

TELECOMS COMPETITION KEY TO BEATING RECESSION

ECTA warns Ministers against protecting monopolies on eve of crucial Telecoms Council vote on functional separation

Brussels, 26 November 2008 – ECTA today urged the Telecoms Council of Ministers at its meeting tomorrow (27th November) to grant national regulators the power to impose the remedy of functional separation. The pro-competition body believes that empowering Europe's telecoms regulators is critical if the European ICT sector, which connects multi-national businesses representing 35% of Europe's GDP, is to play its part in bringing the EU economies out of recession. An integral element of the recovery is for Europe's businesses and consumers to benefit from next generation super high-speed services.

The current severe economic climate makes the business case for duplication of next generation networks in Europe even more tenuous and it is unlikely, except in a few cases, that more than one high-speed fibre line will be available in any one location. Research has shown clearly that incumbents, whose financial strength stems from their previous monopoly positions, are in the strongest position to install fibre networks. As sharing of these networks will be essential, functional separation rules alongside assurances on returns could in some cases provide the necessary regulatory certainty for fibre investors as well as helping to overcome persistent competition bottlenecks in the sector.

Innocenzo Genna, Chairman of ECTA, said, "It is more vital than ever in these times of economic hardship that we maximise the use of telecoms networks and foster profitable investment to ensure at least one super-fast network is available to as many citizens as possible. Widespread duplication of telephone access lines has never been economical, even in the boom times, and is even less so now."

Access to incumbents' networks currently represents a large proportion of the costs for competitors, and even where access is available at a fair price, other discriminatory practices can often make the business case for competitors tenuous. BT Global Services, which provides business services across Europe as well as worldwide, is just

one of the operators affected by regulatory weakness in many parts of Europe, wants this addressed urgently to ensure competitive services are available to help businesses in these recessionary times.

Luis Álvarez Satorre, President of BT EMEA and Latin America, said, “Now is the time for the Council of Telecoms Ministers to act. Telecoms operators have a significant role to play in Europe’s economic recovery, in particular by making next generation fibre networks available to all at equitable rates. There needs to be a clear agreement that Europe will no longer tolerate discrimination in terms of access to networks and regulators need to have effective tools, including functional separation to tackle it. We need to have more consistency across Europe which is particularly important for providing cross-border pan-European services to businesses.”

BT was the first European incumbent to create a functionally separated unit, Openreach. Sweden has passed a law on functional separation and the regulator is in the process of applying it whilst Telecom Italia announced it too is working with the Italian regulator AGCOM, with the view to providing non-discriminatory access to its network.

French ECTA member SFR is also calling for prompt and clear action from the Council of Telecom Ministers.

Richard Lalande, Executive Vice President of SFR and President of l’AFORST, the French association of competitive operators, said, “Our hopes are that under the French presidency, a decisive step will be made towards the approval of the new Regulatory Framework. In an increasingly uncertain world, operators need as much certainty as possible to go on investing, they need to have confidence that competition will remain open and fair while we are moving to next generation networks”.

ECTA is also questioning the motives of Germany and Spain in blocking functional separation from being included in the telecoms package.

Genna continued, “Just last week, the Commission challenged Spain for protecting the incumbent and for promoting a regulatory holiday for next generation access fibre networks. It has similarly challenged Germany. We will be meeting Competition

Commissioner Kroes tomorrow and will urge her to reinforce her efforts to unblock markets and tackle dominance during these times of economic pressure. Consumers are looking at us to help them cut their costs and now more than ever they need access to the low prices and the extra choice that competition brings.”

-ends-

For further information (not for publication):

ECTA

Barbara McCall

Tel: +44 (0) 20 7031 8270

Email: bm@theword-shop.com

BT

Jessica Yudilevitch

Tel: +44 (0) 7710035005

Email: jessica.yudilevitch@bt.com

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.