

ALTERNATIVE APPROACHES TO BROADBAND POLICY Lessons on Deregulation from Denmark

Denmark has been praised as a broadband utopia, but observers often fail to understand the concrete decisions that helped create Danish telecommunications policy. Many would be surprised to learn that Denmark's government has pursued a largely laissez-faire approach to telecom regulation.

In “[Alternative Approaches to Broadband Policy: Lessons on Deregulation from Denmark](#),” American Enterprise Institute Visiting Fellow Roslyn Layton and Mercatus Center MA Fellow Joseph Kane lay out the remarkable success of the Danish broadband industry and provide a detailed review of the eight policies that influenced the industry. The study concludes with lessons for US regulators, particularly for the Federal Communications Commission as a specialized telecom regulator.

BACKGROUND

Denmark is notable for its high broadband penetration and robust mobile broadband market:

- Since 2007, Denmark has been ranked as a top digital nation by the International Telecommunication Union for its people's access to, use of, and skills in information communications technologies.
- In 2015, Denmark was ranked first in fixed broadband penetration by the Organisation for Economic Co-operation and Development, and the nation is notable for the high penetration of fiber networks, which has been achieved without significant subsidies.
- Denmark has 5.6 million people and 6.6 million mobile broadband subscriptions, with 15 percent of the country's subscribers using mobile as their main source of broadband.

MODERN DANISH TELECOM POLICY

The following eight developments illustrate Denmark's choice to follow a linear path of classic regulation to its final step of achieving full competition and removing regulation.

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- **1994: national strategy for digitization.** Denmark established a national digital strategy to simplify and facilitate interactions between the private and public sectors.
- **1999: telecom agreement.** A group of political parties forged an agreement emphasizing the need for a no-subsidy, market-based, technology-neutral telecom policy that recognizes the power of convergence to create competition. While the government was not interested in regulating telecom operators, it did see a role for itself in “facilitating” the digital society by being a key buyer of information and communications technologies, by digitizing government services, and by providing digital assets that individuals and enterprises can use to lower transaction costs.
- **2006: removal of wholesale regulation on wireless.** The telecom regulator declared the wholesale wireless market competitive and deregulated it. There have been no notable complaints about wireless wholesale rates, and the market remains vibrant.
- **2011: dismantling of the broadband regulator.** A new center-left government dismantled the telecom regulator, reshuffling its remaining functions and staff into different departments. The benefits of this development include reduced regulatory capture between the telecom authority and industry and the application of telecom policy expertise to other branches of government.
- **2011: cooperation among stakeholders on net neutrality.** The Danish telecom operators’ trade association created a self-regulation body based on a set of net neutrality principles and a multistakeholder process. This “soft regulation” of net neutrality has been a success: the mobile application development industry is more vibrant in Denmark than in countries pursuing “hard regulation” policies, such as the Netherlands.
- **2011: facilitating cooperation on mobile infrastructure.** Local municipalities were folding to political pressure against building cellular antennas and some were manipulating land lease prices for antenna construction. The Danish minister of business called a meeting of stakeholders to discuss the challenges the mobile industry had been facing in this area, and the result was an about-face from local governments on land leases.
- **2015: EU rejection of consolidation.** A merger between two smaller Danish telecom companies was abandoned in the face of regulatory pressure from the European Union stemming from concerns about mobile prices in a market with fewer than four providers. Mobile prices climbed in the wake of the deal’s collapse, and incumbent provider TDC retains 51 percent of the market share.
- **2015: pan-Nordic cooperation on telecom policy.** The telecom authorities of the Nordic countries produced a position paper noting that telecom regulation needs to be updated to reflect the competition from content providers and recognizing that telecom operators are not “bottlenecks” to content providers.

LESSONS FOR THE UNITED STATES

These developments in Denmark illustrate some important lessons for the United States:

- **Cooperation across parties is key for sustainable outcomes.** While political stereotypes would suggest that Republicans are more focused on deregulation than Democrats, it was the Carter administration that deregulated the airline industry, and the Clinton administration worked with Congress to enact the Telecommunications Act of 1996, which promised to keep the Internet “free and unfettered from state and federal regulation.” Democrats and Republicans should work together to create win-win outcomes for telecom policy.
- **A telecom regulator is not essential to deliver telecom laws.** Deregulated markets are still subject to competition law, and in fact could come under closer scrutiny. The Federal Trade Commission’s consumer protection standards are tougher than standards employed by the Federal Communications Commission today, and Federal Trade Commission can actually recover damages for consumers, whereas the fines collected by the Federal Communications Commission do not benefit those abused.