European Commission
Information Society and Media

eCommunications
Networks and Services

Broadband Growth in the EU

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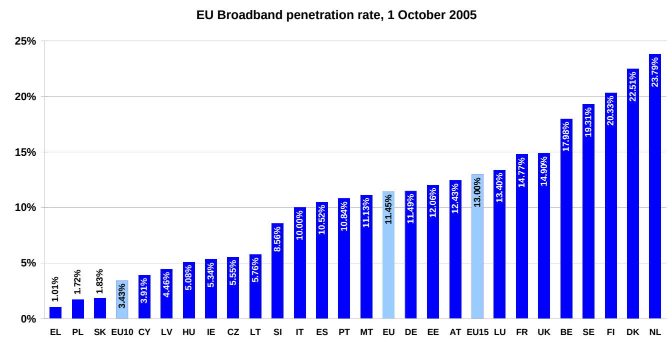
Broadband is considered crucial to European competitiveness. In this context, the European Commission has been particularly active in promoting broadband developments. The EC adopted an initiative supporting the Lisbon 2010 goals, i2010, where broadband take-up is considered an important factor for the emerging digital economy and competitiveness.

Broadband is a key element of the developments that are taking place in the electronic communications markets. C**onsumers are benefiting from lower prices and higher speeds** and a variety of broadband offers due to increasing competition in this market.

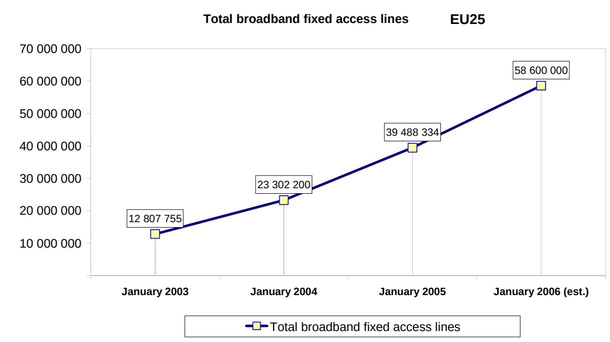
Penetration

Broadband is also gaining in its popularity in view of the fact that service providers are offering bundled offers, such as ‘triple play’ offer (voice, broadband and television). This trend is expected to boost demand for broadband and contribute to the current migration from dial-up to high-speed internet.

There has been a further significant increase in broadband take-up over the past year with the number of fixed broadband access lines exceeding 50 million. This is equal to an average number of broadband lines added per day of 52 500 compared to 38 500 new broadband lines per day for the previous year.



The Commission now estimates that there are over 58 million broadband subscriptions as of January 2006 which is a considerable increase over the previous years.



International comparison

Broadband take-up in the five best-performing EU countries (Netherlands, Denmark, Finland, Sweden and Belgium) is outstripping the United States and Japan.

Although the EU as a whole still lags behind some other regions in terms of penetration rates, growth rates indicate that Europe can close the gap with other countries, such as South Korea, where growth has slowed down, indicating that it may be approaching saturation level.

Broadband technology trends

DSL has increased its importance at the expense of cable and other technologies. The DSL share of fixed broadband lines is 80.4% compared to 16.8% of lines provided by cable and 2.8% by other technologies (Fibre to the Home (FTTH), satellite, wireless local loop (WLL), leased lines, PLC etc). DSL lines grew by 61.5% from October 2004 compared to a more modest 39.2% increase in cable modem subscriptions.

Competition and regulation

Alternative operators now have nearly 50% of the broadband market though this differs from country to country, ranging from 25% incumbent market share in the UK to 100% in Cyprus.

While there are many factors that contribute to broadband rollout and take-up, competition is one of the most important.

Countries with the highest broadband take-up (above 15% - Denmark, Netherlands, Finland, Sweden, Belgium) all have high roll-out of cable but they often also have well developed access regimes such as for LLU or bitstream access. Recent mergers and acquisitions in the cable segment may increase broadband infrastructure competition in some countries.

In other Member States, competition based on competing infrastructure is less developed but there are some notable successes where a combination of competing infrastructure and effective regulation have resulted in relatively high broadband penetration.

For example, in France, where DSL lines represent 94% of the broadband market, competition has intensified based on significant growth in usage of wholesale access to the incumbent's network. As a result broadband penetration rate has reached 14.8% in October 2005.

Wholesale access to the incumbents' networks

Local Loop unbundling (fully unbundled lines and share access) is now the main wholesale access for new entrants, followed by bitstream. Resale continues growing, mainly as a result of countries like Germany where this access product was recently introduced, and the UK where more than half of the DSL lines are based on this option.

The trend towards integration (such as triple play) as well as the ability to provide even greater differentiation is making unbundling a more attractive option for new entrants.

Perhaps the most striking feature is that **shared access lines have tripled** over the year. Many operators may have a preference for shared access partly because the unbundling process is much easier and because they can provide VoIP as an alternative to switched voice.

There are a number of Member States where the use of shared access has been a catalyst for broadband growth. This is the case for the UK, France and Denmark, where the number of shared access lines has increased dramatically following the reduction of unbundling fees by the NRAs showing that decisive regulatory action can yield positive results.

There is a clear downward trend in price levels for both fully unbundled and shared access lines, although there is still an uneven picture across Europe. Pricing and non-price implementation issues are crucial factors in determining the strategies adopted by alternative operators.

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