

# 2007 EU Telecoms Reform

## #3

# The European Telecom Market Authority



**Coast-to-coast telecoms operators exist without problems in the US, but not in the EU. For Europe's telecoms industry to reach its full potential, to fuel Europe's growth and to offer competitive services to consumers, there is thus an urgent need to move to a single telecoms market. Although today's EU Telecoms rules have opened up national markets to competition, significant barriers remain. The Commission therefore proposes the creation of a European Telecom Market Authority to stimulate creation of pan-European services in a Europe without frontiers.**

### **BORDERLESS TECHNOLOGIES ...**

Many products and services today rely on technologies that cross national borders. They use the same airwaves from Lisbon to Tallinn. Signals and bytes exchanged over telecoms networks are the same wherever they are in Europe; likewise, consumers use the same equipment and terminals worldwide. The internet does not stop at national borders.

### **... BUT FRAGMENTED MARKETS**

Although the EU's 2002 telecoms rules have been successful, the existence of 27 regulatory systems makes it hard for companies to deliver pan-European or cross-border services. The way in which telecoms regulation is applied also varies considerably from country to country as regards effectiveness and speed of regulation. Different degrees of independence of national regulators as well as divergences in mandate and staffing play an important role in this. As a result of this market fragmentation, there are currently only a few pan-European telecoms operators operating in more than one Member State or even offering cross-border services. The current system therefore risks jeopardising the competitiveness of the telecom sector as well as the full exploitation of the economies of scale of the single market with its 500 million consumers.

Since regulators have different approaches to similar competition problems and lack resources, and sometimes independence, the Commission proposes the creation of a

European Telecom Market Authority to improve the single market. Its aim is three-fold:

- to improve the quality and consistency of regulation in the EU;
- to reinforce cooperation between national regulators and the Commission; and
- to provide expertise for regulatory issues linked to cross-Community telecoms services.

### **...AND A SYSTEM IN NEED OF INSTITUTIONAL REFORM**

The current European Regulators Group (ERG) which brings together the heads of national regulatory authorities since 2002, has had difficulties in ensuring consistent implementation of the telecoms rules within the 27 Member States, despite many efforts and good intentions. It has relied on ruling by consensus, and industry has criticised its "lowest common denominator approach". On important issues of cross-border interest – such as Voice over IP, mobile termination charges, or mobile roaming charges (which eventually had to be tackled by the Commission itself) – differences among regulators often prevented it from identifying ambitious solutions in the interests of effective competition and of the consumer. The current institutional set-up of the ERG is therefore in clear need of reform.

Already in 1997, the European Parliament had requested the Commission to "investigate the

added value of the setting up of a European Regulatory Authority to carry out those tasks which would prove to be better undertaken at Community level." Now, following technological change, and growing interest in pan-European services and a regulatory level-playing field in Europe, the Commission proposes to take up this proposal. This is why from 2010 onwards, the independent European Telecom Market Authority – which will be based on EU law adopted by the European Parliament and the Council of Ministers – will combine the expertise of national regulators – which have the deep knowledge of their national markets – with the single market powers of the European Commission. The new European Telecom Market Authority will assist national regulators and the Commission in coordinating and, where necessary, harmonising telecoms regulation and ensure that it is applied more consistently and more swiftly across all EU Member States. This will both strengthen weaker national regulators and allow the Commission to benefit from the joint expertise of national regulators.

#### A SPECIALISED EUROPEAN REGULATOR WITH A CLEAR MANDATE

The European Telecom Market Authority will be an independent body accountable to the European Parliament.

Its main duties include:

- ensuring that the 27 national regulators work as an efficient team on the basis of common guiding principles;
- delivering opinions and assisting in preparing single market measures of the Commission for the telecoms sector;

- improving the accessibility of telecoms services and equipment for users with disabilities;
- monitoring closely the use of the single European emergency phone number, 112, and identifying remaining obstacles;
- facilitating cross-border EU services in relation to rights-of-use for scarce resources such as spectrum and numbers, and enabling operators wishing to do so to use a single European area code for their services;
- addressing network and information security issues.

The new Authority will gather the 27 national regulators in its Board of Regulators and be managed by an Executive Director, appointed for five years. It will use majority voting to take decisions. All activities will be carried out transparently and in the interest of the Community. A Chief Network Security Officer will coordinate the Authority's security-related activities.

#### MORE COHERENCE IN AN ENLARGED EU

Since the last reform of the EU telecom rules in 2002, 12 new Member States have joined the EU, further intensifying the regulatory diversity in the EU's telecoms markets. Most newer Member States have a telecoms sector where incumbent operators are still very dominant and where independent, well-equipped national regulators are still the exception to the rule. The new European Telecom Market Authority will help ensure that in the enlarged EU, telecoms services can be offered and used under similar conditions across the continent. This will level the playing field in Europe and allow consumers to benefit from better, more innovative and cheaper communication services wherever they live or go within the EU.

Structure and working environment of the new Authority



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