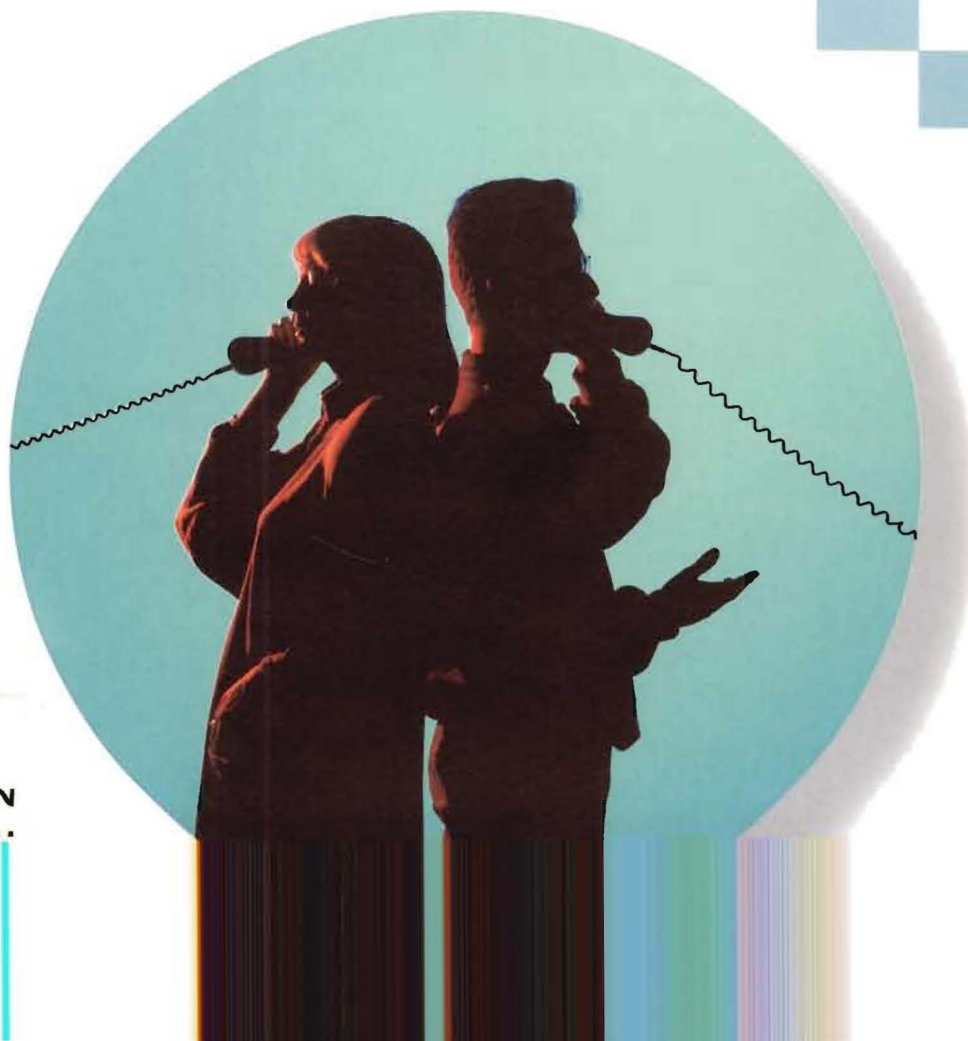




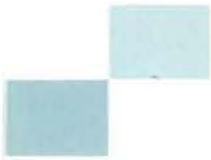
COMPETITION IN TELECOMMUNICATIONS: WHY AND HOW?



Europe ...
questions and answers



Europe ...
on the move



This publication appears in all official Community languages — Spanish, Danish, German, Greek, English, French, Italian, Dutch, Portuguese, Finnish and Swedish.

A great deal of additional information on the European Union is available on the Internet. It can be accessed through the Europa server (<http://europa.eu.int>).

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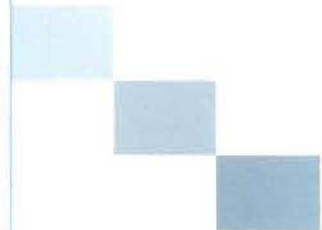
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EUROPE ... QUESTIONS AND ANSWERS

COMPETITION
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EKA

The telecommunications industry is growing fast: there is a steady stream of new developments and the technology is changing rapidly. As the numbers and kinds of services available increase, the industry is becoming a pivotal player in European society and the European economy.

In 1995 the world telecommunications market was worth more than ECU 700 billion. By 2005 it should reach something like ECU 970 billion. In Europe the industry provides jobs for nearly a million and a half people.

In launching Europe along the path to deregulated telecommunications as long ago as 1987, the European Union chose to square up to the challenge posed by the new forms of communication and information technology.

The complete opening up of telecommunications to competition in 1998 will mark the culmination of the process and will turn the single market in telecommunications services into a reality.

The priorities the European Union has set in terms of deregulation demonstrate its determination to work primarily for its citizens (in terms of standards and accessibility of services, wider availability of the new channels for information, and job creation) and for businesses (with the emphasis on capacity to innovate and greater competitiveness).

By marrying a competitive environment to a guarantee of universal service, the European Union achieves a match between a dynamic market, cohesion and solidarity.

Competition in telecommunications: why and how?

Why deregulate telecommunications services and equipment?

Because it replaces dominance by a monopoly with a market on which a range of operators contend with each other, deregulation gives a vitally needed boost to the development of the telecommunications industry and innovation within the European Union. It opens up the way to new products and services and to fairer pricing.

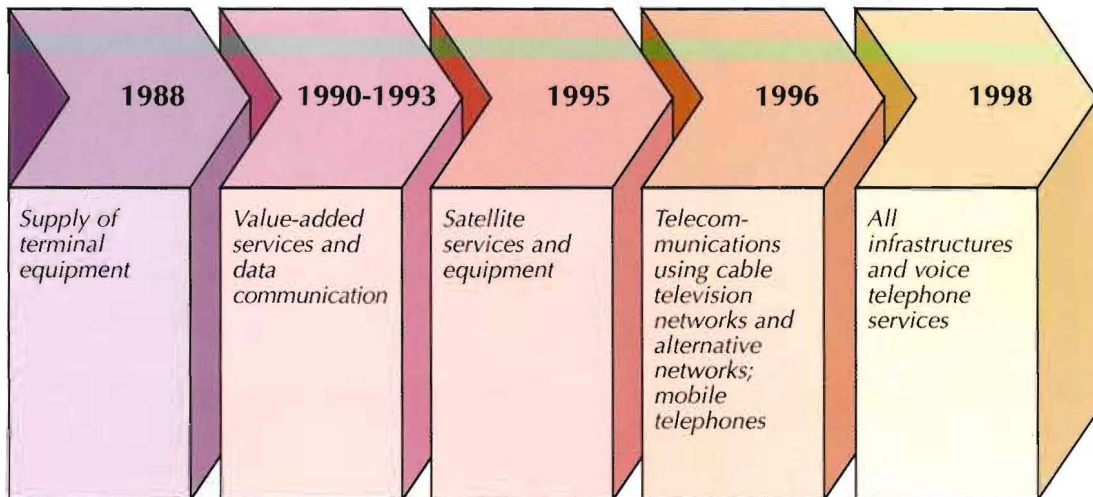
European Union policy recognizes the need for a balance between harmonization, deregulation and observance of the rules of competition and serves a number of different priorities, such as promoting job creation, encouraging the use of new technology, bringing to Europe's citizens and businesses the benefits of the new communication

facilities and the prospects opened up by the information society and helping European firms establish a presence on the world telecommunications market.

Alongside the new regulatory framework, a decisive role in achieving these objectives will be played by the establishment of trans-European telecommunications networks, the operations of the Structural Funds and the European Investment Bank, and the research and development programmes financed by the European Union.

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Deregulation by stages





The twin forces driving the deregulation of telecommunications services are the internal market and the coming of the information society, while the foundation it rests on is a clear regulatory framework which defines the new terms for this economic activity and guarantees every citizen in Europe universal service.

As the deregulation process goes ahead within the European Union, negotiations on worldwide deregulation of the telecommunications industry have been proceeding within the World Trade Organization. By opening to competition a world market worth ECU 700 billion, the agreement reached in Geneva in February 1997 will mean that the economic benefits

of deregulation can be increased and can have a greater impact on the information society. European companies can widen their field of development to take in the world, and the European telecommunications market can attract foreign investment.

Giant strides have been taken since the first telephones were invented. As the 21st century draws near, technological progress is becoming ever more rapid, more and more services are on offer and the economic and legal framework is changing too.

The European Investment Bank put up the finance for this satellite communications centre in Spain.



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The role of the EIB

Supporting the development of infrastructures and trans-European networks has long been one of the European Investment Bank's priorities. The Bank was set up by the Treaty of Rome in 1958 primarily to promote the balanced development of Europe's regions and their economic and social cohesion. Between 1992 and 1996 the Bank lent ECU 33 billion in funding for improvements to the trans-European transport, energy and telecommunications networks and to extend them to the countries bordering on the European Union, this representing about a third of total investment in the trans-European networks. In most EU countries the Bank has become the main source of bank financing for major infrastructure projects.

In the telecommunications sector, the EIB has lent nearly ECU 9 billion for fixed, mobile or satellite digital telephone system projects over the last five years. In line with the Bank's priorities, most of the loans for telecommunications schemes have gone towards meeting regional development objectives, particularly in Spain, Greece, Ireland, Italy, Portugal and the new German *Länder*.

What benefits, if any, do Europe's citizens derive from the opening up of telecommunications markets?

The first to benefit from deregulation of the telecommunications sector are its users, in terms of choice, standards and price.

The arrival of new companies on the market means more products and services, of a better standard and at lower prices, and those are the factors which turn the scales in a competitive environment. Between 1990 and 1995 prices fell by up to 40% in some Member States. This is a trend which is bound to continue, at least in real terms, with prices developing as they are.

Although most of Europe's citizens come into contact with telecommunications services, the uses they put them to differ widely. An elderly person who hardly ever uses the telephone does not have the same requirements as a student using the Internet or a family

whose members are scattered far and wide, just as a regional businessman does not have the same requirements as a multinational company. The wide range of service providers and services on offer ensures that all kinds of users have access to a service appropriate to their needs.

Users can now play commercial rivals off against one another and choose the provider who best suits their requirements in terms of charges and range of services.

At least in the medium term, telephone networks are likely to stay in the hands of the companies operating them at the moment, plus, perhaps, cable television firms and/or companies offering cable-free connections. But the existing networks will provide users with a much wider choice of suppliers for long-distance calls, Internet connections and other specialist services.

Lower charges following from deregulation will have an enormous effect. If telecommunications are to be more



All over Europe, more and more people are using mobile telephones. The opening up of the sector to competition goes a long way to explaining why.

accessible, the new services must be available to a greater number of users. Falling charges should make it easier for schools, universities and small and medium-sized businesses to get access to the new communication facilities, and in particular to on-line and Internet services.

Mobile telephones are a telling example. Since the industry started opening up to competition in 1992, charges have been reduced considerably and there has been a remarkable rise in the number of subscribers: there are now some 18 million mobile telephone users in the European Union, and in Scandinavia nearly one person in three has one.

The price of subscribing to conventional telephone services is likely to go up, although the cost of long-distance and international calls will fall by 10 or 20%, if not more. Local calls will remain affordable. Special subscriber schemes and charges may be introduced to extend the benefits of deregulation to people who mainly make local calls and to particular social categories. Each company is free to set up its own subscription schemes and fix its own time bands for preferential-rate calls. That may prove to be another factor in a user's decision on which service to opt for.

What legislation does the European Union have as a framework for deregulation and a guarantee that users are protected?

Opening the industry up to competition takes more than just setting a timetable. If consumers are to take full advantage from deregulation, rules need to be drawn up to make sure that businesses enjoy access to the market and can operate on equitable terms; there must also be guarantees that any user can communicate with all other users and that a decent level of service will be provided at affordable prices in each Member State of the European Union. A basic tenet of the policy now set up is that the networks are to be open to all users and all service providers, as well as to any bodies wishing to add to the infrastructure. Achieving this means laying down rules on making networks interconnectable and interoperable and on granting licences, thus supplementing the directives which, over the last few years, have laid down deadlines for the deregulation of satellite communications, the opening up of cable networks to telecommunications, mobile communications and the complete deregulation of telecommunications.

European competition law has a decisive part to play here, whether it involves reaching agreements on opening up the markets, evaluating partnership alliances and agreements or keeping watch on the interests at play in the market. The rules on these matters act as a guarantee that there is effective competition in the deregulated telecommunications market and a competitive European supply.

The extent to which home markets are open to competition is a basic factor in deciding whether the European Commission gives its approval for an alliance between telecommunications companies. Global One is a good

illustration: as a partnership between France Télécom, Deutsche Telekom and the American company Sprint, it brings together two European companies which dominate their national markets. Before giving the alliance the go-ahead, the Commission satisfied itself that there was genuine competition on the French and German markets. It made the same stipulation in relation to Unisource, a grouping of companies with dominant positions in Sweden, the Netherlands and Switzerland, and Uniworld, an alliance between European companies and the American company AT&T.

A feature of the satellite communications industry is that there are only a few consortiums which use state-of-the-art technology and are capable of investing heavily. Compliance with the rules of competition is particularly crucial in this area, just as it is for on-line services and the Internet, which, as carriers of interactive material and pillars of the information society, offer very high potential for new communication and business services and facilities, giving them a pivotal part to play in the development of European society. It is therefore vital that everyone have fair access to them.

Making sure that real competition is established guarantees that all Europeans enjoy freedom of choice and provides businesses with the means of developing their markets.

In each Member State the process of deregulating the telecommunications market goes hand in hand with the establishment of monitoring agencies which are independent of the public-sector operator and its overseeing ministry. The duty of these agencies is to guarantee that companies fulfil their obligations in terms of providing a universal service and that they respect users' interests.

Satellites rocketed into orbit by Europe's Ariane and its rivals are becoming vital relay stations for voice transmissions, television pictures and computerized data.



Does deregulation mean an end to high-quality services?

On the contrary, the laws adopted by the European Union's Member States to deregulate the telecommunications industry guarantee a universal service for all. The term 'universal service' has no implications in terms of the ownership of telecommunications infrastructure and services. Universal service can be provided either by the public sector or by private firms: the aim is to provide a high standard of service, on a European scale, which anyone can afford, including people in social, health-related or economic difficulties.

Universal service has certain principles (equality, universality, continuity and adaptation) and guidelines (financial transparency and external auditing) to live up to.

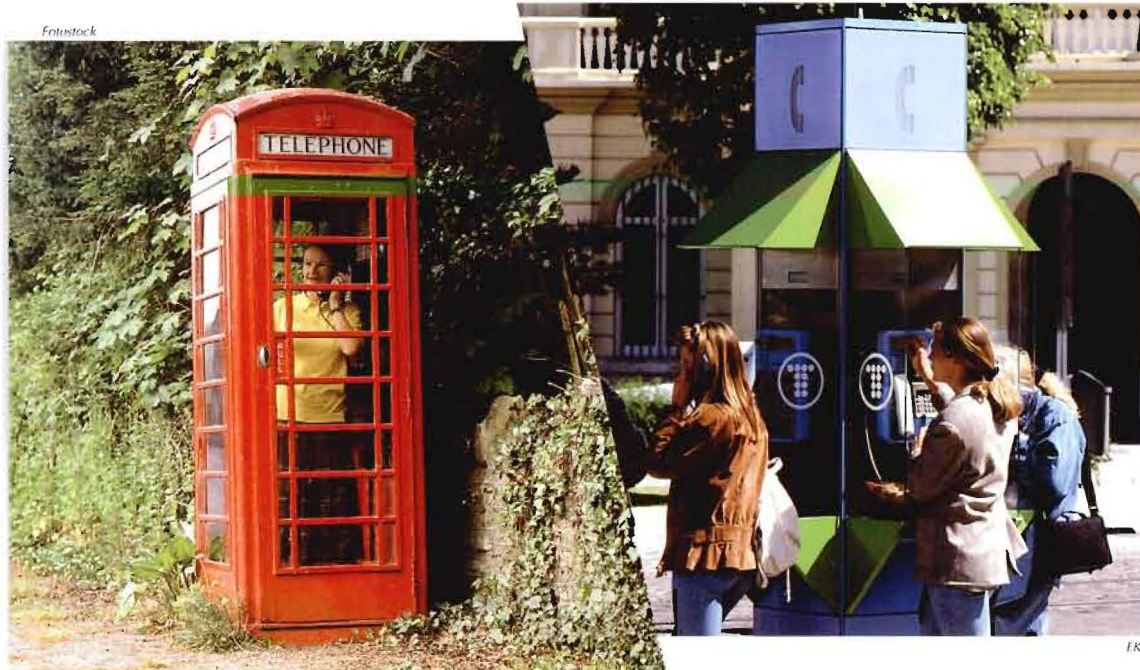
Telephone booths are changing and so is the way the telecommunications industry is organized. But, as agreed at European level, the industry must go on meeting its obligation to provide a universal service.

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The term is defined in a way which is both flexible and adaptable to changing circumstances and pays proper regard to specific national characteristics.

Universal service fits in well with the European model of society: twinned with deregulation, it is part of a policy which accommodates a dynamic market and economic performance with cohesion and social solidarity.

With this in view the European Union has asked the Member States to guarantee universal service at affordable prices in relation to directories, directory enquiries, free emergency calls and public telephone booths. If providing such a service is too heavy a cost for a single company or a number of companies, the national market watchdog may set up a system for sharing out the costs among the various companies or compensating them for



Universal service: a European speciality

The concept of universal service developed by the European institutions is used to refer to a range of general requirements which have to be met right across the European Union by the telecommunications sector. The point of the obligations placed on operators is to guarantee everybody, everywhere, access to certain basic services of a high standard, at an affordable price.

Universal service reflects Europe's determination to complete the internal market while at the same time introducing greater competition in many sectors serving the general economic interest: balanced regional development, equal treatment for all citizens and high-quality service supplied to users round the clock.

the expense. In at least five Member States, however (Denmark, Finland, the Netherlands, Sweden and the United Kingdom), the cost was regarded as low enough for there to be no point in setting up a financing system of this kind.

Traditionally, in many Member States the cost of universal service has been put forward as grounds for charging substantially more than cost for long-distance and international calls, while local rates are below cost. There needs to be a rescaling of charges; the introduction of competition for long-distance business has in many cases helped by bringing costs down substantially. The European Commission will keep an eye on the rescaling process to make sure it is gradual and does not penalize people who need a basic service at an affordable price.

Do the Member States still have a special part to play in the deregulation process?

The job of the Member States is to implement the European directives fully and swiftly.

Having defined the terms on which new companies and service providers must ensure access to the networks — including a standard quality of service — the Member States now have a duty to safeguard the general interest, maintain fair competition and see that the universal service requirement is complied with in the telecommunications industry. This also involves them in carrying out flanking policies.



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Yesterday's telephone operators have given way to automated exchanges, but new jobs are being created now, especially thanks to the Internet, which gives access to information from all over the world by hitching computers up to telephones. Our photo shows the Europa server home page (<http://europa.eu.int>).

Supposing a Member State should decide to opt completely out of managing such a general-interest service as telecommunications, it would still go on being influential in a number of ways: in keeping watch on the market and the players in it, in contributing towards financing certain forms of infrastructure, and in laying down rules on consumer protection. Even if it is no longer an active player in the economy, the State still has political, legislative and regulatory responsibilities.

After all, the Member States are in a sense jointly responsible for ensuring compliance with Europe's competition rules and therefore for the way competition operates within the internal market.

Does deregulation lead to job losses among the established companies? What scope is there for job creation in the new companies?

In Europe today the telecommunications industry provides jobs for nearly one and a half million people. This estimate takes in equipment producers, network operators and service providers.

A study carried out by the European Commission suggests that the deregulation of telecommunications will have a positive effect on overall employment levels. It found that between 100 000 and 500 000 jobs would be created by 2000 and nearly a million by 2005. These will be more competitive, better qualified jobs.

Alongside this positive trend, however, there will be job losses in the established companies. The report says about 200 000 jobs will be lost by 2005. The bulk of these will be due to retirement or voluntary redundancy.

On the subject of employment, the Commission has proposed flanking measures not just to ensure that where posts are scrapped there will be social security cover but also to adapt the training given to workers affected by the changes and to support job-creating companies.

There is expected to be a direct job-creating effect among the new operators and service providers and an indirect one on the economy as a whole. The resources released by the lowering of charges will boost consumption and investment, which in their turn will promote economic growth and job creation.

In other words, the deregulation of the telecommunications industry extends a long way beyond the industry itself in terms of jobs, competitiveness and economic growth.

How far does deregulating telecommunications fit in with the advent of the information society?

By lowering the charges for telecommunications services, deregulation in the first instance helps to disseminate new forms of information technology more widely and to anchor Europe in the information society.

Teleworking, distance learning, the use of electronic data transmission services, health networks, on-line database consultation, Internet surfing, corresponding by electronic mail — all these are aspects of the information society which lower charges will help to promote.

The presence of new operators on the market for telecommunications services and equipment also strengthens the industry's capacity for innovation and opens the door to further technological developments. Here the European Union plays an active part by financing large numbers of research programmes (the fourth R&TD framework programme) and pilot projects in every region of Europe (the Structural Funds).

Technological progress and growing competition are working together to open up the door to the spread of new services relating to health, training, traffic management or support for small businesses.



Examples of research and development programmes and projects

The Esprit programme incorporates both industrial R&D projects and measures to promote the adoption of the technology developed. This means that it encourages interaction between users and developers, particularly in the areas of telecommunications, transport, electronics and business services (there is more information on the Internet at <http://www.cordis.lu/esprit/home/html>).

Info 2000 is a programme designed to stimulate the development of the European multimedia industry and to promote multimedia use and exchanges between users and suppliers. One of the Info 2000 projects was the launching of the MIDAS-NET network, which helps small and medium-sized businesses break into the multimedia world. (Internet address: <http://www.echo.lu/info2000/infohome.html>).

Ten projects for experimental applications of new types of information technology have been put forward by the information society task force set up by the European Commission. They should serve to encourage the spread of the technology involved and to adapt it to users' needs in the following areas: teleworking, distance learning, interuniversity networks, information technology services for small businesses, road traffic management, air traffic control, health networks, computerization of invitations to tender, the trans-European interadministration network and urban information highways.

And deregulation leads to partnerships being set up between telecommunications companies and the multimedia industry, symbolizing the alliance between container and content in the information society. What makes this an even more interesting prospect is that Europe holds a great many valuable assets in terms of its publishing sector, its audiovisual media, its software industry and so on which, when brought closer together under the multimedia banner, provide new opportunities for job creation.

For a subscriber, will changing company mean changing telephone number?

There will only be minor technical constraints on changing from one company to another. A subscriber changing his supplier will, if he wants, be able to keep the same telephone number. It will be up to the company to install its own network or connect itself to the existing network by paying interconnection rights to the owner.

It is also planned that each Member State, acting through an inspectorate independent of market interests, should require equipment to meet certain technical and safety standards.



What legal redress does a user have in a dispute with a telephone company? Which are the authorities responsible?

Should a user and the customer relations service of a company fail to reach any satisfactory settlement, the user can apply to the national telecommunications watchdog set up as part of the deregulation process. In certain cases the user can apply to the national departments responsible for competition-related questions. Only disputes with transnational implications may be referred to the European Commission.

For further information, please apply to:

Info-4

European Commission
DG IV — Competition
Unit C.1, 'Post and telecommunications
and information society coordination'
Rue de la Loi 200
B-1049 Brussels
Fax (32-2) 296 98 19
Internet:
<http://europa.eu.int/en/comm/dg04/dg4home.htm>

Info-13

European Commission
DG XIII — Telecommunications,
Information Market and Exploitation of Research
Rue de la Loi 200
B-1049 Brussels
Fax (32-2) 299 94 99
E-mail: Info-13@bxl.dg13.cec.be
Internet:
<http://europa.eu.int/en/comm/dg13/13home.htm>

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Opening up telecommunications to competition is a target which the European Union is now well on the way to achieving. Like all forms of change, it raises a great many questions, to which this booklet does its best to give succinct answers.

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for bedre forståelse

für eine bessere Verständigung

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