**Information about Market Assessment - Connectivity Vouchers**

The currently applicable EU Broadband Guidelines date from 2013 and do not contain specific rules regarding connectivity vouchers.

Guidance on how to ensure compatibility of a demand side voucher scheme can only be obtained from the upcoming Broadband Guidelines. Further guidance can be found in a [decision](https://ec.europa.eu/competition/state_aid/cases1/202202/SA_57496_9043347E-0000-C26F-89FF-45AAA1EE1757_102_1.pdf) adopted by the Commission regarding a voucher scheme implemented in Italy.

Reference must be made in particular to para. 198 of the upcoming Broadband Guidelines which concerns the risk that a voucher scheme may unduly distort competition. To limit this risk, Member States must carry out a market assessment which should include the following points:

1. Identification of the providers present in the area able to provide the eligible connection speeds envisioned by the voucher.

What is asked here:

List the operators in the intervention areas capable of reliably providing 1 Gbps download and 250 Mbps upload speeds.

An explanation on the kind of service each operator is able to provide, including technology used and envisaged, an explanation on their capacity to provide the speeds foreseen in the voucher scheme and how they reach this capacity, i.e. with their own networks or via wholesale agreements, in which case further explanations regarding access conditions will have to be provided.

You should know:

For the purposes of the scheme, a list of these operators will also have to be included in an online registry accessible to the public.

1. Calculation of the market share of these providers in the fixed broadband market in the intervention areas .

What is asked here:

List the market shares of each provider [in the fixed broadband market in the intervention areas]. This will allow the Commission to see whether there is effective competition on the market (numerous operators around the same market shares) or whether an operator could be dominant on the market. In EU Competition law an operator is presumed to be dominant if it holds a market share of 50% or more. Please note however that depending on the dynamics of the market concerned, a company with a market share of more than 50% could be held not to be dominant and that an operator with a market share of less than 50% could be found to be dominant.

How to calculate market shares:[[1]](#footnote-2)

Market shares for each supplier can be calculated on the basis of their sales of the relevant products in the relevant area. In practice, the total market size and market shares are often available from market sources, i.e. companies' estimates, studies commissioned from industry consultants and/or trade associations. When this is not the case, or when available estimates are not reliable, the Commission will usually ask each supplier in the relevant market to provide its own sales in order to calculate total market size and market shares.

If sales are usually the reference to calculate market shares, there are nevertheless other indications that, depending on the specific products or industry in question, can offer useful information such as, in particular, capacity, the number of players in bidding markets.

As a rule of thumb, both volume sales and value sales provide useful information. In cases of differentiated products, sales in value and their associated market share will usually be considered to better reflect the relative position and strength of each supplier.

You should know:

Among these operators, where an operator is vertically integrated and has a retail market share above 25%, in order to be included in the voucher scheme, that provider must offer, on the corresponding wholesale access market, to any electronic communication services providers at least one wholesale access product able to ensure that the access-seeker will be able to reliably provide the eligible services, under open, transparent and non-discriminatory conditions.

1. Analysis of whether the scheme may confer a disproportionate advantage on some providers to the detriment of others possibly reinforcing (local) market dominance.

This assessment is necessary because distortions of competition are likely to be enhanced if one provider has too much market power. Where the provider is already dominant on a market, the aid measure may reinforce this dominance by further weakening the competitive constraint that competitors can exert.

What is asked here:

Based on the list of operators and their respective market shares, answer the following questions:

1. Is there a sufficient number of actively competing service providers in the Cypriot fixed broadband market?
2. From our understanding, there is an incumbent operator in Cyprus, that owns the broadband infrastructure. Is it bound by wholesale access obligations laid down in domestic regulations that allow other operators to provide similar services to those provided by the network operator?

As a reminder:

Wholesale access enables third-party operators to compete with the incumbent operator (when the latter is also present at the retail level), thereby strengthening choice and competition in the areas concerned by the measure while at the same time avoiding the creation of regional service monopolies.

1. Does the Measure benefit all services providers capable of offering eligible connection speeds, regardless of whether they offer the service using their own network or by accessing the network of other operators?
2. Is there a need to implement the scheme?

What is asked here:

Comparison work between the intervention areas of the scheme with the situation in other areas of Cyprus or with the situation in other Member States.

There are two types of possible explanations for the intervention with a connectivity voucher scheme: Either the areas that will benefit from the voucher scheme share certain characteristics that justify that the take-up of demand to date has not been as good as elsewhere in Cyprus. Or – and this option seems in principle more plausible –the current situation regarding the take-up of connectivity in Cyprus and the structure of the Cypriot market in comparison with the development in other EU Member States is such that it requires a public intervention via the voucher scheme to enhance the take-up and use of fixed services. In such a case, an explanation has to be provided regarding the reasons why the voucher scheme is necessary to incentivise demand.

Questions to answer:

An introductory section should include the increased need for higher speeds for user in light of increased telework, video conferencing, e-education, etc…

Then, it should be justified why the scheme is needed to improve take-up in the intervention areas in particular.

1. the position of Cyprus in DESI, ie in comparison to other Member States, and the explanation of this ranking
2. is there a difference within areas of Cyprus
3. why is the take up so low in these areas compared to others
4. The grounds the relatively high retain prices in Cyprus, which hamper up-take

Additional input necessary:

As the scheme is planned to last for more than two years - which is the duration benefiting from a positive presumption (see para. 200 of the upcoming Broadband Guidelines) - it would be useful in the market assessment to include elements supporting the need for a longer duration (slow moving demand, etc…).

1. **Optional** input- trends in take-up by households may also be assessed to conclude on the opportunity to implement the voucher scheme.

What is asked here:

Are there any particular trends in take-up (from the households) that could help determine whether/why the scheme should be implemented?

As a reminder:

Only if a market failure exits, state aid can be granted. Thus even if this last input is optional, it would help in demonstrating the presence of a market failure.

1. Commission Notice on the definition of relevant market for the purposes of Community competition law, paragraphs 53-55. [↑](#footnote-ref-2)