

**E-business w@tch  
2006 Workshop on  
Convergence in High-Tech  
Industries**

**European Competitive Telecommunications  
Association**

# Introduction

**Policy Challenges:  
What has been done  
What should be done**

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## About ECTA

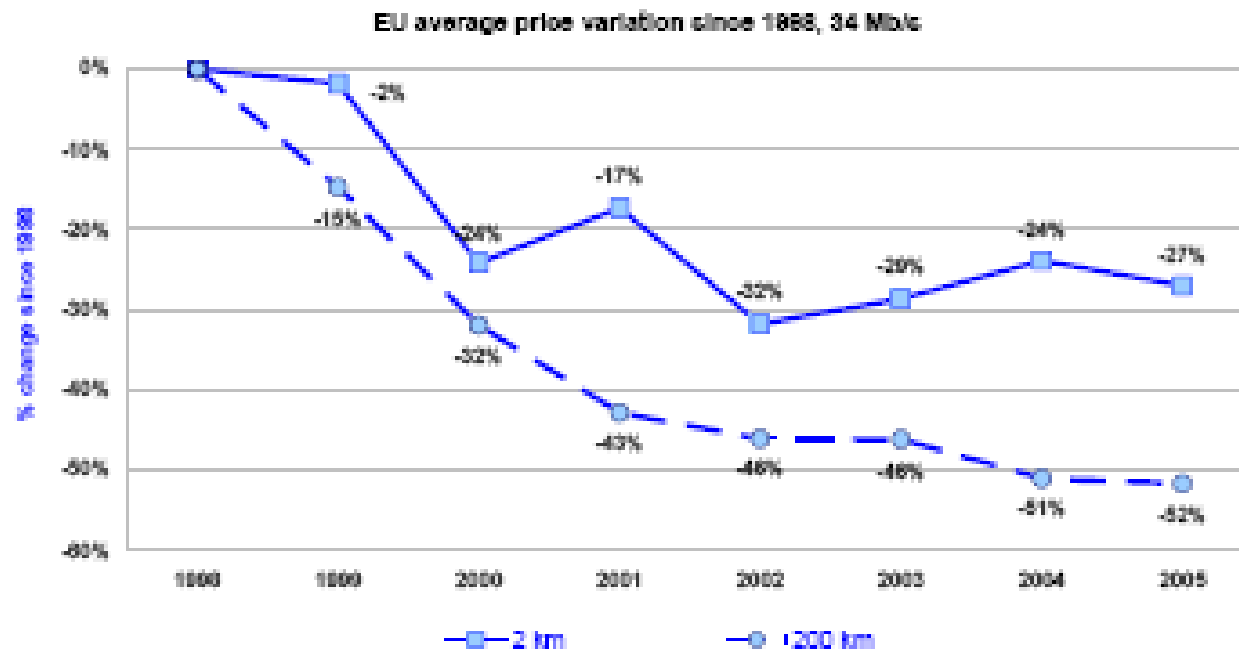
- **European Competitive Telecommunication Association represents some 150 operators across Europe**
- **Aims to drive forward liberalisation and competition across the telecoms sector**
- **Our operator members are diverse – most with substantial investments in infrastructure**

## Challenges for today and beyond 2006

- **Lisbon strategy : to become by 2010 “the most dynamic and competitive knowledge-based economy in the world”**
- **Telecoms plays significant role in delivering objectives and driving innovation and growth**
- **Effective competition is key to unlocking the potential of the telecommunications sector**
- **Convergence is the latest competitive battleground**

# Competition drives down prices

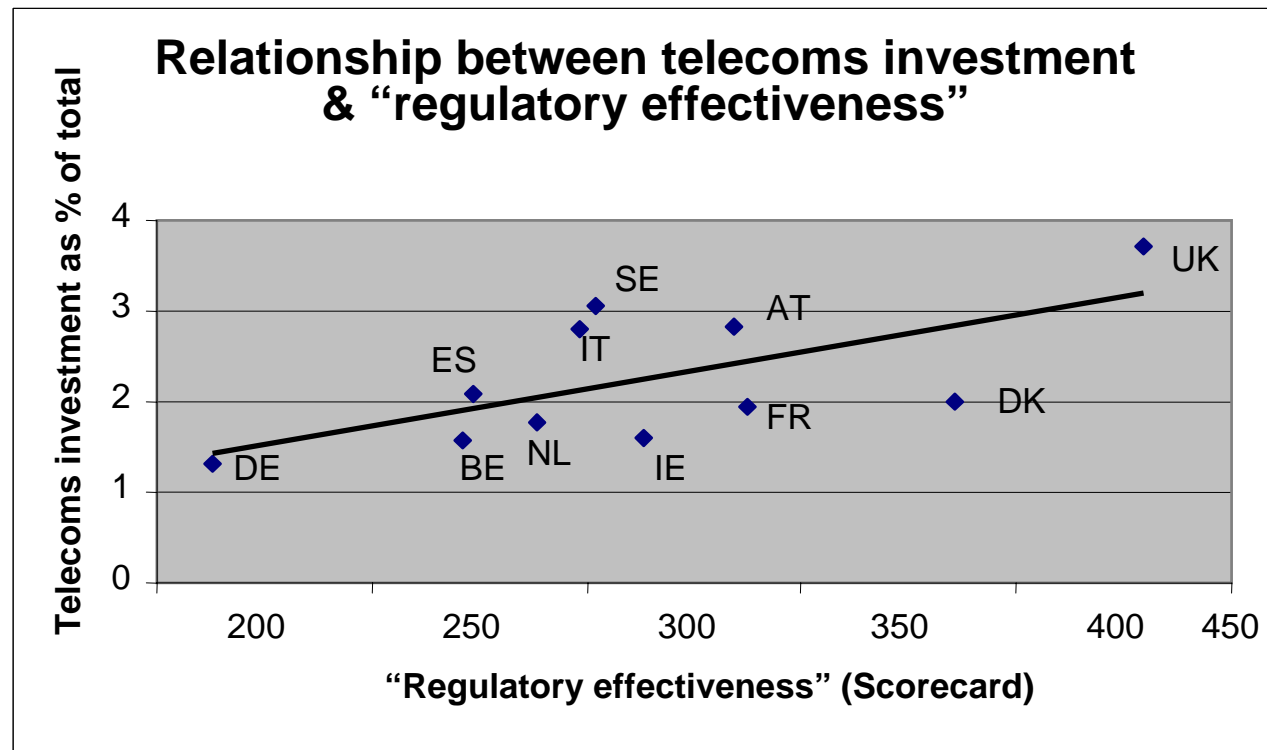
Businesses have benefited substantially from falling prices due to competition under the EU Framework



Source: (11th Implementation Report)

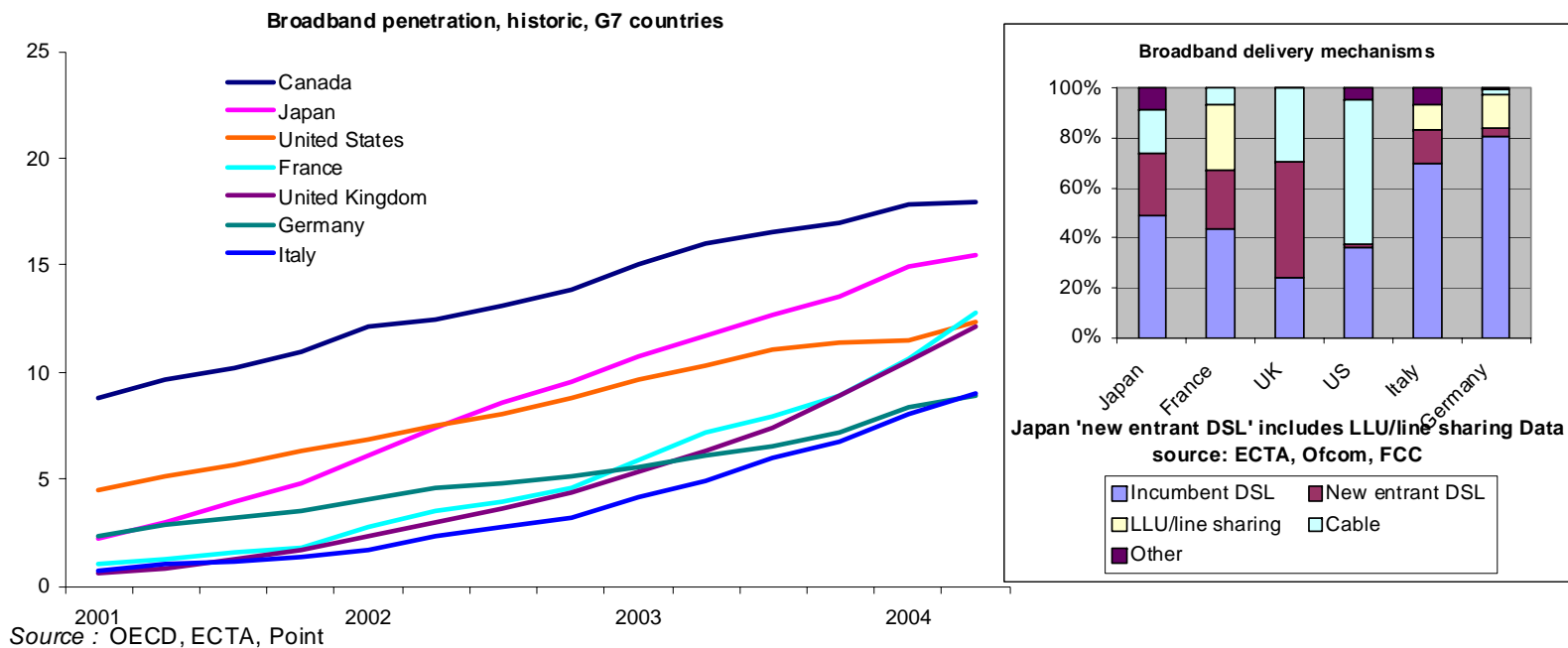
# Competition stimulates Investment

Incumbent and new entrant investment follows similar pattern: highest in “best” regulated (most competitive) markets



Source: Regulatory Scorecard, Jones Day & SPC Network

# Competitive dynamic: fixed



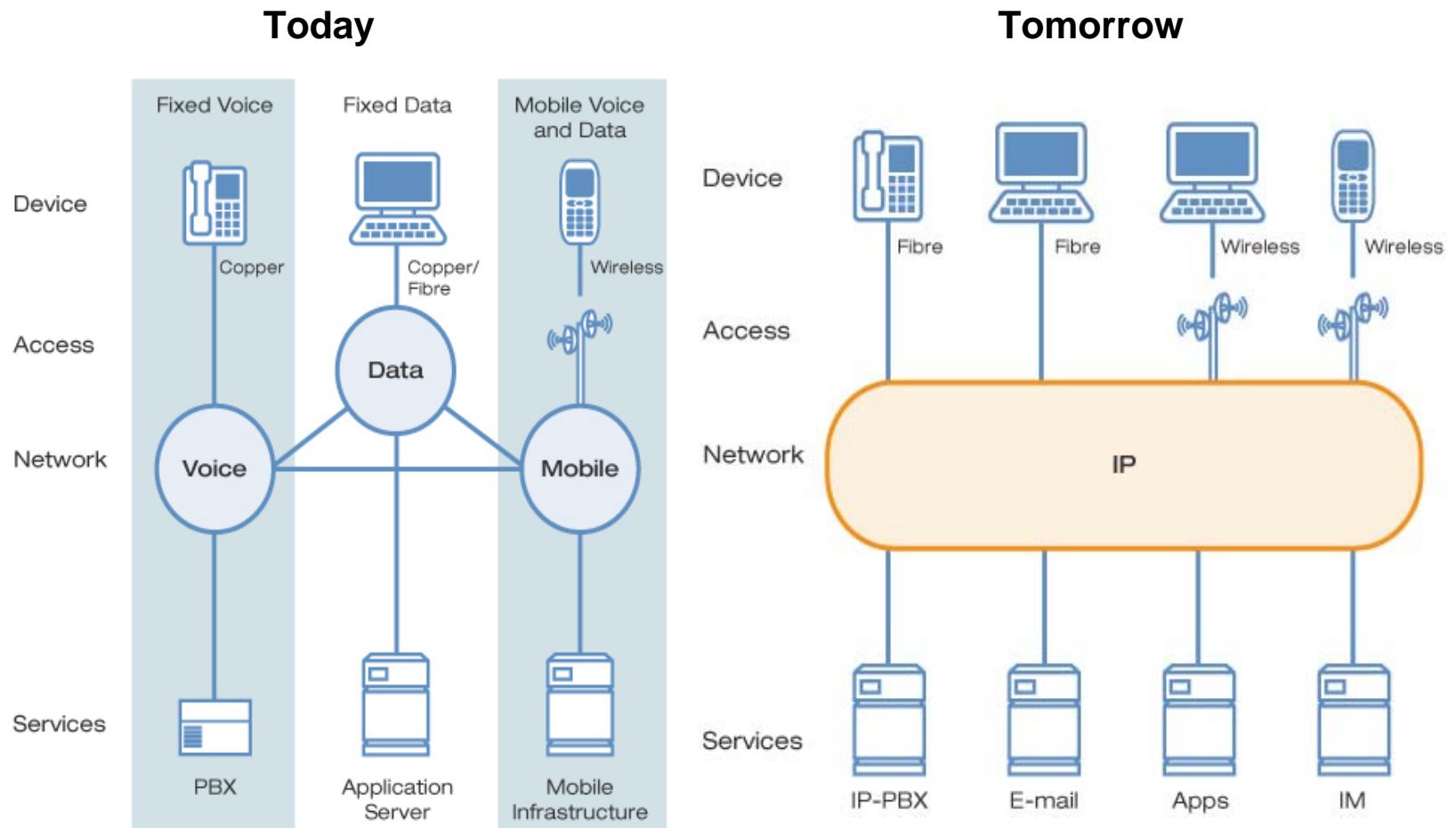
## Indicators of fixed (broadband) competition

- ❑ Countries with more 'routes to competition' have seen accelerated broadband take-up
- ❑ SPC Network: For every 1% reduction in concentration, broadband uptake accelerates 3%

# Competition creates the internal market

- ECTA's members are creating pan-European networks and services in order to deliver services to residential, major corporate and SME customers
- We recognise the importance of consistent application of the regulatory framework throughout the EU
- The goal of making the EU the “most dynamic and competitive knowledge-based economy in the world” cannot be achieved if the right conditions are not in place for operators to invest in the internal market – investor certainty
- Without effective regulation, current incumbents' investments tend to produce a juxtaposition of national champions, without stimulating true cross-border competition

# Roadmap for convergence



# Competitive dynamic

## ❑ Fixed access

- ❑ Dominance persists in many access markets
- ❑ Broadband access efforts starting to pay-off. Need to maintain as upgraded

## ❑ Mobile access

- ❑ Mobile markets can be dynamic and competitive, BUT
- ❑ Can exhibit oligopolistic characteristics – spectrum limitations constrain market

## ❑ Next generation networks (core)

- ❑ Incumbent upgrades: incentive to 'design-out' competition – leave competitors and competition 'stranded'

## ❑ Converged services

- ❑ Lowest common denominator prevails
- ❑ Incumbent NGN/NGA not competitive – whole pace of change determined by incumbent. Competition undermined.
- ❑ Mobile not competitive → mobile controls pace → freezes out fixed competitors → uncompetitive fixed/mobile converged services

## What has been done?

- **Competition in broadband in some countries through effective implementation of ladder of investment has delivered benefits in terms of high-speed Internet access and triple/quadruple play**
- **Converged services already supplied successfully in some more competitive environments (e.g. France - €30 for 20Mbit/s broadband, TV, VoIP)**
- **Focus by some regulators on mobile markets e.g. Spain, Ireland to try to increase competitiveness**
- **UK Ofcom – aim to increase competitiveness through functional separation (Openreach). Established NGN UK to deal with core network upgrade issues**

## What Should Be Done

- **Entrench competition in the upgraded networks – both Core and Access**
- **New networks should be built on the assumption of competition**
- **Ensure equivalence of inputs such that competitors receive exactly same inputs as incumbents**
- **No emerging market loopholes**
  - Do not repeat broadband experience
  - Upgrades of access networks should be available to competitors where they are unable to replicate
  - Investment incentives provided by fair return on capital considerations as for other network industries
- **Competitiveness of mobile as well as fixed critical**
- **Make sure converged services develop competitively**
  - Ensuring ex ante no anti-competitive bundling or leverage by dominant operators. Addressing this after the damage done will lead to foreclosure. Examine UK functional separation solution

## Conclusions

- **Convergence is happening in core network technologies and through complementary use of access technologies**
- **Competitive provision of converged services depends on all aspects developing competitively – fixed access, mobile access and core networks (NGNs)**
- **Requires vigilance by Commission/NRAs. Should examine:**
  - **Is the broadband ladder of investment implemented?**
  - **What is the incumbent planning on NGN/NGA? Ensure competitive impact understood and dealt with. No ‘emerging market’ loopholes**
  - **Are mobile markets really competitive? Take action if not**
  - **How to make sure that foreclosure does not happen. No discrimination – no anti-competitive behaviour**