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Fixed-Mobile Broadband Substitution

Why is Austria so unique?

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Evidence on fixed-mobile broadband substitution in Austria

- Fixed mobile BB substitution first found in 2010 market analysis decision
 - only for the residential segment (not for businesses)
 - only “pure” mobile BB contracts included (no smartphone contracts)
- Confirmed in 2013 and 2017 decision
- Evidence (Residential)
 - High share mobile BB-only users
 - >20% use mobile use “cubes” or “sticks” to access the internet
 - Product characteristics are comparable
 - flat rates available at competitive prices, average 4G-speeds higher than in the fixed network
 - Usage of fixed and mobile similar (also for music and video streaming)
 - Evidence of pricing pressure and switching between platforms
- -> Residential retail market includes DSL, CATV, FTTH and “pure” mobile BB



Why is Austria so unique?

- In no other EU country so far fixed-mobile substitution was found in broadband markets
- What makes Austria exceptional
 - Competitive mobile segment, high mobile network coverage and quality
 - High satellite TV penetration (58%), therefore often no need for cable- or IP-TV
 - NGA-rollout in the copper network takes time
 - Usually no ducts available, low retail price level and low willingness to pay for higher bandwidths
 - Therefore, mobile bandwidths are competitive (as long as networks are not too crowded)
 - -> MNOs discovered “pure” mobile BB as business case and growth opportunity
- Also international comparisons show the special situation in Austria
 - high data usage per SIM-card
 - high share of BB-only SIM-cards
 - Low retail price level for mobile BB



Fixed-mobile substitution offers



T-Mobile

	LTE/HYBRID			LTE
	My HomeNet LIGHT	My HomeNet TURBO	My HomeNet EXTREME	My HomeNet ULTRA
Technologie	LTE / Hybrid	LTE / Hybrid	LTE / Hybrid	LTE
Datenvolumen	unlimitiert	unlimitiert	unlimitiert	unlimitiert
Max. Down/Upload Speed	30 MBit/s ↓ 6 MBit/s ↑	70 MBit/s ↓ 14 MBit/s ↑	150 MBit/s ↓ 30 MBit/s ↑	300 MBit/s ↓ 50 MBit/s ↑
Anwendungen (Auf Basis eines 4 Personenhaushalts)				
PREIS PRO MONAT	€ 9,99 <small>statt € 24,99 für 6 Monate</small>	€ 9,99 <small>statt € 34,99 für 6 Monate</small>	€ 9,99 <small>statt € 44,99 für 6 Monate</small>	€ 9,99 <small>statt € 54,99 für 6 Monate</small>

A1 Net Cube-Internet
Einfach überall anstecken und lossurfen. Jetzt beliebige Geschwindigkeit 3 Monate testen

A1 Net Cube
€ 0,-
Tarif/Monat
€ 9,90

300	150	80	40	20
300 Mbit/s Net Cube-Internet XL	150 Mbit/s Net Cube-Internet L	80 Mbit/s Net Cube-Internet M	40 Mbit/s Net Cube-Internet S	20 Mbit/s Net Cube-Internet XS
€ 9,90 / Monat € 99,90 ab dem 4. Monat	€ 9,90 / Monat € 59,90 ab dem 4. Monat	€ 9,90 / Monat € 44,90 ab dem 4. Monat	€ 9,90 / Monat € 32,90 ab dem 4. Monat	€ 9,90 / Monat € 26,90 ab dem 4. Monat
bis 300 Mbit/s Download bis 30 Mbit/s Upload Geschwindigkeit	bis 150 Mbit/s Download bis 30 Mbit/s Upload Geschwindigkeit	bis 80 Mbit/s Download bis 20 Mbit/s Upload Geschwindigkeit	bis 40 Mbit/s Download bis 10 Mbit/s Upload Geschwindigkeit	bis 20 Mbit/s Download bis 5 Mbit/s Upload Geschwindigkeit
unlimitiert Datenvolumen	unlimitiert Datenvolumen	unlimitiert Datenvolumen	unlimitiert Datenvolumen	unlimitiert Datenvolumen

Internet-Tarife für zuhause.

Unser bestes Angebot:
3neo & Hui Flat 50.

Zum Angebot

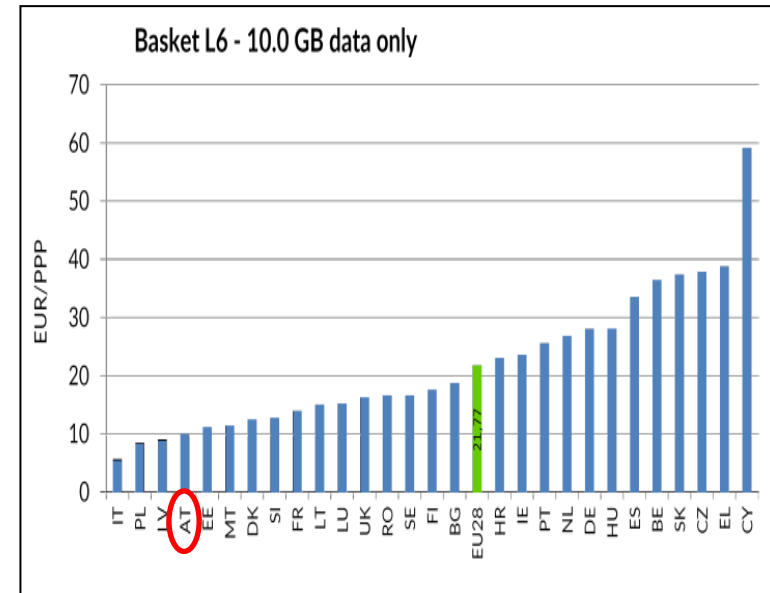
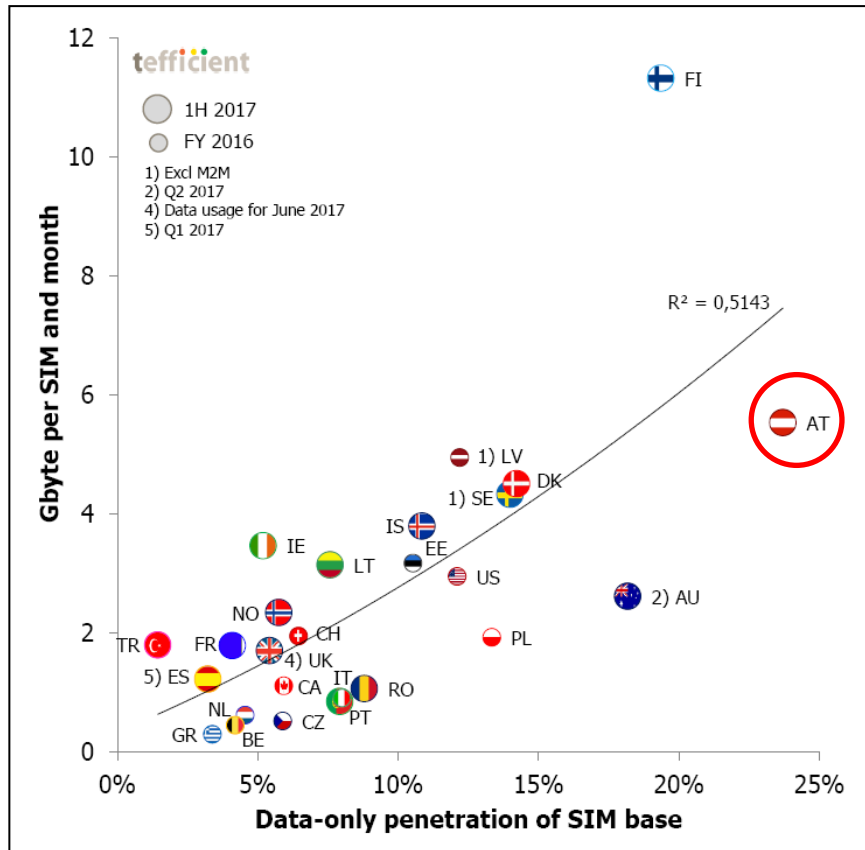


Hui Flat 10	Hui Flat 30	Hui Flat 50
Datenvolumen ∞ ↑ 10 MBit/s ↑ 4 MBit/s	Datenvolumen ∞ ↑ 30 MBit/s ↑ 10 MBit/s	Datenvolumen ∞ ↑ 50 MBit/s ↑ 20 MBit/s
Nutzungsklasse stationär	Nutzungsklasse stationär	Nutzungsklasse stationär
Roaming nicht verfügbar	Roaming nicht verfügbar	Roaming nicht verfügbar
Monatlich 18 €	Monatlich 25 €	Monatlich 35 €

A1

Hutchison

International comparison: High usage and low prices



source: “Mobile Broadband Prices in Europe 2017”, p. 43 (<https://ec.europa.eu/digital-single-market/en/news/mobile-broadband-prices-europe-2017>) (But flat-rate fixed-mobile substitution products not considered in the report)

source: tefficient (2017): “Industry analysis, #3 2017, Mobile data – first half 2017, ‘More for less’ tips the balance”, p. 10 (<https://tefficient.com/analysis/public-industry-analysis/>)



Consequences for SMP analysis

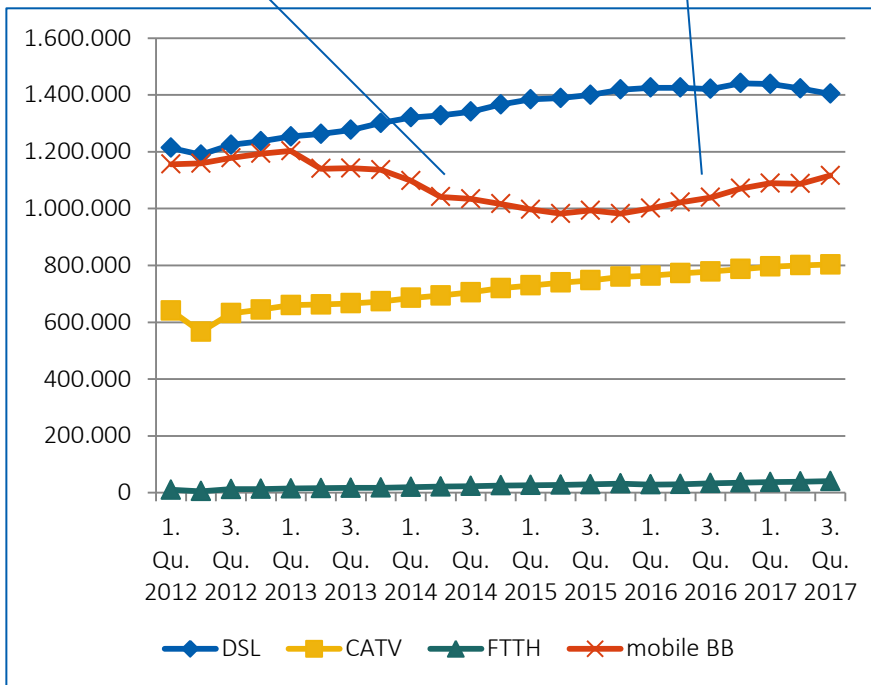
- 2010 and 2013 decision: Wholesale broadband access (bitstream) for the use of residential products was deregulated
- 2017 decision: Re-regulation of entire wholesale central access market
 - Competitive pressure from mobile broadband declined as 3G networks became crowded
 - This changed with 4G rollout, but also 4G networks are now more and more crowded (and mobile data usage increases exponentially)
 - With NGA-rollout of A1, LLU became more difficult
 - -> VULA access at the local and central level needed to ensure effective competition
 - Allows mobile operators to “offload” traffic to the fixed network and/or offer hybrid solutions
- Competitive pressure from mobile remains important but needs some support from fixed network regulation



Developments fixed and mobile broadband

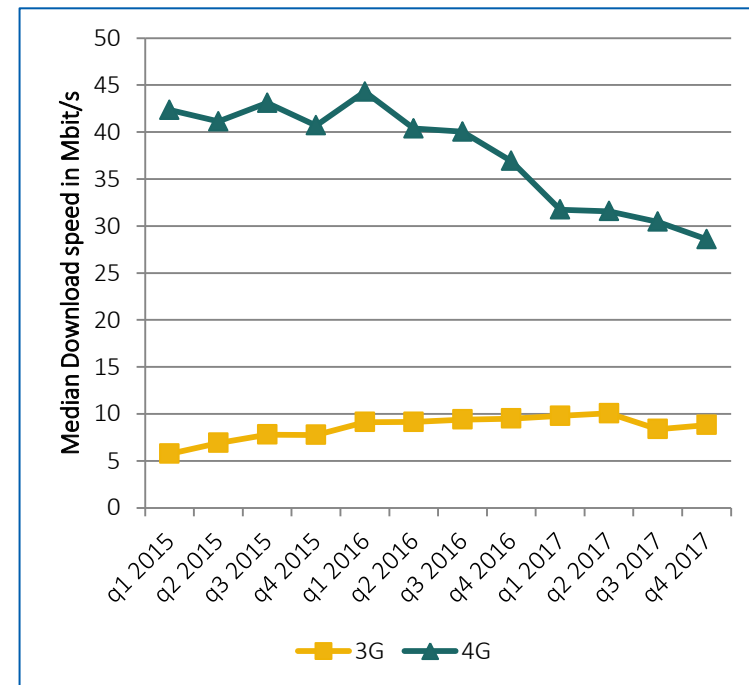
decline with increasingly crowded 3G networks

increase with 4G rollout



source: RTR

declining 4G speeds in 2016 and 2017



source: data from the RTR Netztest



Implications from the new SMP Guidelines

- Whether fixed-mobile substitution is sufficient to define a common market is an empirical question
- HM-Test continues to be the conceptual tool for market definition according to the Guidelines
- In our view, this approach is sufficiently flexible and general to accommodate specific situations such as fixed-mobile broadband substitution in Austria



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Auf Wiedersehen!