

Information about the company

Regulatory developments

Telecommunications regulations are, to a large extent, based on EU regulations, but the application is national and our position in the national markets is different for The Netherlands, Germany and Belgium.

For our mobile activities in these countries three issues were of specific interest in 2007: the new EU Roaming Regulation, decisions and procedures in relation to our frequencies and the (further) national market analysis decisions in relation to mobile call termination. For our fixed telecommunications activities in The Netherlands the issues of specific interest were the continued discussion in relation to our All-IP strategy, the unequal regulatory treatment between the cable operators and the telecom operators, and the outcome of legal proceedings in relation to the market analysis decisions for the fixed markets.

The current rules which govern the telecommunications sector in the EU were agreed in 2002. In November 2007, the European Commission adopted review proposals which will bring the rules up to date. While the reform will tackle some areas where the current rules have still not opened the market to competition, the Commission recognized that the rules have worked in other areas. Therefore, it proposes to remove the requirements for ex ante regulation in major parts of the telecommunications sector including most retail markets. Once adopted at the EU level, the revised rules have to be incorporated into national law. The new framework is expected to be implemented in the next few years.

All-IP

In 2007, KPN concluded Memorandums of Understanding (MOU's) with six (out of ten) alternative DSL operators and continued negotiations with the others for the future use of MDF locations. The MOUs allow KPN to proceed with its All-IP program in line with earlier announced principles, costs and timelines and allow the alternative DSL operators the continued delivery of unbundled access with own network infrastructure at their current MDF locations at least until mid 2010. KPN and the alternative DSL operators have also agreed on the principle for various alternative access methods such as continued delivery of unbundled access on 196 so called mini MDF locations, wholesale broadband access, and access to street cabinets based on SDF access. The principles laid down in the MOUs will be worked out in the first half of 2008. These developments induced OPTA to defer the review of the wholesale unbundled access market and, at the request of alternative DSL operators, the wholesale broadband access market. OPTA did continue the analysis regarding SDF backhaul, however, because no one has taken up KPN's voluntary offer for this service. OPTA published a draft decision for consultation amending the December 21, 2005 decision on the wholesale unbundled access market, in which it is established that SDF backhaul is an associated facility of local sub loop unbundling. If the draft decision takes effect after the consultation period, sometime during the spring of 2008, then we will be required to provide SDF backhaul under non discriminatory and transparent terms and at cost oriented rates.

Unequal regulatory treatment

Both cable and telecommunications operators offer television, internet and telephony services. While the telecommunications sector is subject to stringent regulation, the cable sector is hardly regulated. In 2007 we continued our fight for equal regulatory treatment between the cable operators and the telecommunications operators, pleading for the imposition of an obligation on the cable companies to offer a package of sound or television broadcasting content for reselling by KPN and the withdrawal of the obligations imposed on KPN in the retail markets for fixed telephony. Concrete results have not been achieved. On July 24, 2007, the Trade and Industry Appeals Tribunal (Tribunal) rejected our appeal against OPTA's decisions on the cable TV markets, arguing that there is no need to impose symmetric obligations due to the level of competition on the cable TV markets. The Tribunal also ruled that there is no need to impose an obligation on the cable companies to offer content packages for reselling by KPN. We will get a fresh chance in 2008, when OPTA will review its market review decisions.

Market analysis decisions fixed markets (The Netherlands)

The implementation of the current regulatory framework was finalized on January 1, 2006, the day on which OPTA's December 21, 2005 decisions for the markets for fixed telephony, leased lines and broadband entered into force. From the market analysis procedures carried out by OPTA it was concluded that KPN had 'significant market power' in a number of wholesale and retail markets and that OPTA would impose several obligations on KPN in order to remedy the competition problems identified. The following table provides a list of all markets on which KPN was found to have significant market power and the obligations imposed on KPN on each of these markets.