expenses and operating and fault clearing costs. These diametrically opposed effects largely offset each other so that in principle only the proposed modest rate decrease is justified“, explained Matthias Kurth, President of the Bundesnetzagentur.

For determining the major costs of efficient service provision the relevant Ruling Chamber not only used Telekom Deutschland GmbH's declared costs but as in previous years resorted to the cost model developed by the Wissenschaftliches Institut für Infrastruktur und Kommunikationsdienste (WIK) in Bad Honnef and to current replacement values for the provision of an efficient access network.



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„We adhered to the approach already used successfully for more than 10 years by calculating the rates on the basis of current replacement costs because this is the most expedient means for establishing investment incentives for modern networks. Too low a price would debase previous investments and vitiate forthcoming investments which would run counter to our regulatory aims. The rates proposed therefore guarantee a stable and predictable framework for the German telecommunications market", emphasized Mr. Kurth.

This time the LL rates will not come into force with immediate effect because a national consultation and an EU-wide consolidation procedure regarding the draft decisions need to be carried out first. Since in this procedure deadlines need to be adhered to and a final decision is unlikely before the end of the 2nd quarter 2011, the proposed rates applicable from 1 April 2011 have merely been approved on a provisional basis. This approach has been adopted to avoid an approval chasm until the consultation and consolidation procedures have been concluded and to avoid any resulting negative impacts and risks to Telekom Deutschland GmbH and its LL customers. The final decisions will come into effect retroactively on 1 April 2011, replacing the provisional decisions.

The draft decisions are scheduled to be published in the Bundesnetzagentur Official Gazette on 6 April 2011 for national consultation. Interested parties then have the chance to comment on the proposals. The results of the consultation will also be published in the Bundesnetzagentur Official Gazette. The draft decisions will thereupon be sent to the EU Commission and the national regulatory authorities in the other EU Member States. They have one month in which to comment on the proposals. After this period, the final decision can be announced.

Under the draft document for consultation the decision will remain valid until 30 June 2013.

In addition to the proposed monthly charges for LL, the Bundesnetzagentur today also announced new rates for access to LL at distribution frames payable from 1 April 2011.

Today's decision not only specifies the new monthly charge for LL access at distribution frames, now amounting to € 8.01. It also lays down the flat-rate fees payable for the major components and construction of such frames.



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„In the course of the rate approval procedure we were able to gain further insights from the gratifying increase in the number of distribution frames since the last rates were approved, and these were borne in mind when specifying the new rates. They render access to LL at distribution frames more attractive to Telekom competitors and hence also encourage the provision of service to uncharted broadband territories“, expounded Mr. Kurth.

In places not or only poorly served by broadband, Telekom Deutschland GmbH is obliged to install a distribution frame, normally on the outskirts of the town. Being able to access a LL at a distribution frame shortens the length of the connections between the provider's active technology and the end customer, this being a prerequisite for providing Internet at high bandwidths. Furthermore, bundling the requisite DSL technology at a central point makes it easier to provide services in rural areas. Also, the necessary connection of each feeder distribution interface and associated elaborate civil engineering work can be dispensed with.

The Bundesnetzagentur had announced its decision on the future regulatory requirements applicable to access to the last mile to Telekom Deutschland GmbH at the beginning of last week. The company is still obliged to offer access to its conventional copper LL, colocation, access to its multi-function cabinets and cable ducts, and to ensure non-discrimination and to submit its LL contracts to the Bundesnetzagentur. The rates for access to copper subscriber lines still have to be approved by the Bundesnetzagentur based on the criterion of efficient service provision. Today's draft decision on new LL rates from 1 April 2011 is founded on this criterion.

Telekom Deutschland GmbH has also been mandated to offer its competitors non-discriminatory access to its newly installed and exclusively fibre-optic LL. Under the new regulatory order, the rates the company may charge are merely subject to ex post control until further notice and therefore not covered by the present LL rate approval procedure.