

A GUIDE TO THE “TELECOMS
SINGLE MARKET: A
#CONNECTED CONTINENT”

Overall vision

Vision

- **Building** a connected, competitive continent and enabling sustainable digital jobs and industries
- **Making** life better – by ensuring consumers can enjoy the digital devices and services they love
- **Making** it easier for European businesses & entrepreneurs to create the jobs of the future

Three parts to the story

Enabling a DIGITAL ECONOMY = GROWTH/COMPETITIVENESS

Supporting CONSUMERS = FAIRNESS

Ready for THE FUTURE = LEADERSHIP / JOBS

THE GROWTH STORY

- Europe desperately needs to tap into new sources of growth and innovation.
- Because each economic sector today increasingly depends on good connectivity to be competitive, the solution lies in harnessing digital technology and ICT (source of half our productivity growth), to the single market (our crown jewel).
- We can't afford to remain trapped in 28 national markets; if we allow this we will fail to feed the digital economy the raw materials it needs: connectivity and scale.
- When enabled, the digital ecosystem grows fast (faster than China's economy) and creates jobs (794,000 in app economy in just five years, while economy was in recession); it stimulates innovation and business activity across the economy, through heightened productivity, efficiency and revenue.
- The missing cornerstone in this digital ecosystem is a Telecoms Single Market, which would increase GDP (basis: 2010) by nearly 1% every year if delivered.
- At this moment in time, Europe can less than ever afford to miss such a low hanging fruit to power charge the digital economy of the 21st century.

THE FAIRNESS STORY

- Europeans are struggling with the effects of economic crisis. It is essential to take every enabling action possible to create jobs – and no sector offers better opportunities for employment growth (especially for young people) than the digital sector.

- It is also essential that citizens have full access to the internet, which they value highly, and that they are protected from unfair charges and practices such as roaming rip-offs and opaque contracts.

THE LEADERSHIP STORY

- The world envied Europe as we pioneered the global mobile industry in the early 1990s (GSM), but this was voice telephony. We are now in a data driven economy and our industry often does not have a big enough home market to sell to (think 4G) and as a result consumers miss out on the latest improvements or their devices lack the networks needed to enjoy them fully.
- These are not just the problems of the telecom industry, they in fact hurt all sectors because connectivity is the lifeblood of the digital economy that Europe badly needs to create jobs and growth.
- EU companies are not global internet players. Lagos has 4G mobile, but Brussels does not.
- Europe still retains global ICT industries in areas like electronics, robotics, and telecommunications equipment. It has innovated in healthcare applications, smart city technologies, electronic public services and open data. But in a fragmented market companies cannot grow to compete in a global digital economy.
- Only a telecoms single market will allow the whole digital ecosystem to be more dynamic and recapture a leading global role. There are other things to be done – on data protection, on cybersecurity, on fragmented copyright rules – but best in class connectivity is the sine qua non.

What *is* the proposal?

- Changes complementing existing legislation that would make a reality of two key EU Treaty principles: the freedom to provide and to consumer (digital) services wherever one is in the EU
- The proposal does this by pushing the telecoms sector fully into the internet age (incentives for new business models and more investment) and removing bottlenecks and barriers so Europe's 28 national telecoms markets become a single market (building on 2009 Telecoms Framework, and more than 26 years of work to create that single market)
- The proposal is a package, not a menu, to ensure all stakeholder groups are net beneficiaries. This cannot be unpicked: it only stands as a whole.

What is *in* the proposal

- **Simplification of regulation** for companies
- **More coordination of spectrum use** – so that we see more wireless broadband, more 4G investment, and the emergence of pan-EU mobile companies with integrated networks
- **Standardised fixed access products**: encourages more competition between more companies and facilitates increasing provision of pan-EU services

- **Protection of Open internet:** guarantees for net neutrality, innovation and consumer rights.
- **Pushing roaming premiums out of the market:** a carrot and stick approach to say goodbye to roaming premiums by 2016 or earlier.
- **Consumer protection:** plain language contracts, with more comparable information, and greater rights to switch provider or contract

What is *not* in the proposal

- No single telecoms regulator
- No Eurotariff termination rates
- No change to definition of electronic communications services provider
- No pan-European spectrum license
- No ban on differentiated internet products

Why it matters

- Telecoms networks are the foundation of the wider digital economy,
- Every sector now depends on connectivity.
- This means today's telecoms sector is holding back the rest of the economy
- Networks are too slow, unreliable and insecure for most Europeans
- Telecoms companies often have huge debts, making it hard to invest in improvements
- We need to turn the sector around so that it enables more productivity, jobs and growth
- The telecoms sector should enable growth by the whole economy, and grow with it – it is not good enough to live off outdated business models and rents that hold back the economy as a whole
- As a starting point, the sector needs a single market (a yearly 0.9% boost to GDP)
- This is the biggest single EU-wide macro-economic boost available in the next few years
- More than 4 out of 10 companies are dissatisfied with the connectivity they are getting. They find services poor and speeds too low. This is a drag on their competitiveness.
- Consumers are also sick of unfair charges, confusing information, and non-functioning devices
- Delivering this package is a matter of political credibility for EU, and a key Barroso legacy
- Waiting will hurt everyone, with no guarantee that "big bang" approach could be politically negotiated.
- We have to act now to ensure other economies do not race ahead and prevent our telecoms companies from creating wider damage through further decline or even bankruptcy

Process & consultations

- The 2013 Spring European Council conclusions called for the Commission to present "concrete measures to achieve the single market in ICT as early as possible" in time for the October European Council.
- Three years of consultations, public events and private meetings inform these proposals - including two major public events with 1000 participants in June.

SUMMARY OF MAIN ELEMENTS OF PROPOSAL

Faster connections. Easier business. Simpler life. Ready for the future

Yes to single market; yes to net neutrality; no to roaming premiums; no to red tape

Problem	Solution
Operators wanting to go cross-border face red tape (both hurdles and burdens)	<ul style="list-style-type: none"> • One-stop shop: operators operating in more than one Member State will benefit from a single EU authorisation requiring only one notification, thereby establishing one reference regulator (NRA) for authorisation issues (including withdrawal/suspension of the authorisation)
Inconsistent obligations for operators operating in more than one MS	<ul style="list-style-type: none"> • One-stop shop for authorisation will provide consistency for companies • Commission will have the power to require national regulators to withdraw draft regulatory proposals which are incompatible with EU law (thus prevent regulatory inconsistency) • Decisions of national regulators must promote investment and consider all competitive constraints (including from OTTs) – which will be crucial for establishing a level playing field with OTTs • The criteria that the Commission and national regulators apply for selecting markets that should or should not be regulated are strengthened by the inclusion of the well-established “3 criteria” test in EU law. This prevents over-regulation of competitive markets. • Full harmonisation of consumer protection rules will remove the need for customising services for every territory, and give consumers extra certainty
Inconsistent fixed wholesale access for service providers operating in more than one MS	<ul style="list-style-type: none"> • Standardised fixed access products (Virtual Unbundled Local Access, bitstream access and Ethernet leased lines) and Assured Quality Services for European electronic communications providers) will facilitate market entry and provision of cross-border services
Uncoordinated spectrum access conditions for mobile operators make it more difficult to plan long-term investments,	<ul style="list-style-type: none"> • Common regulatory principles for spectrum authorisation procedures for wireless broadband to support economies of scale • Common best practice criteria for defining the availability and conditions of spectrum for wireless broadband • Harmonisation of timing and duration of spectrum assignments for wireless broadband

operate cross-border and eventually gain scale. Today vital wireless broadband spectrum is released at different moments in the EU, subject to different timing considerations and under different conditions

- Commission's power to organise peer review among Member States and to review national assignment procedures

Congested networks because soaring data demand is outstripping the capacity of existing networks. The need to increase data capacity

- Promote infrastructure and spectrum sharing and spectrum trading
- Promote incentives and appropriate compensations for timely freeing up of spectrum for wireless broadband
- Ensure the least onerous authorisation conditions and revoking of licences if spectrum is not used
- Promote the use and the deployment of WI-FI and small / micro cells to increase capacity, by simplifying deployment of small area access points and sharing of wifi capacity.

No EU-wide consumer rules (hurts and confuses both consumer and operator)

- Full harmonisation of consumer protection (not only minimums or options as in current Universal Service Directive)
- End misleading advertising of Internet speeds (you will get what you pay for).
- New rights to transparent information & easy contract switching (both telecoms + net)

Users blocked from using full internet, and face different rules in each member state

- Guarantee net neutrality across Europe: an end to blocking or throttling of competing or data-heavy services. Freedom to offer higher speeds or guaranteed quality according to user needs (similar to express mail or recommended delivery for postal services) provided open internet is not impaired.

Roaming is an anomaly in a Single Market

- Strong incentives for operators to provide roaming at domestic price levels by no later than 2016 throughout the EU. Charges for incoming roaming calls will end in July 2014.

TODAY'S EU TELECOMS SECTOR IS IN DIFFICULTY

- Massive growth in demand (especially data) since last EU reforms (2009) has not been monetized. Market capitalization is down; net investments very low; some operators struggle with high debts.
- Many EU operators are now so "cheap" on stock markets that they have become take-over targets
- Telecom companies cling to old business cases (think voice, roaming) and miss out on emerging business (think: data-based OTT services) resulting in underperformance of a critical sector that is holding back the rest of the economy
- Negatively affected sectors include: equipment manufacturers, internet entrepreneurs, connected cars, smart objects, wholesale, retail and logistics, health care, European creative content

What caused this?

- **Sector slow to reform** (e.g. responding to Skype, data revolution, ditching cash cows like roaming)
- **Cultural and regulatory differences** mean Europe is not seen as place to start / grow a global internet business (compared to Silicon Valley)
- **Fragmentation** of European market & regulation on national lines prevents efficiencies/scale
- **National Governments'** short-term interest in maximising revenue from spectrum auctions sapped large sums from many telecoms companies, resulting in an "up-front tax" on investments to build-out networks
- **Companies** cannot procure crucial "raw materials" such as internet connectivity or access to harmonised frequencies under coherent and competitive conditions from a single provider in several Member States (because we lack single market for these "materials").

TELECOMS SECTOR INDICATORS

PERFORMANCE CATEGORY

SITUATION TODAY

Revenue and Market Capitalisation

Declining revenue in real terms (-2.2% in 2011 and -1.1% in 2012) and relative to US & Asian & other markets. Market capitalization down 22% since 2011

Investment

Europe's former telecoms monopolies have a net investment rate of virtually zero, lagging behind competitors (source: HSBC). Wireless investment is half the rate of US/Canada since 2002.

Corporate debt

Some major network operators have elevated debt levels. Debt can be three times as high as company stock-market value (Telecom Italia) and upwards of €30bn (Telefonica)

Jobs

Full broadband deployment would create 440,000 jobs in the business services sector and 549,000 jobs in other economic sectors. Internet demand also fuels new fields like "apps" – in just 5yrs the app economy has created 794,000 jobs in Europe, the majority as software developers.

In net terms (considering loss of jobs due to changes in use of technology) we estimate better broadband would create 105,000 jobs in Europe.

Networks

Basic broadband = 99.99% coverage but Next Gen networks range from 15% (Italy) to 100% (Malta). Only 2% of Europeans have 100Mbps subscriptions.

4G: only 26% of EU population is covered (90% in US), ranges from 0-93% according to Member State

EXAMPLES OF DIVERGENCE IN EUROPE'S MARKETS

Operating license fees range from €0 to €3000

Some countries even specify which font needs to be used in consumer contracts

Administration fees for holding a license range from €5,000 to €15,000.

Between EU countries there is 774% revenue differential per call minute.

The price of spectrum rights and the usage conditions vary by a factor of 50 (2600Ghz band) – even in frequency bands that are already technically harmonised.

Wholesale copper access prices that network owners may charge to competitors leasing the network range from 4 to 14 euros per month (333% difference)

There is a different approach to next generation access network regulation in virtually every MS, ranging from 14% to 100% across the EU.

International mobile calls vary from €0.35 to €1.19 per minute across the EU.

WHAT WILL THE WORLD LOOK LIKE IN 5 YEARS TIME

WHO

WHAT

TELECOMS OPERATORS

- Operators are not stuck in small national markets: can easily plan/work across multiple countries, bid for spectrum or access networks in multiple countries according to predictable timeframe and conditions.
- They offer services across borders, focused on modern needs, which consumers value and are prepared to pay for.
- With fewer barriers and more economies of scale, they are more efficient, and can compete against global players.

EQUIPMENT MAKERS

- World leading equipment suppliers once again focussing their R&D investments in Europe, where they have access to one of the richest and most digitalised customer base, back from today's focus on Asia / US
- Aligned spectrum rules and usage conditions mean device designers focus on European needs – so new gadgets offer pan-European services, using pan-European frequency bands.
- Services optimised for the European market instead of cutting out at border
- Huge opportunities to build all kinds of devices from connected cars to fridges

START-UP

- Part of a bigger start-up ecosystem; can plan to go global from day 1.
- Supported by fact / have no fear that network owners will block or throttle their new service, means greater innovation and opportunity
- Opportunity to develop services that depend on enhanced quality connections

CITIZENS / ORDINARY INTERNET USERS

- Every European enjoys availability of 30Mbps or more broadband, fixed+mobile.
- More choice of phone and internet providers, including from other countries
- No unfair roaming premiums; full access to the full open internet

BUSINESSES

- Can have a single phone + internet contract even if spread over several countries.

**IN A DIGITAL
ECONOMY**

- Easier to stay connected with branches, suppliers, customers.
- New services like cloud computing, videoconferencing, 3D printing will work, including to guaranteed quality of service if that is needed.

**OVERALL
ECONOMY**

- More productive, leading to additional growth and jobs.
- As more sectors go online they become greener and smarter

A FOUNDATION FOR SUSTAINABLE JOBS WITH GOOD PAY

PROBLEMS

Unemployment levels are unacceptably high.

Europe is in a digital transition. There are millions of new digital job opportunities – literally a million vacancies in 2015 predicted because of skills gap - and also a series of necessary reforms that are not yet complete. Today companies relying on the digital economy find it difficult to expand and invest, they find it difficult to employ more people. Because of underinvestment in networks, associated industries (from apps to telecoms equipment makers) don't achieve full potential and do not create the demand for better networks. We need to break this vicious circle.

SOLUTIONS OFFERED

Make the digital sector, which has a very young workforce, a jobs priority as a way to address youth unemployment in Europe.

Help start-ups grow by giving them the world's biggest market to sell to from Day 1. (for example, French tech-start-ups achieved 24% employment growth in 2012).

Support labour force changes in telecoms companies which have not adapted to new digital, data-driven business models.

Work with companies in a Grand Coalition for Digital Skills and Jobs, to train individuals and to improve the overall digital ecosystem.

IMPACTS AND EXAMPLES

794,000 jobs created by app economy, including nearly 600,000 in the app economy directly in last five years. This is what happens when a borderless environment exists. Those industries need good networks.

According to Analysys Mason and Tech4i2 (2013), even with "modest" intervention to build fast broadband infrastructure, 447,000 new jobs are expected to be created in the first 3 years and two million new jobs by 2020.

We add to unemployment, especially youth unemployment, every day we don't deliver a telecoms single market.

For telecoms: A real telecoms single market will support growth and counter the trend of 10% drop in direct telecoms labour force expected in next few years.

For other businesses: Cloud computing can only work at EU-scale or greater, and demand for it will drive further investments in better networks. The cloud is the "killer app" for superfast broadband. Standardised inputs, bigger markets, reduced

market distortions (like blocked services), guaranteed network quality for data interchange, and greater digital skills combine to it easier for businesses like cloud providers to generate new jobs.

LESS RED TAPE FOR COMPANIES #1 (Single authorisation)

PROBLEMS There is no pan-EU mobile or fixed telecoms company.

In theory it is possible to operate in all Member States and yet no-one does, because the system does not work.

You must comply with different registration requirements in each Member State where services are provided. Operators face extra costs and lose time dealing with different and inconsistent nationally enforced rules, with varying market outcomes.

SOLUTIONS OFFERED Learn and copy from other sectors in EU single market, such as banking, by offering operators the chance to operate in all countries through a single authorisation in the EU, and the chance to deal with that one authority on other licensing issues.

Pan-EU legal certainty & the right to equal regulatory treatment

IMPACTS More companies operating with ease across borders.

For business:

- Lower entry barriers for new companies, lower costs for service provision and new opportunities to expand into additional EU member states

For consumers: Benefit from new offers from new competitors in their MS.

For the future: real basis for a wider digital single market in Europe

QUOTE “The right to operate everywhere is not real unless you can enforce it. The best way to do that is a single authorisation for the whole EU, because it is a guarantee.

This is for tomorrow’s companies as well as existing companies.”

LESS RED TAPE FOR COMPANIES #2 *(New Criteria for Regulating Markets)*

PROBLEMS	National regulators are over-regulating or under-regulating specific telecoms (sub) markets, which they define differently.
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SOLUTIONS OFFERED	Strengthening, by inclusion in the Regulation, of the well-established "3 criteria" test that the Commission applies to select markets that should be regulated in its "Recommendation on Relevant Markets", and that national regulators must apply if they wish to regulate markets that are not in that Recommendation . This will now be legally enforceable.
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In order to regulate three criteria would need to be met:

1. Presence of high and non-transitory structural, legal or regulatory barriers to entry;
2. Market structure does not tend towards effective competition within the relevant time horizon, having regard to the state of infrastructure-based and other competition behind the barriers to entry;
3. Competition law alone is insufficient to adequately address market failure(s) concerned

National regulators would also have to consider all competitive constraints [including from Over The Top players (OTTs)].

IMPACTS	<i>For business:</i> lighter regulation consistent with most other markets.
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For consumers: more consistent protection in instances where incumbent companies have a dominant position.

For the future: normalisation of telecoms market (i.e. the telecoms market to become like others, where companies compete and consumers have choices)

QUOTE	"We want to cut red tape as part of normalising the telecoms sector. Operators should not be subject to national whim or inconsistency."
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LESS RED TAPE FOR COMPANIES #3 *(Article 7 veto on remedies)*

PROBLEMS	National Telecoms regulators apply EU regulation inconsistently, or regulate unnecessarily, creating uncertainty for telecom companies which affects investment in networks that are needed for the digital economy.
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SOLUTIONS OFFERED	Ensure consistency through possible use of Commission veto powers on national decisions on remedies.
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IMPACTS	<p><i>For business:</i> The Commission veto power will stop over-regulation.</p> <p><i>For consumers:</i> More consistency helps European providers, giving them the confidence to bring forward a wider range of exciting, new consumer offers.</p> <p><i>For the future:</i> key to achieving normalisation of telecoms market.</p>
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QUOTE	"The aim is to gradually make the telecoms sector a "normal" economic sector with limited 'ex ante' rules on competitive conduct of companies and responsibility shifting to ex-post control under general competition rules".
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WHOLESALE PRODUCTS FOR FIXED NETWORKS

(spectrum is the key input for mobile)

PROBLEMS

The business-to-business market (around half of whole EU telecoms market) suffers from a lack of consistent design of products and connectivity, meaning that potential demand is not tapped.

New entrants to consumer broadband markets are hampered by the wide variation in regulated network access products, making common business models and technical choices impossible for multiple Member States.

SOLUTIONS OFFERED

In cases where dominant operators with significant market power are obliged to offer competitors virtual access to their networks, both buyer and seller should face harmonised conditions and features across EU.

Common criteria for assured service quality connectivity negotiated between operators on commercial terms.

IMPACTS

For telecoms businesses: Easier to expand into additional European markets.

For other businesses: key for companies in the digital economy – such as eHealth providers, cloud computing service providers, videoconference companies – it means they can be sure to obtain assured quality connectivity from their connectivity provider (Telco) to meet contract and service level commitments.

QUOTE

“European standardised virtual access products will help expand the business-to-business market. The new obligations will replace rather than add to national obligations.”

SPECTRUM for wireless broadband

PROBLEMS

Europe faces spectrum spaghetti – a tangled mess of rules and prices and timetables – that makes pan-European mobile business strategies impossible to implement. The majority of spectrum allocation is fragmented and countries are not following their obligations to assign spectrum.

Only 5 of 28 Member States have assigned all 100% of the 1025 MHz of EU-harmonised spectrum for mobile broadband due to be assigned by end 2012.

Only 12 Member States have released the 800 MHz band to operators, the band most critical for 4G LTE and expanding broadband coverage into rural areas.

SOLUTIONS OFFERED

Harmonise the timing of future spectrum release and harmonise duration of rights.

Introduce possibility to use a comitology veto (COCOM, not Commission alone) to ensure consistency of conditions imposed on spectrum assigned.

Apply a set of investment-friendly best-practice principles and criteria aimed at ensuring development of an EU wireless space.

Appropriate compensations for timely freeing up of spectrum, infrastructure and spectrum sharing, as well as spectrum trading – for example so unused spectrum is put to good use.

IMPACTS

For businesses: good for all mobile operators, especially those wanting to expand.

For consumers: faster roll-out of wireless broadband especially in rural areas.

For the future: your mobile will be free of dropped calls and pages that don't load. Efficient use and coordinated access to spectrum will lead to more network investment. Short-termist high fees policies that are not consistent with good spectrum management will be constrained, favouring capital investment in networks.

QUOTE

“We need a new approach to spectrum so that Europeans can enjoy the latest mobile developments. This is a sensitive issue for national governments, so we are trading carefully but purposefully. It's just a fact that demand for data is soaring

and the current spectrum system cannot cope. Networks face congestion or breakdown under the status quo – disrupting citizens and business – and mobile companies have no chance to build a pan-EU business case.”

WIRELESS INNOVATION: 4G, Wi-Fi and small cells

PROBLEMS

Europe is not a developing continent, but you would never know it from our level of 4G coverage. 4G/LTE reaches only 26% of the European population. In the US one company alone (Verizon) reaches 90%!

In 2012 Europe – the world’s biggest economy - had 6% of the world LTE connections, compared to USA 47%, South Korea 27%, Japan 13%.

Congestion still likely on 4G, even if the target of 1200 MHz of harmonised spectrum for mobile broadband in Europe is achieved. We need other back-up systems for off-loading demand.

SOLUTIONS OFFERED

Increase capacity through less onerous authorisation conditions

Increase capacity through removal of unnecessary deployment restriction such as overly complex procedures for granting permits for micro base stations or wireless hotspot deployment. Increase capacity through right to share access to WI-FI access points.

Operational improvements such as the common use of active and passive infrastructures, spectrum sharing and spectrum trading will make it easier and cheaper to deploy and/or renovate wireless networks with new technologies.

Common regulatory principles for spectrum authorisations, common criteria for the availability and conditions of spectrum.

IMPACTS

Mobile network operators will be able to use small area access point technologies (4G or Wi-Fi) to increase the capacity of the networks with a given quantity of spectrum.

Fixed line network operators will be able provide complementary wireless broadband connectivity services through public access to Wi-Fi networks, that may - depending on consent - be located in the consumer's or business' premises.

End-users will have more choice for wireless broadband connectivity, easier possibility to offer Wi-Fi based access to the internet to others.

QUOTE

“Operators need to expand the capacity of their wireless broadband networks in cost-efficient ways. Consumers and businesses want to wirelessly use their fixed lines: Wi-Fi or 4G small cells will do the trick. We are not forcing end-users to share their Wi-Fi, but giving them choice.”

STABILISING COPPER NETWORK ACCESS PRICES

PROBLEMS

Copper network owners need stability of income from renting out their networks to competitors, to enable investment in faster “next generation” networks.

Alternative operators do not have a sufficiently consistent basis for planning pan-EU business operation, based on stable and consistent access prices.

National regulators apply many different ways to calculate wholesale copper access prices. This means the price of copper access ranges from 4 to 14 euros per month for the copper LLU (local loop unbundling) monthly wholesale rental.

SOLUTIONS OFFERED

Long-term price stability and more aligned prices across the single market.

No imposition of price regulation on access to fast next generation networks where demonstrable constraints against anti-competitive behaviour exist in the retail markets, and strengthened non-discrimination obligations to ensure that competition is strong.

IMPACTS

For telecoms businesses: today’s network owners will have greater certainty over their income allowing them to plan further network upgrades. Today’s alternative operators will share the risk of network upgrades where price regulation is not imposed. No artificial subsidy to copper network access to undercut next generation network deployment.

For other businesses: short-term = negligible, long-term = faster networks

For consumers: fair pricing and improved quality and range of services will be offered to consumers as a result of improved competitive conditions at the wholesale level.

For the future: Europe will enjoy better networks

QUOTE

“We aim to stabilise prices for the rest of the decade to give the industry certainty. This allows further network investment and more rational business decisions.”

“In order to stabilise prices over the medium-term it is obvious that there must be

some initial price adjustments in order to improve convergence of costing approaches.”

MOBILE ROAMING and EUROPEAN CALLS

PROBLEMS

High premiums for roaming and intra-EU calls are an excessive irritant to business and leisure customers; they are a market distortion with no rational place in a single market – they teach users to fear their phones instead of using them.

SOLUTIONS OFFERED

Create a true European communications space by phasing out/eliminating the difference in charges paid for domestic, roaming and intra-EU calls.

ROAMING: Operators will lose the right to charge for incoming calls while a user is travelling abroad in EU, and additionally face a choice between a carrot and a stick.

The carrot is that they can be largely free of European regulation, if they extend their domestic plans/bundles so that by July 2016, customers throughout the Union are able to use their phones and smartphones while travelling throughout the Union at domestic rates. There will be a glidepath from July 2014, allowing operators to adapt either the number of plans they offer or the number of countries they cover at domestic rates.

The stick is being subject the 2012 roaming regulation which forces companies to offer their customers the possibility to roam with new competitors (alternative roaming providers). A customer will have the right to leave their domestic operator when travelling and take cheaper roaming services from a local company or a rival company in the home country, without changing their SIM card.

EUROPEAN FIXED CALLS: Operators will have to charge no more than a domestic long-distance call for all fixed line calls to other EU member states. Any extra costs have to be objectively justified.

EUROPEAN MOBILE COMMUNICATION: Operators will have to charge no more than the euro-tariffs for regulated voice and SMS roaming communications for mobile communications to other EU member states. Any extra costs have to be objectively justified.

IMPACTS

Consumers: No fear, more convenience, reasonable prices.

This benefits those that travel and those who never leave home; those who love their mobiles and those who only have landlines. Consumers and businesses alike.

For telecoms businesses: A direct impact of around 0,5% revenue decrease due to elimination of price differentiation between national and intra-EU calls, compensated by higher consumption volume in the medium term. The proposed roaming regime is optional and is expected to be beneficial to operators in the medium term.

For other businesses: further savings in addition to the €1100 a year already saved by a moderate business traveller in the course of year (compared to 2009 prices), The abolition of roaming charges will promote the cross-border use of connected devices and services (e.g. M2M solutions), and boost the evolution of mobile data applications, thereby contributing to a more favourable business environment

For the future: proof that real reform is possible in telecoms, and that the EU can make direct tangible improvements to citizens lives.

QUOTE

"Our proposal on roaming builds on the existing rules by offering operators the incentive to gradually introduce retail offers in which domestic service rate applies both to domestic services and roaming services. (Roam-like-at-Home). It also puts an end to unjustified price distinctions between the price of national and "international" (intra-EU) calls."

"EU consumers should not pay more for calling abroad or when they travel abroad in the EU."

"The current roaming rules are designed to reduce the problems of national markets but they don't build a real single market. The current rules were written before the economic urgency of establishing the telecoms single market was apparent."

"The current rules provide a safety net and a stick to complement the new opportunities and 'carrot' contained in this package."

"Domestic mobile prices have consistently fallen alongside the previous three reductions in mobile roaming price caps. There is no evidence to suggest that eliminating roaming premiums will push these prices up."

CONSOLIDATION IN TELECOMS SECTOR

PROBLEMS

Hundreds of telecom operators in Europe, but none active in all Member States.

Several major companies (e.g. Vodafone, France Telecom) have begun to withdraw from certain Member States' markets. Where they expand it is often outside the European Union.

An average European can only choose among 3 or 4 alternative providers.

Telecom operators need bigger scale to become more competitive global players and increase their ability to invest and expand at a time when consumers increasingly value faster networks and EU-wide convenience.

SOLUTIONS OFFERED

There is no reason to change competition rules. Those rules pose few problems for cross-border mergers. In addition, by creating the conditions for a real single market (such as a single space for calls and data, and harmonised consumer rights, and the possibility to make pan-EU investments), we create the conditions for a different way to look at markets from a competition perspective.

IMPACTS

For telecoms businesses: greater opportunities to consolidate and become pan-European businesses with the necessary scale to compete globally.

For other businesses: greater access to pan-European services offered by pan-European operators.

For consumers: benefit from a larger choice of alternative operators, better networks and other services that pan-European businesses can provide.

For the future: a market structure and market offers that compare favourably with our global competitors.

QUOTE

"Creating a single market is our policy objective. Consolidation, on its own, cannot be a policy objective. Why? First, mergers are never an end in themselves. Second, we cannot put the cart before the horse.

"Creating a Single Telecoms Market would allow operators to expand more easily to other European markets and change way in which consolidation is looked at under applicable EU competition control rules. But creating a single market is the

pre-condition for changes in the competition law analysis.”

NET NEUTRALITY

PROBLEMS

There are no clear rules on net neutrality today at EU level, leaving 96% of Europeans without legal protection for their right to access the full open internet.

National regulators do not have the power to intervene against blocking and throttling under current EU rules.

Some EU Member States (NL, SI) have adopted laws, other countries are reflecting on measures, but without EU action this could further fragment the European market, and significantly complicate the integrated management of multi-territorial networks.

The blocking and throttling of P2P and VoIP is the most common example of unacceptable traffic management by operators: around 21% of fixed Internet access subscribers and around 36% of mobile subscriptions are affected by restrictions.

This causes problems for: consumers who can't enjoy full internet; content and application providers who do not have a guaranteed access to consumers, and are prevented from innovating in the long term; operators who face different approaches regarding traffic management practices in different Member States and who are not encouraged to create new business models, but simply protect past/current territory and traditional revenue sources like voice calls.

SOLUTIONS OFFERED

This proposal will end discriminatory blocking and throttling and deliver effective protection of the open internet. It sets out clear rules for traffic management on the Internet, which has to be non-discriminatory, proportionate and transparent.

Companies would however be allowed to differentiate their offers (for example by speed) and compete on enhanced quality of service. There is nothing unusual about this – postal services (express mail) and airlines (economy/business class) have done this for decades. But this is subject to a vital pre-condition: that the quality of open Internet must not be impaired.

To meet end-users' demand for better service quality, content providers may agree deals with internet providers to assure a certain quality of service ("specialised services"). Such offers will enable telecom operators to generate additional revenue streams from OTT actors, content providers as well as from consumers, who are willing to pay for better or faster services. These revenues, in turn, will enable operators to finance investments into network upgrades and expansion.

Specialised services must not lead to quality degradation of the "normal" Internet. National regulators will monitor quality of service and may impose minimum quality requirements, under Commission coordination.

IMPACTS

For business: Stepping stone for innovators, who will not see their applications and services blocked and who will be able to choose to pay for a guaranteed quality of service (ex: videoconference businesses, cloud computing, e-health).

European operators can develop new business models on a pan-European scale.

For consumers: Will be given stronger rights that they do not have today. Will be able to access all contents and applications of their choice on any device they choose (within the limits of any contracted data volumes or speeds and subject to existing laws). Will benefit from greater offer of high-quality services. The open Internet will continue to play its key role for citizens' freedom of expression and societal and political debates as well as the entry point for innovative online start-ups.

For the future: A real basis for providing and enjoying services everywhere in the EU. It will allow innovative companies to launch services without fear of blocking or throttling and design new services requiring a guaranteed quality of service. Operators will have access to additional revenue streams to finance investments into network upgrades and expansion.

QUOTES

"We do not have a common protection of net neutrality in Europe today. This proposal will ensure it. The proposal will optimise the outcome for end-users, content providers and Internet service providers."

NEW RIGHTS FOR CONSUMERS

QUALITY OF SERVICE (strongly related to net neutrality)

PROBLEMS

Today operators are often not sufficiently transparent, in particular on their traffic management practices as well as on the quality of service actually provided to consumers.

94% of consumers think that ISPs do not provide clear information on their website on blocking/throttling of specific applications or services.

There are major discrepancies between advertised speeds and actual speeds on fixed networks. On average, EU consumers receive only 74% of the advertised headline speed they have paid for.

SOLUTIONS OFFERED

Operators required to supply (both public and contractual) information on the average speeds they actually provide to their customers during normal and peak times, data volume limitations, and on traffic management practices.

National regulators required to monitor quality of service and may impose minimum quality requirements, under Commission control.

Consumers can terminate their contract or claim damages if there is a significant and non-temporary discrepancy between what they were promised and the service they actually get (e.g.: speed).

IMPACTS

For business: Increased chances for price and quality competition as consumers are more aware of services received and can more easily change providers if they are unsatisfied or seek a different type of service.

For consumers: Will be protected against misleading offers and will have a real understanding of the service they are entitled to expect and the right to leave if they are not happy with it.

For the future: Better informed consumers can properly choose the service provider and offers that suit them best and obtain the services they paid for.

QUOTE

"These measures will achieve real transparency and enable consumers to know what they should expect to get, before they sign and pay. These EU-wide requirements are necessary to make the European single consumer space work."

BETTER CONTRACTS AND MORE TRANSPARENCY

PROBLEMS

Today contracts are hard to understand, do not include critical information for the consumer, and are difficult to enforce or leave. Consumers are frequently locked in to internet and phone contracts. Barriers to switching include length of switching time, loss of the email address, high termination fees and long notice periods.

Almost half (44%) of the respondents experienced problems of some kinds when switching (study "The Functioning of the Market for Internet Access and Provision from a Consumer Perspective").

SOLUTIONS OFFERED

CONTRACTS AND SWITCHING:

All relevant information must be provided before the conclusion of the contract. No changes to the contract without explicit agreement of the customer.

Extra information to be included in contracts:

- data volume limitations,
- the actual data speeds,
- how to monitor consumption and
- an explanation of the practical impact of the service characteristics on the use of content, applications and services.

Contract periods: There can be no initial commitment exceeding 24 months, and a 12 month-only option must be provided.

Contract roll-over: warning provided at least one month in advance, with an option to oppose tacit extension of the contract; in case where a contract rolls over the contract can be terminated without any costs with a 1 month notice.

Contract termination: consumer to gain right to terminate any contract after 6 months without penalty with a one-month notice period; reimbursement due only for residual value of subsidised equipment/promotions, if any. Any restriction on the use of the terminal equipment on other networks must be lifted free of charge once any due compensation of subsidies/promotions is paid.

Switching:

- process led by receiving/gaining provider (one-stop shop),
- improved rights for users (e.g compensation for abuse or delays of switching),
- e-mail forwarding facility (where ISP provided e-mail address),
- rules on contract termination and switching apply to all elements of bundles sold to consumers such as triple or quadruple play (including TV).

TRANSPARENCY:

- mandatory availability of comparison tools provided by national regulator or accredited third parties to allow users to know the actual performance of electronic communication network access and services and the cost of alternative usage patterns,
- bill-shock mechanism to avoid "bad surprises".

IMPACTS

For business: Increased chances for competition as consumers are more aware of services received and can change providers more easily. Therefore new opportunities for providers with attractive offers which meet demand of users.

For consumers: Can hold service providers to account over service parameters offered; and can better enforce their rights if they are not respected. Change of providers and switching process become easier. Consumers can control their consumption and are protected against bill shocks.

For the future: Better informed consumers that can more easily enforce their rights and satisfied consumers that are likely to increase their consumption. Increased service quality thanks to more switching and competition.

QUOTE

“These measures will empower consumers to claim what they pay for. It will help you leave your provider if you aren’t getting what you pay for, or simply want a different type of service. You would have the same rights no matter where you are in Europe and who your provider is.”

“The new provisions on transparency and switching will substantially reinforce consumer rights and encourage competition between providers. These EU-wide requirements are necessary to make the European single consumer space work.”

BEHIND THE SCENES – institutional

PROBLEMS

Today's regulatory framework is not sufficient to break the 28 national market structure.

SOLUTIONS OFFERED

Keep institutional change to the minimum necessary to enable the single market including a full-time chair with a 3 year mandate to provide greater consistency and direction to work of BEREC (Body of European Regulators of Electronic Communications).

This means greater co-ordination between national regulatory authorities with a key focus on identifying and then applying best practices, additional EU supervision of national regulatory decisions affecting companies that benefits from a single authorisation in the EU.

IMPACTS

For regulators: minimal changes to BEREC functions, more coordination between national regulators and Commission.

For businesses: simpler dealings with government

For consumers: easier to know who is in charge when you have a complaint

For the future: enables a full telecoms and digital single market

QUOTE

“The proposal focuses on identifying and applying best practices rather than changing structures. The proposal affects co-ordination, but not the balance of competences between the European Commission and the Member State. It is therefore no shift of powers from Member States to Brussels, but a common endeavour to ensure that all citizen benefit from best practice regulation. We are NOT building new institutions. We are NOT abolishing bodies like BEREC.”

WHAT OTHERS SAY

Consumer organisations (BEUC)

Priorities are more transparency in telecoms markets (to support effective choices); ensure an open, neutral Internet (applying to both mobile and fixed networks) without ISPs unjustified blocking and throttling of traffic; an end to international roaming charges and better enforcement of consumer protection rules.

Incumbent operators (ETNO - European Telecommunications Network Operators and GSMA) agree on our diagnosis of the sector, and support certain reforms, for example around spectrum. They want to see greater deregulation and worry that ending roaming premiums will hurt their revenue.

New entrants/access seekers; mobile, cable operators and satellite industry (ECTA – European Competitive Telecommunication Association) ECTA wants improvements to the business-to-business market at European level. CableEurope supports consistent access products for business services.

Digital consumer electronics manufacturers (DigitalEurope) single market rules need to work for services as they do for goods. The status quo does not meet expectations of the digital industry.

CCIA, a **representative of IT and applications developers**, welcomes the bold and pro-competitive outline of the proposals.

Connectivity-dependent industries (ERT – European Round Table of Industrialists) stress that in the absence of rapid action at European level, there is a significant risk of missing out on a major boost for growth and jobs. Worse still, under great competitive pressure, companies would be forced increasingly to invest in other parts of the world where the environment would be more favourable.

Other business users (INTUG – International Telecommunications Users Group) stressed the necessity to treat the business market (which represents 50% of the overall e-communications market) as a different segment from the residential market. The absence of consistent access products is a serious obstacle to serving the needs of multi-national companies within the single market.

Investors – stress the disappointing performance of the sector. Business models have not adjusted fast enough to decreasing importance of voice revenue and the rapid increase of data consumption. Margins have shrunk due to strong competition from new entrants which use the networks of incumbents on a nearly risk-free basis and which in several cases benefited from more favourable treatment (e.g. spectrum assignment). Whilst in the short term investors may prefer market fragmentation, a genuine single market could make the pie larger.

European Consumer Consultative Group, which brings together all national consumer organisations and BEUC (11/12 June 2013), welcomed the proposals and emphasised the importance of net neutrality.