

The 13th Progress Report on the Single European Telecoms Market 2007: Frequently Asked Questions

1. What is the objective of the 13th Progress Report on the Single European Telecoms Market 2007?

The 13th Progress Report on the Single Telecoms Market gives a snapshot of the EU's Telecoms market and the main regulatory developments that took place in 2007. It is based on facts and figures from national telecoms regulators and market players, verified by the Commission services.

2. Why is Telecoms regulation necessary?

Telecoms regulation has led to market liberalisation and competition, with significant progress leading to a reduction of regulation in areas where competition is functioning. However, there are still problem areas where regulation remains necessary. In the fixed sector, for example, incumbent operators still have considerable reach and the market shares of alternative providers remain very low. 86.5% of consumers are still offered access to the fixed network over the incumbent's infrastructure. The same applies to the broadband sector. Moreover, there are areas where inconsistent application of EU directives in the Member States has led to discrepancies which hinder the proper functioning of the Single Market. This includes discrepancies in Mobile Termination Rates and number portability.

3. Why is the European consumer better off in 2007 than in 2006?

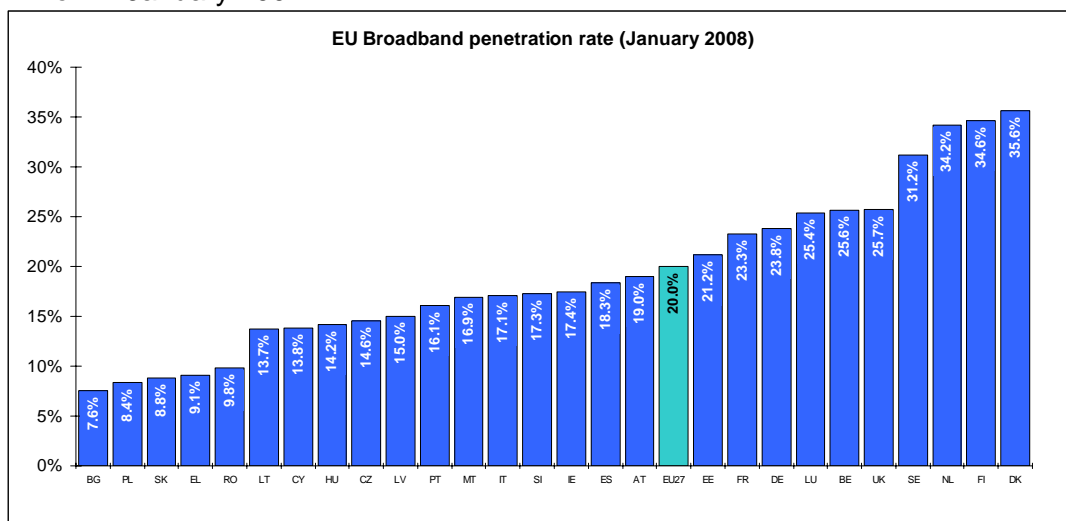
2007 saw consumers benefit from lower prices and a better choice of services. Prices for mobile services fell by almost 14%, while the entry into force of the Roaming Regulation tackled high prices for mobile voice calls when travelling across the EU. Consumers have made savings of around 60% for roaming calls. Apart from lower prices, consumers benefited from increased platform competition such as mobile broadband and higher-speed fixed services, particularly over fibre. Consumers took advantage of more bundled offerings: 13% of Europeans now subscribe to a bundled offer with a single bill; 12% of Europeans include television in their bundled package, 23% include voice telephony, 6% include mobile telephony and 24% include Internet access.

4. Is Telecoms regulation the friend or the enemy of investment?

Investment by operators in the European Telecoms sector has increased year-on-year (a 16.33% increase over the past 5 years) and exceeded €50 billion in 2007. This is similar to the US and higher than China and Japan put together. What is still missing in Europe is a sound regulatory environment for cross-border investment. Only 30% of major operators' EU business is outside their home market. This is what strengthening the single market, and competition in the single market is the best recipe for Europe to overtake other continents in terms of growth and investment.

5. How do Member States compare in terms of penetration? What has changed from last year?

Strong broadband growth has continued throughout 2007. The number of fixed broadband access lines was nearly 100 million as of 1 January 2008, up from 80 million in January 2007.



Data for Estonia, France, Lithuania, the Netherlands and Austria as of October 2007.

The EU average broadband penetration rate has risen from 16.2% in January 2007 to 20.0% in January 2008.

Denmark, Finland, the Netherlands and Sweden are world leaders in broadband deployment with penetration rates over 30% at the end of 2007. These EU countries, together with the United Kingdom, Belgium, Luxembourg and France, all had broadband penetration rates higher than the US (22.1%) in July 2007. 19 million broadband lines were added in the EU in 2007, the equivalent of more than 50,000 households every day. The broadband sector generated estimated revenues of €62 billion and Europe's overall penetration reached 20%.

The gap between Member States with the highest and the lowest penetration has increased from 27.4 percentage points in January 2007 to 28.0 percentage points in January 2008.

6. Why is the mobile market still growing?

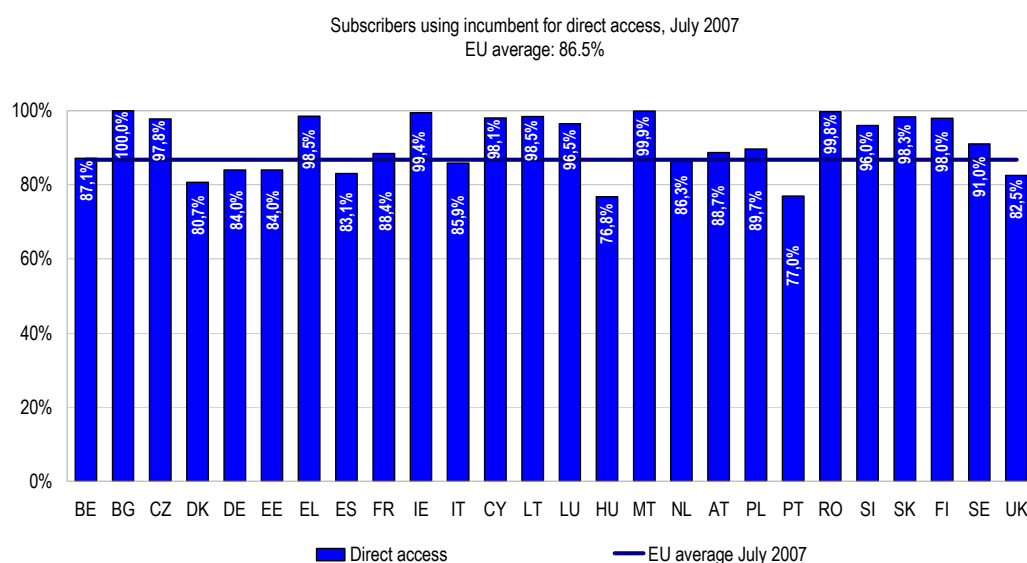
The mobile sector continued to grow by 3.8% in 2007 reaching €137 billion, thus remaining the largest segment in the Telecoms market. Higher mobile penetration (up from 103.2% the previous year to 111.8%, meaning that consumers start having multiple mobile phone subscriptions) and the take-up of mobile data services such as mobile broadband more than compensated for a 14% fall in prices. The popularity of SMS also contributed to this growth. There are now more 3G networks offering mobile services than 2G networks. This is enabling mobile operators to increase data usage on their networks through, for example, mobile broadband offers.

Meanwhile, mobile termination rates, which operators charge each other for completing calls on their networks, fell to 9.67 euro cents, though major discrepancies still exist between Member States.

7. Why do most European subscribers still use the network of the incumbent to get a fixed telephone line?

Only 13.5% of subscribers use an alternative provider for direct access in Member States across the EU. In 12 Member States they are even less than 5%, this showing that there is still a lack of direct access competition.

There are alternative network solutions such as cable and fibre. However the main source of competition in the fixed voice market remains largely based on indirect access wholesale products such as carrier pre-selection (i.e. the ability for a subscriber to select another operator by using a prefix permanently) and carrier selection (i.e. the ability for a subscriber to select another operator on a call by call basis).



Data for Latvia unavailable

8. Why is the independence of national regulators so important?

National regulatory authorities (NRA) are the backbone of the regulatory framework. The independence shown in pursuing their tasks such as promoting competition, contributing to the internal market or defending consumer interests is critical for the credibility and effectiveness of regulation at national level. This is a fundamental principle of the regulatory framework, which the Commission takes very seriously. In 2007, there were still problems regarding regulator's independence in Bulgaria, Poland, and Luxembourg.

9. To what extent are consumers benefiting from lower prices?

Apart from falling mobile prices described above, broadband prices have in general decreased while speeds have increased.

After 10 years of constant reductions in fixed telephony prices, national prices are now stabilising with prices falling by around 0.3% during 2007.

Meanwhile, according to the Eurostat e-communications household survey, 16% of Europeans using a PC are making free calls on the Internet to other users who have subscribed to the same Internet phone service (in the case of Czech Republic and

Latvia the percentage is 45% while for Poland it is 44%). Moreover, 4% of Europeans are making cheap international calls or calls to mobile numbers using VoIP technology via the fixed line.

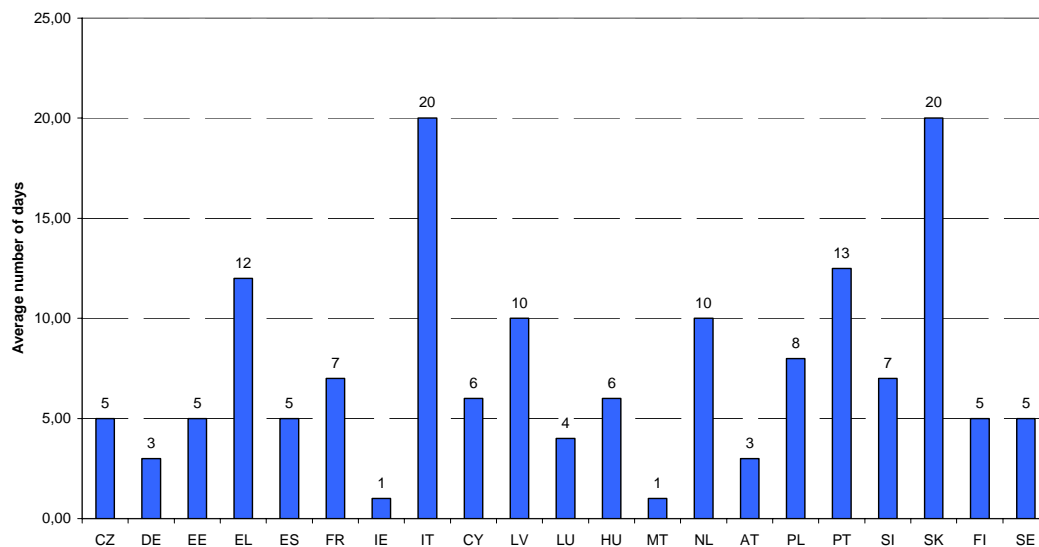
10. What is the state of play regarding number portability for fixed and mobile users in Europe?

Last year more than 12 million consumers were able to switch operators while retaining their fixed or mobile numbers – 'number portability', a service which is now possible in all Member States except for Bulgaria and Romania.

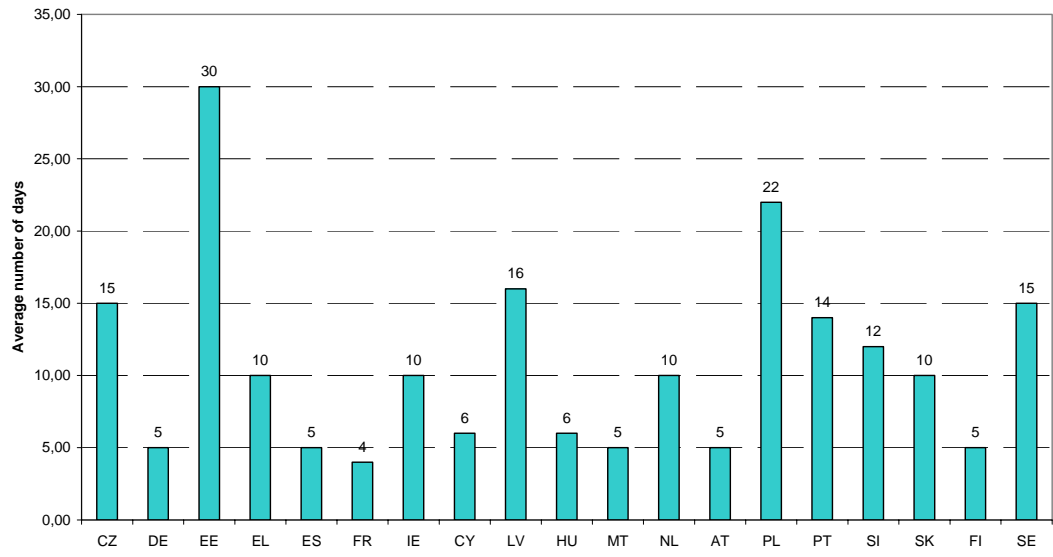
There are still major inconsistencies across Member States in terms of time taken by operators to actually implement the change. On average, it takes about eight days to port fixed and mobile telephone numbers. The best performers for mobile portability are Malta and Ireland (just one day) followed by Germany and Austria (3 days). However, porting a number in Italy and Slovakia can take 20 days. The best performer for fixed portability is France (only 4 days), while in Estonia and Poland, porting a fixed number takes 30 and 22 days respectively.

This regulatory tool is an important competition enabler, and is also addressed in the EU Telecoms Reform proposals. Once adopted by legislators, it will be possible for consumers to switch providers and retain their telephone number within one working day.

Time needed in number of days for mobile number portability. October 2007
(european average: 8.41 days)



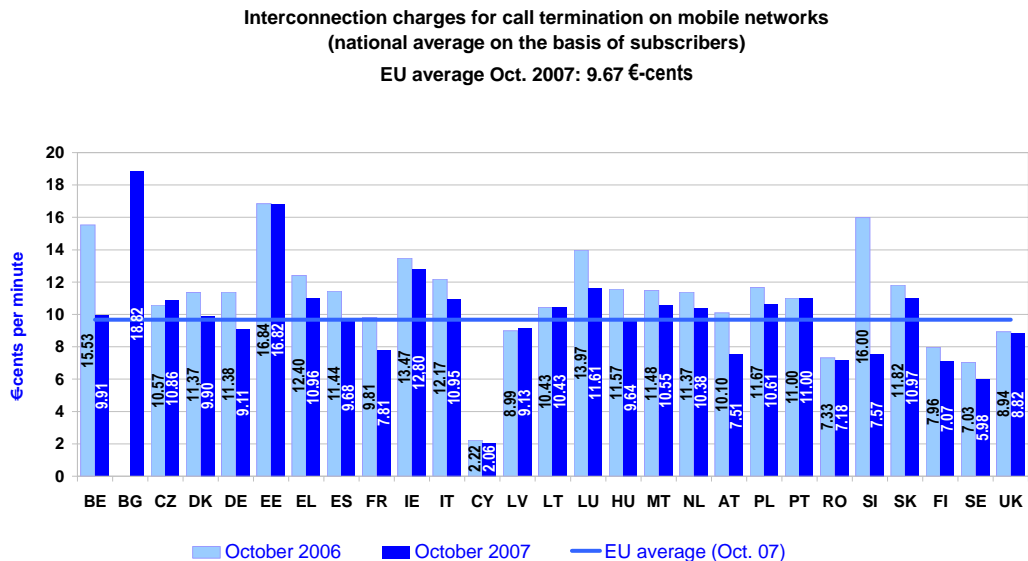
Time needed in number of days for fixed number portability. October 2007
(european average: 7.82 days)



11. What are mobile termination rates? Why are they regulated? And why do divergences between mobile termination rates call into question the Single European Telecoms Market?

Mobile Termination Rates (MTR) are the wholesale charges by one operator to another for connecting calls between their mobile networks. They are currently regulated in almost all EU countries by the national telecoms regulator to avoid distortions of competition.

Average MTR dropped below 10 cents for the first time this year to 9.67 cents, a fall of 12% compared to 2006. However, average MTRs still vary widely across the EU.



The highest MTR in absolute terms charged by an operator in the EU is more than 10 times higher than its lowest. In Cyprus, one operator charges as little as 1.9 Euro cent/min to connect calls from other operators' networks to its own, while in the case of Estonia, there is an operator that charges up to 22.4 Euro cent/min.

A common approach to overcome these discrepancies is still needed to achieve the Single European Telecoms Market.

12. Why has the European Commission proposed, in November 2007, a reform of the EU Telecoms Rules?

Europe has a strong Telecoms sector thanks to the current EU Telecoms Rules of 2002. But the sector fails to reach its full potential if Europe does not remove the barriers to the Single European Telecoms Market.

Positively, 27 national markets have progressively opened up to competition and consumers today have more choice at lower prices than 10 years ago.

Yet there are still significant obstacles. Competition bottlenecks persist, in particular on the important broadband market which is key to our knowledge society. Cross-border competition and pan-European services are hampered by 27 different, partly inconsistent regulatory systems. Finally, radio spectrum, the lifeblood of all wireless services, is under-utilised in the EU, despite its strong potential to enhance competition, to extend broadband coverage and to deliver better, more innovative services to the citizen. A reform of the EU Telecoms Rules is therefore imperative if Europe wants to promote growth and jobs for its citizens.

The EU Telecoms Reform must ensure that 500 million EU citizens get easier and cheaper access to a variety of innovative telecoms services and will have, as a result of more effective competition, more freedom of choice between different operators. Citizens, wherever they are in Europe, must get better access to emergency services, improved access to telecommunications (for people with disabilities), freephone numbers and the benefits of increased price transparency and greater security when using communications networks.

For more information on the Commission's proposals for a reform of telecoms regulation in Europe, see [IP/07/1677](#), [IP/07/1678](#) and [MEMO/07/458](#). These proposals are currently being discussed in the European Parliament and Council.

See also the Commission's eCommunications website: <http://ec.europa.eu/ecomm>

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