

# EU Telecom rules: Where are we now?



Over the last year the United Kingdom's electronic communications sector saw intensifying competition and significant restructuring and consolidation, as the larger operators sought to position themselves to compete in a converging broadband environment. There has been a significant increase in the number of broadband lines and, in particular, in the take-up of local loop unbundling (LLU) by a number of key players in the broadband market.

These developments occurred against the background of the operational separation of the fixed incumbent's access network business, through the creation of Openreach. However, these arrangements are still in a transitional phase and it is too early to draw conclusions as to the final impact.

The regulator, Ofcom, already completed the first round of market reviews back in June 2004 (apart from the market on international roaming) and has taken final measures in each notified market. The second round of notifications started in 2006. The remedies put in place for Significant Market Power (SMP) operators have tended to be relatively comprehensive, although Ofcom has also taken some significant de-regulatory steps to reflect its assessment of improved competitive conditions.

## Overview

### Broadband

The total number of broadband lines (excluding mobile) grew to 12.3 million in October 2006, representing 20.4% of the population, while Ofcom announced in November 2006 that the landmark of one million unbundled lines had been reached.

The fixed incumbent's share of the retail broadband market is among the lowest in the EU, at 25%. ADSL over the fixed access network represents around 75% of broadband lines, while cable accounts for approximately one quarter of broadband lines.

SMP remedies imposed on the wholesale local access market, combined with the fixed incumbent's undertakings on equality of access and the work of the Office of the Telecommunications Adjudicator, have underpinned market demand for LLU and translated into significant increases in unbundled lines. Nevertheless, some issues remain concerning the fixed incumbent's delivery with regard to key performance indicators.

### Mobile

2G network operators continue to have market shares within a few percentage points of each other. The United Kingdom also has a relatively high number of Mobile Virtual Network Operators and other service providers active on the mobile market, which represented about 13% of total mobile subscribers at the end of 2005.

A number of mobile providers launched broadcast television services for mobile phones during the year.

Ofcom launched its second-round market review of the mobile termination markets in September 2006, proposing revised charge controls for four years from 31 March 2007, with reductions by means of a glide path.

### Fixed telephony

The comparative intensity of competition in the fixed market from an EU perspective can be seen in the fact that the United Kingdom has the highest number of operators (11) making up 90% of the fixed telephony market by retail revenue.

The consolidation of the two primary cable operators during the year has also boosted the challenge from alternative infrastructure providers.

Interconnection charges for call termination on the incumbent's fixed network are now the lowest in the EU countries which supplied data, in all three categories (local, single transit and double transit).

### Broadcasting

Take-up of digital television continues to increase, with around 70% of households now having digital television. 2006 also saw the launch of broadcast and pay-per-view products over fixed broadband (ADSL) networks.

## Important consumer information

Transparency and quality of service	At Ofcom's initiative a number of fixed voice telephony providers, working on a co-regulatory basis, launched an independent website ( <a href="http://www.topcomm.org.uk">www.topcomm.org.uk</a> ) in July 2006 to provide residential and business users with comparative information on quality of service.
Universal service	In March 2006 Ofcom issued a statement confirming its conclusions on its review of the universal service obligations first consulted on in 2005. This included details of the new scheme offered by the fixed incumbent for users on low incomes.
Directory services and enquiry directory services	<p>The Commission continues to monitor progress towards ensuring that all mobile subscribers who wish to have an entry in the comprehensive directory. The Commission launched an infringement proceeding concerning this issue in December 2005.</p> <p>The Commission also notes Ofcom's provisional conclusion, announced in August 2006 as part of a dispute-resolution process, that the current universal service obligation imposed on the fixed incumbent to make available its comprehensive and aggregated database (known as OSIS) is unenforceable because it extends beyond the scope of its legal basis in both Community and national law. As a result, Ofcom has indicated that it will urgently review the position to ensure the United Kingdom is compliant with its obligations under Article 5 of the Universal Service Directive. The Commission will follow developments in this area closely.</p>
Number portability	In response to concerns from new entrants that the current arrangements for number portability act as a disincentive for switching, and incur unnecessary conveyance costs, Ofcom launched a consultation in November 2006 on proposed changes to these arrangements, involving moving from the current 'onward routing' solution (where the call has to pass through the operator which originally assigned the number) to a more direct routing solution.
Non-geographic numbers	<p>Ofcom made a number of decisions in 2006 following a review of the pricing structures for non-geographic numbers and the numbering regime more generally, in response to widespread public concern over the lack of price transparency and the high charges paid by consumers for calling certain non-geographic number ranges, particularly when such numbers are used as the only or primary public contact point for corporations and government bodies and are a source of revenue generation for them. These measures included requiring telecommunications providers which originate calls to non-geographic numbers to give greater prominence to the applicable charges in published price lists and in promotional material, and to provide appropriate information to customers in relation to complaints handling and enquiries about premium rate services.</p> <p>Ofcom also announced changes to the pricing structure for calls to the 0870 range of numbers, which has generated particular concerns about pricing transparency and has been a cause of industry disputes. The changes will restore their link with the prices that apply for national calls to geographic numbers. In addition Ofcom will extend the role of the premium rate regulator ICSTIS to include calls made to the 0871 non-geographic range. These changes will take full effect at the beginning of 2008 to give time for the operators to prepare. Ofcom also announced the opening from early 2007 of a new range of UK-wide numbers, the 03 range, which will be charged at normal national rates and will be suited to the needs of many public bodies currently using chargeable 08 numbers.</p>

### Infringement proceedings pending under the EU Telecom Rules: 1

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