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# The electronic communications Markets in Europe – the vision and challenges for the medium and long term

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# Introduction

In this presentation four main areas of attention:

- 1- Fixed telephony markets
- 2 -Mobile telephony markets
- 3 -The Internet
- 4 -The Single Market goal and the appropriate approach to regulation



# Fixed Telephony Markets

Where we are:

- A 20 year long competition based reform
- From service competition to infrastructure competition to NGNs competition?
- Slow deployment of new network investments (Digital Agenda Scoreboard disappointing data)
- Problematic access conditions to the legacy copper network and transition to NGN: the debate on the Recommendation on non discrimination and costing methodologies



# Fixed Telephony Markets

Main limits and bottlenecks of the *status quo* according to the Commission:

- Divergent regulatory interpretations at national level → regulatory uncertainty and unpredictability
- Delay in NGN investments in Europe
- Erratic consumer protection



# Fixed Telephony Markets

Present debates:

- Relation regulation/investments, are we striking the right balance?
- Should we overcome current national markets fragmentation by an increase of European companies' dimension? Favor for a policy of cross border mergers?



# Fixed Telephony Markets

One way forward for regulators:

- Reconsider the switch-over theme: in TV broadcasting, without a mandatory switch-over many countries would still be on analogic transmission
- A public driven switch-over, with adequate competition oriented NGN regulation and attention to network value could be the solution?
- Could this be a European lead or a national process?



# Mobile markets

Where we are:

- A native competitive environment
- The success of the 2009 Recommendation on the regulatory treatment of fixed and mobile termination rates throughout the European Union
- The waterbed effect did not materialize in reality, prices decrease and convergence have benefitted markets and consumers



# Mobile markets

## Present debates:

- Convergence of services (voice, video, internet, data traffic): need for a common, technology neutral charging principle?
- Increase in demand, under-exploitation and fragmentation of the rights to use spectrum: is there a risk of spectrum crunch in the near future in Europe?
- In any case, clear need for more band availability and better spectrum management





# Mobile markets

Possible solutions:

- Reallocation/re-farming of used spectrum
- Improving spectrum market mechanisms
- Trying to control traffic growth
- Incentive prices for non-mobile spectrum (AIP)
- Adopting new technologies
- Spectrum Sharing models



# Mobile markets

One way forward for regulators:

- Experiment with Licensed Shared Access/Authorized Shared Access Models
- Experiment with innovative solutions for Wi-Fi/mobile integration



# The Internet

Where we are:

- An extraordinary General Purpose Technology
- Europe probably is not truly behind in use, but all major native Internet's companies are from the US
- Doubts about the present and future capacity of our networks to deliver all the potential benefits of the digital world



# The Internet

## Present debates:

- The conflict between Telecoms and Over The Tops
- Possible asymmetries regarding: privacy and data protection; tax issues; rules on competition; burdens deriving from regulation
- If they are real correct them, but consider if the problem is also the difference in the business model



# The Internet

- Where OTT make their business: Google on advertising, Apple on manufacturing and apps; Facebook on advertising; Twitter on advertising; Netflix on subscription of content...
- Where Telcos make their business? Voice, data, broadband access... is there an important overlapping?
- Telcos truly want to compete on advertising, manufacturing, content and other OTTs areas?



# The Internet

One way forward for regulators:

- Concentrate policy and regulatory efforts to definitely clarify and solve all the asymmetric issues
- Carefully control, mainly through competition law, the “winner takes all” characteristic of many Internet’s markets



# Regulation and the Digital Single Market

Where we are:

- Principle of subsidiarity → harmonized framework, but NRAs maintain responsibility
- IRG and BEREC co-ordination activity
- Intensive use of soft law from the Commission
- Markets are perceived as nationals, and sometimes sub-nationals...



# Regulation and the Digital Single Market

Present debates:

- What are the barriers to the European Single Market?
- Lack of EU standards?
- Differences in the implementation of the European regulatory framework?
- Differences in prices?
- Lack of coordination on national spectrum policies?
- Different level of protection for consumers?





# Regulation and the Digital Single Market

The new Commission's regulatory proposal:

- Making it less complex to invest; providing and guaranteeing services across borders; harmonizing essential technical “inputs”
- Standardizing fixed wholesale products (Virtual Unbundled Local Access, Bitstream Access and Leased Lines, etc.) to facilitate market access and cross-border services
- Pursue long-term price stability and more aligned prices across the single market



# Regulation and the Digital Single Market

European Institutions' push for a Single Market can take three directions:

- Intervening directly into the market – essentially through prices - to lower barriers and close differences among Member States
- Adopt a lighter monitoring attitude on regulation and on mergers among Telcos, allowing them to gain dimension through cross border mergers
- Intervene on common inputs in the hope to get output convergence



# Regulation and the Digital Single Market

One way forward for regulators:

- Pursue price intervention and convergence were market fundamental suggest that differences are due to rents exploitation not cost differentials



## A Short Conclusion

Regulation in Europe is a success story:

- It has created a competitive environment out of an history of monopolies in fixed lines
- It has opened the way for a competitive and highly successful mobile industry
- It has given way to the Internet revolution for the benefit of European consumers and industries
- It has created an harmonized level playing field for the electronic communications industry throughout Europe



## A Short Conclusion

New challenges are ahead:

- The transition to NGN is slower than expected and desired
- There are fears of a spectrum crunch in the future
- The Internet is bringing profits mostly to US's companies
- The Single Market appears a far target and most markets remain national

However, not all these problems are regulatory and should be solved through regulation. We tried to propose few ideas for advancing the discussion, but it is wise to conclude that the first duty is to try to do well our own job!



## Some Personal References On The Issues Discussed

- **“Electronic Communications Regulation in Europe: An Overview of Past and Future Problems”** *Utilities Policy, forthcoming* 2013, (with Virginia Silvestri).
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Many thanks for your attention!