

## PROPOSAL FOR A CEPS TASK FORCE ON ELECTRONIC COMMUNICATIONS

“REGULATORY CHALLENGES FOR THE POST-LISBON ERA”

### PROSPECTUS

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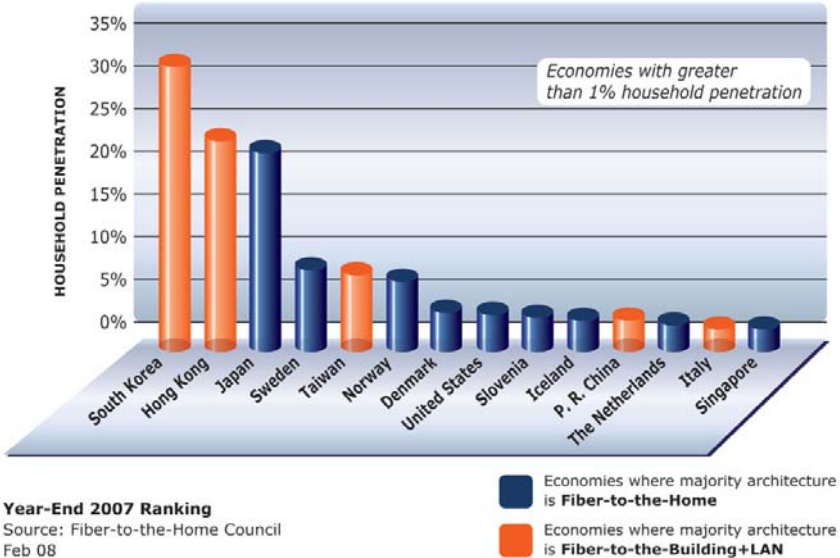
As technology progresses and consumer demand evolves, the communications sector poses new challenges and hard questions to sectoral regulators and public policy-makers. This is even more evident today, as industry players face the challenge of convergence and the ongoing migration towards digital networks based on the Internet Protocol, where an unprecedented array of services and applications will be made available to end users. In all regions of the world, regulators have increasingly acknowledged the need to fundamentally change the regulatory approach in this sector, in order to follow the breath-taking evolution of market forces and service innovation.

The last edition of the CEPS Task Force, “Achieving the internal market for electronic communications in Europe”, extensively tackled most of the regulatory issues related to the proposed review of the 2002 regulatory framework adopted by the European Commission on November 2007. While the European Parliament was engaged in the first reading of the proposal, some new issues have emerged, which were not directly tackled by the Commission proposal. These issues are mostly linked to the ongoing transition towards all-IP networks - often termed “Next Generation Networks”. With such transition, digital convergence is perfectly realised, and the conditions for competition, as well as the grounds for *ex ante* regulation, must be appraised against a rapidly changing market context.

The transition to NGNs promises undoubted benefits for final consumers, as it couples lower costs of network use with higher speed and connectivity; users are finally led to a converged environment, in which voice, data, TV and multimedia applications are used over a single, layered architecture, animated by seamlessly interoperable devices. These new networks, which mostly rely on fibre (FTTx) and xDSL (fixed-line) and on emerging technologies such as HSDPA, “Super 3G” (LTE) and Wi-

MAX (mobile), can be deployed only through massive investments by EU operators, recently estimated at €300 billion for the whole EU27. Should these investments occur, European citizens could finally gain access to the long-awaited “information society for all”, with private and public services being delivered over high-speed secure networks to the benefit of society at large.

Against this background, current developments show little sign of active involvement by European players. Regulatory uncertainty, unpredictable demand patterns and very dynamic technology developments inhibit network operators from undertaking such investments. At the same time, investment is occurring more rapidly in other regions, such as the US, Asian countries and Australia, where broadband technologies have reached greater speed, changing the patterns of demand and customer usage. As shown in the figure below, only a few European countries, partly due to legacy cable infrastructure and/or favourable geographic conditions, are performing satisfactorily in terms of fibre deployment. In the US, for example, competition between cable operators, Verizon’s FTTH network (FIOS) and AT&T’s FTTB+DSL network is driving growth in broadband penetration at least in densely populated areas. And Verizon alone had more customers in 2007 than the total number of customers using fibre-based connections in the EU27<sup>1</sup>.



<sup>1</sup> Commissioner Reding recently reported that the number of FTTH subscribers was slightly over 1 million in 2007, with more than 5 million homes passed (see SPEECH/08/355 of 25 June 2008). Verizon reported 1.5 million customers that year, with 9.3 million premises passed.

Besides fibre, the prospects for wireless broadband deployment have to be fully assessed, especially in Europe, where outstanding mobile penetration makes wireless platforms likely to succeed. Should wireless technologies prove reliable substitutes of fixed-line broadband, operators could rely on a variety of potential technologies to bring high-speed connectivity to their end customers. This, in turn raises the question of which “broadband mix” should be adopted to bring broadband connectivity throughout Europe, and which role public authorities should play in this respect.

The two successful Task Forces “Policy Challenges for the Information Superhighway” and “Achieving the Internal Market for e-communications”, coordinated by CEPS between 2005 and 2008, have issued important suggestions for the future regulation of electronic communications in Europe, and were welcomed by the Commission and the European Parliament as key contributions to the ongoing debate. Lately, meeting of the CEPS Task Force have taken place directly in the European Parliament, and their main findings have been used by Parliament Rapporteurs in charge of the different subjects of the proposed review.

In light of the new challenges emerging in the sector, CEPS proposes to launch a new Task Force, which will tackle directly issues related to convergence, broadband deployment and the development of fully integrated digital platforms in light of the i2010 goals and of “post-Lisbon” strategies. Given the need to consider the “broader picture” of convergence, the Task Force will tackle regulatory challenges related to all layers of the prospective architecture of interactive digital platforms, ranging from the need to encourage investment in infrastructure, to net neutrality and new business models, and to the definition of universal service obligations.

The ultimate goal of the CEPS Task Force on electronic communication is to provide policymakers and field practitioners with an updated and independent view of current developments in the regulation of e-communication services in Europe, at the same time representing in an objective way the needs and problems identified by industry players and authoritative scholars in the field. Academics that have participated in our previous editions of the Task Force include Martin Cave (Warwick), Alexandre de Stree (University of Namur), Ulrich Stumpf (WIK), Julien Salanave (IDATE), Erik Bohlin (Chalmers) and many others. Likewise Commissioner Viviane Reding, Commission officials from DG INFSO, COMP and ENTR, Members of the European Parliament and experts from several National Regulatory Authorities have attended our meetings in the past, and will be invited to attend in the next edition of the CEPS Task Force.

Below, we provide a preliminary list of topics that could be addressed in the forthcoming meetings, as well as a proposed time schedule for completion of the activities of the new Task Force.

## **PRELIMINARY LIST OF TOPICS**

### **Topic 1 NGNs and the broadband mix in Europe**

This topic may include:

- The state of deployment of broadband in different EU countries;
- The prospects for different technologies in achieving penetration in Europe (WiMAX, FTTx, GPON, HSDPA, etc.)
- The demand prospects for new services (*e.g.* IPTV, Mobile TV);
- The regulation of NGNs:
  - i. Would a (15%) risk premium on access charges – as recently proposed by Commissioner Reding – prove sufficient to encourage investment?
  - ii. An evaluation of the Commission’s recommendation on NGA.
  - iii. Risk-sharing arrangements and other options to stimulate investment in NGNs.

### **Topic 2 NGNs and fixed-mobile convergence**

Under this heading, we propose to assess the impact of the Commission recommendation on “A common approach to termination”, which aims at reducing the asymmetry between fixed and mobile termination rates in light of convergence. In particular, we propose to:

- Assess the content of the Commission recommendation;
- Explore the pros and cons of abandoning the CPP system and moving to RPP or bill&keep systems;
- Illustrate the problems that may emerge in market definition and SMP findings when full convergence is reached.

### **Topic 3 The role of public authorities in encouraging investment in infrastructure:**

This topic may include:

- National strategies to encourage investments in NGNs;

- The role of municipalities in the deployment of broadband and local services;
- The role of public services in the creation of user demand for broadband connections;
- The practice of granting state aids/subsidies for the deployment of alternative infrastructures and its potential impact on the competitive landscape;
- The need for guidance at EU level on the use of public and structural funds for broadband deployment.

#### **Topic 4 Re-thinking universal service and universal access**

Under this topic, we propose to:

- Discuss the need to expand the definition of universal service to include “access to broadband at reasonable cost”;
- Explore the potential for a mix of technologies and players to realise universal access, including wireless technologies;
- Discuss alternative ways to fund universal service.

#### **Topic 5 Network neutrality**

The net neutrality debate has reached Europe, after years of hectic debate on the other side of the Atlantic, and to some extent the fight between “deregulationists” and “openists” seems to have emerged also in the Old Continent. With the migration to all-IP networks, at least one regulator (Ofcom) and some scholars have observed that the business case for investment in NGNs would be significantly affected by mandatory net neutrality. On the other hand, the European Parliament has recently debated amendments mandating network neutrality, and some players in the market have advocated for neutrality as a tool to preserve the openness and democracy of the net. Under this heading, we thus plan to:

- Discuss the EU dimension of network neutrality and the differences with the US debate;
- Analyse the need for rules mandating neutrality, also in light of established practices in EU competition law;
- Explore the pros and cons of alternative regulatory (or de-regulatory) options.
- Comment on any proposal or statement may be adopted from EU institutions during the co-decision procedure.

## **THE CEPS TASK FORCE: ORGANISATION AND GOVERNANCE**

We propose to structure the debate over 4 meetings, starting on November 2008 and ending in April 2009. The Final Report should then be finalised by spring 2009.

As we did in the previous edition of the CEPS Task Force, we will continue to use the **Task Force Blog**, where participants can post their comments on the debate taking place in the different meetings. Access to the Task Force Blog will be reserved exclusively to Task Force participants, and postings will be visible to all participants at all times.

The Rapporteur of the Task Force will be **Andrea Renda**, CEPS Senior Research Fellow and Head of the Regulatory Affairs Programme.

## **WHY A CEPS TASK FORCE AND HOW DOES IT WORK?**

The CEPS Task Force will constitute a unique forum of representatives from the European Commission, Members of the European Parliament, officials from member states, business and industry, NGOs and other stakeholders to discuss highly topical issues in a multi-stakeholder setting. The objective of a task force is i) to create a process where issues can be analysed in open but structured discussion and ii) to publish an authoritative analysis leading to policy recommendations. CEPS will produce an (operational) synthesis report for each meeting. At the end of the Task Force, CEPS will publish and circulate among EU and member state policy circles policy recommendations together with a background report, which will be also formally published in the CEPS Task Force Report publication Series. The Background Report will be based on discussion in the meetings supplemented by research carried out by the Rapporteur.

## CONDITIONS FOR PARTICIPATION

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The CEPS Task Force is principally designed for CEPS Corporate Members but participation is open to non-members as well, at a higher fee.

The fee covers participation in all workshops, documentation, lunches and three copies of all reports produced.

### **Fee Structure**

Participation fee for:

CEPS Corporate Members: EUR 1,000 + VAT

Non-members: EUR 7,000 + VAT

To register, please use the Registration Form in the Appendix of this document.

### **About CEPS**

The Centre for European Policy Studies, based in Brussels, was launched as an independent research institute in 1983 to encourage the study and discussion of public affairs in Europe. It aims:

- to provide decision-makers, inside and outside government, with authoritative and independent analysis of European affairs;
- to contribute to the public debate about European institutions and policies through sound research and judgement; and,
- to create a network of leaders and thoughtful individuals who are committed to working together to enhance the development of European integration and co-operation.

CEPS is funded by corporations, public bodies, membership fee dues and income from activities.

If you have any questions regarding the Task Force, please contact:

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# REGISTRATION FORM

## CEPS Task Force

### ACHIEVING THE INTERNAL MARKET FOR E-COMMUNICATIONS

*First meeting at CEPS - 1, Place du Congrès - Brussels  
26 November 2008 (TBC)*

*A participation fee for the task force including all task force meetings of €1,000 applies for CEPS Corporate Members, while €7,000 applies for non-members.*

<b>Name</b>	
<b>Firstname</b>	
<b>Position</b>	
<b>Company</b>	
<b>Address</b>	
<b>Telephone</b>	
<b>Fax</b>	
<b>Email</b>	

*Please tick correct box:*

<input type="checkbox"/>	My company is a corporate member of CEPS and pays €1,000 (+21% VAT).
<input type="checkbox"/>	My company is not a corporate member of CEPS and pays €7,000 (+21% VAT).
<input type="checkbox"/>	My company is interested in becoming a member of CEPS. Please send additional information.

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