Federal Network Agency

Press Release

ADDRESS
Tulpenfeld 4
53113 Bonn

TEL +49 228 14–9921
FAX +49 228 14–8975

pressoffice@bnetza.de
www.bundesnetzagentur.de

Bonn, 14 December 2009

Sixty Per Cent of Households Have Broadband Access

Kurth: „Germany on the fast track in the broadband sector“

„Competition invigorated by Internet telephony and the cable industry“

According to the President of the Federal Network Agency, Matthias Kurth, Germany is on the fast track as far as broadband coverage in Europe is concerned. „60 per cent of all households use broadband access. This means that as far as broadband growth is concerned, we have meanwhile overtaken all large countries such as France, England, Spain and Italy, and are now way above the European average“, stated Mr Kurth during the presentation of the Agency's Activity Report 2008/2009 on the telecommunications sector. „Only smaller Member States such as Luxembourg, Holland and Denmark have a higher per capita broadband ratio.“

Broadband market

The development of the broadband market is still characterised by growth although in recent years its drive has lost considerable momentum. In the difficult years of 2008 and 2009 the number of marketed broadband accesses still increased, albeit at a much lower rate than in previous years. In 2008, 3m new broadband accesses were marketed, correponding to 1.6m fewer new accesses than in the previous year. The Agency anticipates a similar rise in absolute terms for 2009. At the end of the first half of 2009 there were 24.1m broadband accesses.

„The levelling growth curve is probably due not so much to the economic crises but due to the fact that demand for broadband accesses is gradually approaching saturation point. Broadband penetration in relation to the number of households already exceeds 60 per cent“, explained Mr Kurth. DSL technology remains the pre-eminent technology used for German broadband interconnections. Over 91 per cent of all broadband accesses are based on DSL. The number of broadband accesses based on TV cables will probably increase to 2.4m by the end of this year.

„The increasing attraction of TV cable connections is attributable to rapid network modernisation. Approximately 24m households can use the Internet and VoIP services via the TV cable infrastructure at a reasonable price. The technology offers high bandwidths throughout“, Mr Kurth went on to explain.

„Not least because of the high rise in the TV cable providers' customer numbers Deutsche Telekom competitors were more or less largely able to maintain their market share in the overall broadband access market. Since 2007 they have held a share of about 53 per cent. This should be deemed a success, also from the viewpoint of gradually approaching market saturation. The TV cable providers' success on the broadband markets was gained largely at the expense of the alternative DSL service providers, not at Deutsche Telekom's expense.“

The gratifying competitive developments on the broadband access markets and in fact in the whole broadband sector are still practically due exclusively to the availability of regulated and voluntarily provided wholesale products. This is why the regulatory focus in the broadband sector is placed on such products. In Germany, access to the local loop, broadband access products, bitstream access and resale constitute four major wholesale product categories. This wide range of wholesale products enables competitors to put business models in place at each level of the value chain. For the access markets access to the local loop is in fact still by far the most important wholesale product, followed much further down the scale by resale and bitstream access.

Investment volumes and telephone line developments

Both Deutsche Telekom AG (DT) and competitors augmented their investments in the telephone line sector. „The investment volume in the fixed network has increased substantially. Whereas in the period 2003 - 2006 annual investments ranged between € 3 and 4bn, the annual investment volumes in 2007 and 2008 rose to € 5bn. Our dependable decisions have contributed to this rise. Setting the right pricing signals created the prerequisites for alternative network operators' investment decisions“, emphasized Mr Kurth.

„At the same time, the regulated undertaking was granted adequate rates of return and its special burdens were taken into account, where appropriate. This guarantees that the incumbent operator also has adequate means for the expansion and renovation of its networks. This is documented very impressively by the expansion of VDSL in more than 50 cities,“ highlighted Mr Kurth.

Alternative providers are increasingly in a position to offer customers comprehensive package deals from a single source. This development is reflected especially by the increase in competitive intensity on the market for telephone connections where competitors were able to increase their market share from 13 per cent three years ago to now well over 30 per cent.

Substantial growth rates are also recorded especially in the cable TV infrastructure sector for telephony. Whereas in 2006 only 0.3m speech accesses were implemented by these means, in the past three years that figure has increased nearly eightfold to an estimated 2.4m.

Intensive competition on the mobile market ensures favourable prices

The mobile market is also characterised by intensive competition. Since 2002 the two smaller network operators have managed to increase their market share based on customer numbers from approximately 20 per cent to more than 30 per cent thanks to reasonable and innovative products. The prices for mobile services have dropped considerably in the past few years. This is mirrored, inter alia, by the fact that mobile operators' turnover remained virtually unchanged during the period 2003 - 2008 whereas during the same period outgoing call volumes increased by 145 per cent.

„These are clear signals for a remarkable degree of competition not only with regard to low prices but also especially regarding the quality of high-class services. The high competitive intensity is based on a market structure marked by fairly balanced conditions. In other words, in Germany there is a constellation in which four mobile operators compete with each other where none has a market share greater than 37 per cent“, said Mr Kurth.

Since 2008 the mobile customer base has not grown as much as it did in earlier years and is approaching saturation. By the end of the third quarter the number of customers reached 108m which translates into roughly 1.3 SIM cards per inhabitant. However, discounters' customer bases are continuing to grow. Whereas at the end of 2007 only about 12m customers were attributable to this segment, at the end of the first quarter 2009 this segment accounted for more than 20m customers, corresponding to a market share of nearly 20 per cent. Network operators, in particular, reach an ever increasiung number of customers through affiliated companies and secondary brand names offering cheap and clearly structured tariffs.

Whereas saturation effects are becoming apparent in customer numbers, the call volumes handled by mobile means are growing considerably. The number of (outgoing) call minutes doubled in the period 2005 - 2008. This clearly illustrates the increase in fixed - mobile substitution. The proportion of mobile calls of the overall call volume has steadily risen from 14 per cent in 2004 to about 30 per cent in 2008 and has thus more than doubled.

Sevenfold increase in mobile data services since 2005

Broadband is also playing a greater role in mobile communications. More than 15 per cent of all customers meanwhile use data services via UMTS on a regular basis, viz. at least once every three months. Whereas the number of regular UMTS users increased nearly sixfold in the period 2005 - 2008, during the same period the data volume transmitted increased more than fiftyfold. Another substantial increase in the data volume is expected for 2009. Apart from the drop in prices for mobile data use, the large-scale expansion of the UMTS networks and the increase in the availability of suitable terminals will have contributed to the rise in the use of mobile data services.

The Activity Report 2008/2009 may be downloaded from the Agency's web site www.bundesnetzagentur.de.