

ECTA - GUARDED WELCOME TO THE COMMISSION'S FRAMEWORK FOR TELECOMMUNICATIONS

Proof of success will be in reducing incumbent dominance

Brussels, 28.06.06 - The European Competitive Telecommunications Association (ECTA) today welcomed Commissioner Reding's proposal to strengthen competition in the telecoms sector. In particular, ECTA welcomed the debates on separating incumbents' infrastructure and services businesses and on broadening the availability of radio spectrum. However, ECTA cautioned that the proposals to reduce regulation in the retail sector before competition is sustainable could back-fire.

ECTA believes that one possible model for separation would be one that is based on functional separation. This is a system that has recently been introduced in the UK, and should, if effectively implemented, result in an environment that encourages competition. A European-wide precedent also already exists in the energy sector, where Member States were required to separate network functions from other services. ECTA also supports the approach to the use of radio spectrum promoted by the European Commission, and the concrete measures that will lead to more flexible use of spectrum.

ECTA further welcomes Mrs Reding's clear position against any "regulatory holiday", which is a concept invented by incumbent operators to free themselves of any regulation as soon as they upgrade their networks, for example with the move to optic fibre.

While welcoming the proposed removal of unnecessary regulation, ECTA remains concerned that the timing of some of the deregulatory proposals may be premature. In particular, removing regulatory protection from retail markets before a more permanent solution is found to prevent incumbents abusing their powerful position could leave competitors vulnerable to retaliatory action. ECTA believes that competition law is too slow and ill-adapted to deal with these kinds of issues in sectors with structural and legacy competition problems.

Steen Clausen, Managing Director of ECTA, said, “We are delighted that the Commission has reaffirmed the importance of competition in driving investment and innovation, and is committed to examining solutions that might address competitive problems at their core. But the proposal as it stands may mean that by removing critical retail markets from regulatory protection, the Commission could put in jeopardy the many benefits consumers have already enjoyed as a result of the Framework as it exists today.”

Of specific concern to ECTA’s membership is that the proposed legislation provides incumbents with a competitive advantage in relation to the many European operators that are investing, innovating and employing people to launch new services, including VoIP, throughout Europe.

Clausen said, “We agree that there should be no need for regulators to set prices of telephone calls if access measures allow competitors to enter the market and drive prices down. However, if incumbents have free rein over retail prices and how they package services, experience demonstrates there is a real risk that they will use this freedom to shut out competition before it has become established. Regulators must be clearly entitled to monitor retail markets and to take safeguard measures when anti-competitive behaviours, such as margin squeeze and unfair bundling, occur.

Clausen continued, “Competitive problems in the telecoms sector remain deep-seated across Europe, with patchy implementation of market opening measures and persistent anti-competitive behaviour by incumbents. Regulators have been playing catch-up, with varying degrees of success. A more permanent solution, which addresses the incentives for behaviour at their heart, would pave the way for greater competitiveness in Europe. This would result in lower prices and more dynamic markets.”

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About ECTA

The European Competitive Telecommunications Association (ECTA) looks after the regulatory and commercial interests of new entrant telecoms operators, ISPs and suppliers of products and services to the communications industry.

ECTA works for a fair regulatory environment which allows all electronic communications providers to compete on level terms in order to multiply investment and innovation throughout an effective European internal market. The association represents the telecommunications industry to key government and regulatory bodies and maintains a forum for networking and business development.

ECTA member companies include operators, service providers and suppliers as well as National Associations of such who all contribute towards regulatory policy development and participate in our comprehensive range of networking events, conferences, seminars, briefings and executive meetings.