

TELECOM BENCHMARK HIGHLIGHTS GAPS IN EU COMPETITIVENESS

Brussels, 27 January 2009 – Consumers benefit from better telecoms services and higher investment levels in countries where the national telecoms regulatory authority has strong powers and is active in using them, according to a report that will be published tomorrow by ECTA.

The pro competition body's annual Regulatory Scorecard, which benchmarks the telecoms regulatory framework in 20 European countries, found that the effectiveness of regulation varies significantly across Europe and that the actions of the regulator have a strong influence on the development of high-speed broadband. The report also highlights how the competitiveness of multi-national European firms is being undermined by the variations in regulation, which push up the cost of building networks across Europe

The Scorecard will be launched by the European Competitive Telecoms Association during an event in the European Parliament tomorrow (Wednesday 28 January). Countries found to have the most effective rules for telecoms competition across a broad range of measures were the UK and the Netherlands, whereas entrants in the Czech Republic and Poland faced the most difficult market conditions. (Full rankings are shown below).

Of particular concern is that different approaches are being taken in different countries on the regulation of 'next generation' fibre access networks ranging from explicit restrictions on access in Spain to measures to 'unbundle' fibre to allow more choice for consumers in the Netherlands. Moreover inconsistent availability of essential high speed business connections makes linking together European multi-national corporations very difficult. Regulators' powers to enforce competition rules also vary widely, with some NRAs lacking even basic powers to fine dominant firms for breach of their obligations.

ECTA urged the European Parliament and Council to use the opportunity of the Review of the Telecoms Framework to send a clear signal supporting the need for consistent and effective regulation to address dominance in the telecoms sector and to fully empower national regulators.

Recent figures from the European Commission and investor reports show that competition in the broadband market has stalled. For the last two years incumbents have maintained on average around 50% share of the market whilst some dominant firms such as Telefonica in Spain have increased their market share (from 51.5%-57%) whilst reporting strong financial results. At the same time investment has slowed.

Innocenzo Genna, Chairman of ECTA said: “Now more than ever, politicians need to help consumers and businesses through the economic crisis by stimulating investment and innovation by all players, lowering costs and boosting business productivity. The results of the Regulatory Scorecard have repeatedly shown that relaxing rules on dominant telecoms firms is not the way to deliver any of these objectives.

Genna highlighted that the risks for new entrants in the telecoms market are particularly high in today’s climate and that there is scope for regulatory effectiveness to decrease in future years if national regulators do not act to maintain competition. “Incumbents in several countries including Germany and Italy are bidding to increase local access charges for competitors. At the same time entrants face the prospect of their previous investments being stranded as incumbents close down the local exchanges where entrants’ networks are housed. In the past we have generally seen year on year improvements in competitiveness in the Scorecard, but this may change.”

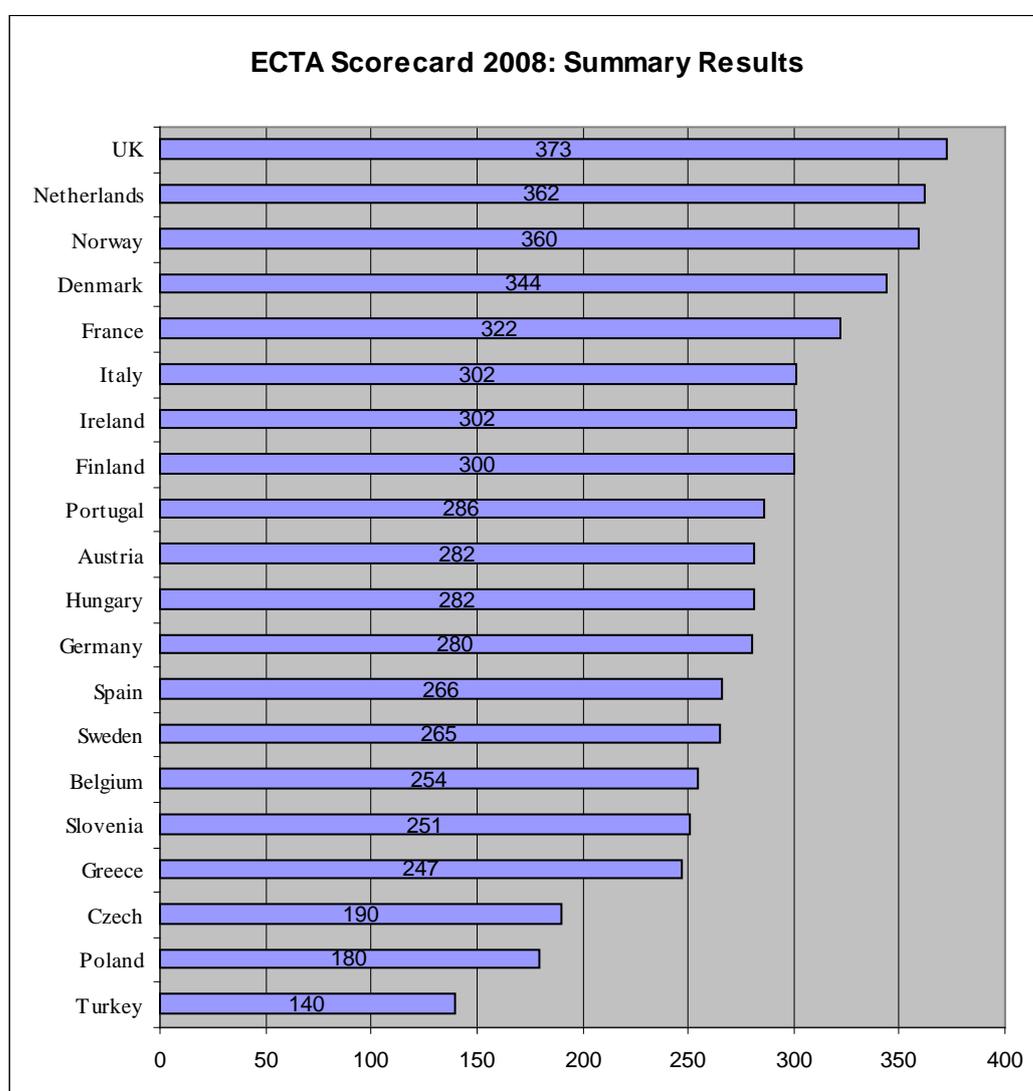
Genna continued: “The most valuable contribution that telecoms policy-makers can make towards Europe’s progress is to provide certainty for the whole market by focusing on the goal of at least one fibre ‘superhighway’ to each home that is effectively regulated with terms that allow a fair return but do not discriminate in incumbents’ favour. Policy-makers should also ensure that the European Commission and national regulators work more closely together to translate words into consistent action.”

Amongst more than 100 questions covered in the annual survey, divergences include:

- Time to port a telephone number ranges from 1 day in Germany and Ireland to more than 45 days in Poland.

- The price for a competitor to access the 'local loop' of a dominant firm ranged from approx €100 annually in the Netherlands to approx. €200 in Ireland, based on a two year subscription.
- Price for a basket of services for a 'low user' of mobile ranged from €7 in Sweden to €24 in the UK.
- Some NRAs have no power to fine dominant firms directly whilst others can apply penalties of up to 10% turnover.
- Three NRAs have the possibility to achieve some form of structural or functional separation of the incumbent, but the scope of their powers varies

The summary results are as follows:



The full report is available on the ECTA website <http://www.ectaportal.com/en/basic651.html> from 28.01.09.

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About the 2008 ECTA Regulatory Scorecard

The Scorecard is a comparative quantitative analysis of 18 EU Member States, and Norway and Turkey, resulting in an overall score for the effectiveness of the regulatory environment in each country.

A questionnaire was compiled following consultation with NRAs and ECTA members, and taking account of the requirements and recommendations contained in the EU Communications Framework, the World Trade Organisation (WTO) reference paper on telecommunications and European Commission and European Regulators Group (ERG) Guidelines. It covers (a) the institutional framework; (b) general market access conditions; and (c) the specific competitive and regulatory conditions relating to the markets for fixed and mobile telephony, high speed business connections and broadband.

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.

About SPC Network

SPC Network is a regulatory and public policy consultancy firm specializing in the electronic communications market. The company provides analysis of, and advice on regulation, policy and economics. It's clients include fixed and mobile operators, regulators and government. For further information visit www.spcnetwork.eu

About Jones Day

Jones Day is a law firm with offices around the world. Its Brussels Office has a pan-European experience in the telecommunications industry and has handled both competition and regulatory matters in this sector of activity. Its clients include telecommunications operators (fixed and mobile), content providers, trade

associations and governments. For further information please visit www.jonesday.com.