



ECTA WARNS OF THREAT TO BROADBAND COMPETITION FROM EU PARLIAMENT TELECOMS PROPOSALS

Brussels, 08 July 2008 – The European Competitive Telecoms Association, the pro competition group, gave a cautious welcome to proposals from the European Parliament to amend the EU Telecoms Framework, but warned that many of the amendments approved by the European Parliament’s Industry Committee on 7 July protect and favour dominant firms at the expense of competition in the telecoms sector. ECTA cautioned that, if adopted by the Parliament and endorsed by other European institutions, the advantages gained by the dominant firms under the proposed revisions to the EU legislation could undermine competition in high-speed broadband services.

Innocenzo Genna, Chairman of ECTA, said: “Consumers and businesses in Europe have reaped the benefits of lower telephone prices, ever-increasing broadband speeds, more investment and innovative triple-play offers that have been brought to them as a result of competition in the telecoms market. But these benefits, many of which are due to effective wholesale regulation in the sector, can disappear just as quickly as they arrived, if policy-makers make too many concessions to dominant firms.”

One of the key areas in which ECTA has been seeking support is for local loop unbundling rules to apply to fibre as well as the existing copper network.

Genna continued: “We are pleased to see that access to fibre networks has been reflected in the Parliament Committee’s proposals. This is a very positive signal. But the devil is in the detail: unless the price and the access conditions to the local loop are reasonable then the change is ineffectual and incumbents will have a return to the monopoly they are looking for. And here we fear that dominant players have gained the upper hand.”

Dominant operators have argued that regulation must be weakened to allow them to invest in expensive next generation fibre access networks. However, recent research from WIK Consult has found that incumbents would incur 30% lower costs in rolling out fibre networks than competitors because they already own crucial elements of the infrastructure. In addition, incumbents’ high share of subscriber lines and ability to make efficiency savings by selling local exchange buildings significantly reduces their risk in upgrading their access networks.

A critical concern is that the Committee has proposed to replace the current, positive, principle of ensuring a fair and risk-adjusted return on investments by dominant firms with the

concept of 'risk sharing'. ECTA believes the main result of risk sharing will be to further decrease the risk for dominant players and increase the costs and risk for competitors with substantially lower revenues and profits.

Some parts of the telecoms sector are characterised by very high scale economies, similar to energy and post. This means that essential parts of the infrastructure will inevitably be in the hands of the one or two biggest players in each country. It also means competition and consumer choice in the vital broadband market is largely dependent on competitors being able to access that infrastructure, in particular the 'local loop'.

Genna continued: "Former incumbents' main goal has been a clandestine return to their old monopoly position. They have sought to undermine access conditions for competitors, weakening the intense competition that has been developing in the past few years. Seemingly harmless concepts such as risk sharing among operators have been put forward with the less positive aim of pricing out smaller rivals from essential parts of the network."

In addition to introducing 'risk sharing' dominant firms also succeeded in watering down the remedy of functional separation, which was proposed by the Commission and endorsed by the European Regulators Group as an option that should be available to regulators to strengthen competition in the sector. Whilst not adopted by the Committee, some MEPs had also argued that the Framework for competition as a whole should be phased out as early as 2014.

ECTA urged the European Institutions to stand up for consumers and competition, and reject deals aimed at supporting dominant firms.

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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 that 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 which all contribute towards regulatory policy development and participate in our comprehensive range of networking events, conferences, seminars, briefings and executive meetings.