

Regulation and convergence. Introduction to the panel

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About ECTA

- ECTA, the European Competitive Telecommunication Association, represents some 150 operators across Europe
- Aims to drive forward liberalisation and competition across the telecoms sector
- Our operator members are diverse – pan-European & national, consumer & business - most have made substantial investments in infrastructure

Status of the Review

- The first Regulatory Framework fully liberalised the European telecommunications sector **in 1998**
- The New Regulatory Framework entered into force **in 2003**
- Inter-service consultation just ended; 2 directorates (Competition, Industry) against the proposal. Negative comments are raised vis-à-vis:
 - European Agency;
 - Extending Commission's veto on remedies;
 - Functional separation
- Commissioners Reding and Kroes intending to find a political compromise
- Proposed package to be announced on November 13 by Commissioner Reding, then reading by European Parliament and Council
- Proposed package expected to become law before **end 2009**

General overview

Proposed Package Review consists of:

- 2 Directives, amending the current directives on the Framework, Access, Authorisation, Universal Service and Privacy
- 1 Regulation, establishing a new European Agency
- 1 Recommendation on relevant markets (amending the current one adopted in 2003)

A Communication of the Commission explains the background of the Review and the reasons for the proposed changes

General principles

The Commission does not intend to dramatically alter the current framework.

The review mainly intends to adapt the current rules to the convergent process and to the outcome of the market analysis.

The proposed reform to work out around 3 pillars:

- better regulation
- completing the single market
- connecting with citizens

State of competition: overall

COMPETITION / REGULATION - FIRST ROUND

22 June 2007

	AT	BE	CY	CZ	DK	EE	ES	FI	FR	DE	EL	HU	IRL	IT	LT	LU	LV	MT	NL	PL	PT	SE	SI	SK	UK
1	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
2	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
3	a	a	a	a	a	a	a	a/v	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
4	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
5	a	a	a	a	a	a	a	a/v	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
6	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
7	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
8	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
9	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
10	a/v	a	a	a	W	W	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
11	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
12	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
13	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
14	a	a	a	a	W	a	a	a	a	W	a	a	a	a	a	a	a	a	a	a	a	a	a	W	a
15	a	a	a	a	a	a	a	a/v	W	a	a	a	a	a	a	a	a	a	a	a	W	a	a	a	a
16	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
17	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
18	a	W	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a

Market analysis outcome shows persistent dominance over the great majority of European markets:

- Access calls and leased lines markets remain dominated after 10 years of liberalisation - fully competitive in only 1 country
- Incumbents retain >50% share of retail broadband in 10 countries
- Local loop remains bottleneck: >90% telephone lines and >80% broadband lines rely on incumbent

The Recommendation: the arena of fight

Background and debate:

Irrespective the outcome of the market analysis, the deregulation debate, together with the discussion on the list of markets, has become a “number game”. In particular:

- Due to political trend for deregulation, market 3-7 (retail calls and leased lines) and 18 (broadcasting) are likely to be deleted
- Strong pressure to delete also markets 10 (transit interconnection) and 14 (trunk leased lines)
- Market 15 (mobile origination) also at risk
- Need for more clear technological neutrality: markets relating to fixed telephone services should not refer to ‘public telephone networks’, the same for market 11 (currently unbundling over metallic loops)
- Mobile markets 15 and 16 (origination and termination) still refer to ‘calls’ and it follows that data is excluded.
- Market 12 (bitstream) – available for IPTV?

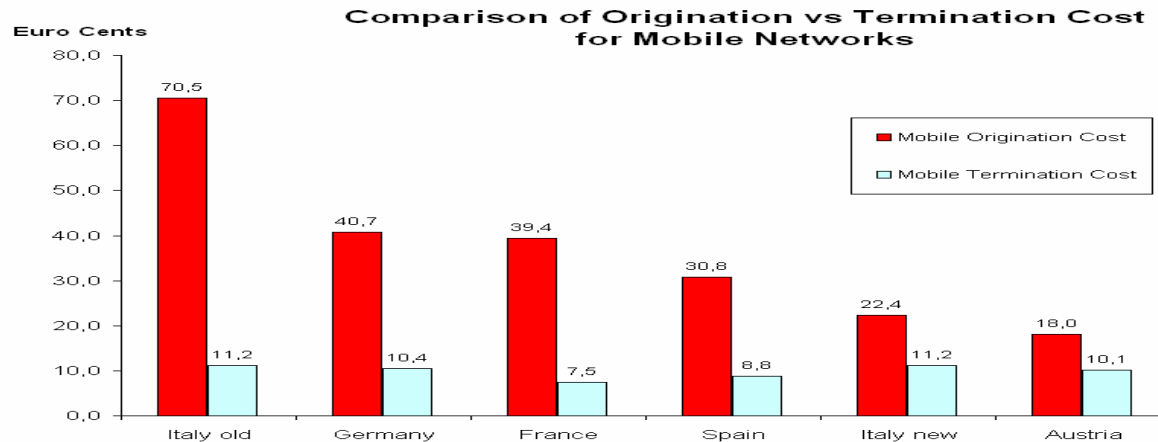
Expected proposal:

List of markets to be reduced up to 7

State of competition: mobile

	Regulatory history/threat	Presence of MVNOs
Austria		MVNOs and SP since 2003
Belgium		SPs only since 2002
Bulgaria		
Cyprus		
Czech Republic		
Denmark	Mandated 2000 – old framework. Being removed	MVNOs and SPs since 2000
Estonia		MVNO since 2004, SP since 2005
Finland	Draft finding of collective dominance withdrawn	MVNO since 2004, SP since 1998
France	Finding of collective dominance on stand-by	SPs since 2004 (13 agreements in place)
Germany	Obligation to provide SP under GSM licences	SPs since opening of the mobile market
Greece		
Hungary		
Ireland	Collective dominance finding successfully appealed	
Italy	Anti-trust finding. NRA re-opening case	Not yet, but three SP agreements recently signed
Lithuania		SPs since 2004
Malta		
Netherlands	Mandated under old Framework. Being removed	MVNO and SPs since 2001
Poland		
Portugal		
Slovakia		
Slovenia	Single dominance under NRF	MVNO under NRF
Spain	Collective dominance 2006	MVNO and SPs since late 2006
Sweden	Mandated under old Framework. Being removed	MVNO since 2003, SP since 1999
UK		MVNO and SP since 2000

State of competition: mobile



- Excessive rates for originating calls to value added services (see above example 2005 from directory enquiry provider)
- Artificial boundaries (roaming), high data rates, walled gardens
- Prices compare poorly internationally
 - ARPU: US\$0.22 per min in EU vs \$0.07 in US
 - Termination of \$0.13 (EU) vs \$0.007 (US)
 - Usage 143 mins per month (EU) vs 798 (US)

Final Remarks

Proposed package is sound and can successfully strengthen European communications market and stimulate investments and growth.

However, concerns subsists for the too drastic reduction of markets - reviewing should not be a **numbers game!** Concerns in particular for market 15.

Inter alia, important points of the Telecoms Review are the following:

- how to regulate NGN (FTTH, VDSL);
- whether or not to regulate mobile access (MVNO);
- which policy for mobile TV? What about technological neutrality?
- IPTV: need for specific access regulation?
- need for a Euroregulator to address paneuropean issues and ensure harmonization?

Thank you

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