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5 June 1998 A4-0221/98

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REPORT

on a European Parliament and Council Decision on the co-ordinated introduction of mobile and wireless communications (UMTS) in the Community (COM(98)0058 - C4-0144/98 - 98/0051(COD))

Committee on Economic and Monetary Affairs and Industrial Policy

Rapporteur: Mr Felipe Camisón Asensio

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By letter of 3 March 1998 the Commission submitted to Parliament, pursuant to Article 189b(2) of the EC Treaty and Articles 57, 66 and 100A of the EC Treaty), the proposal for a European Parliament and Council Decision on the co-ordinated introduction of mobile and wireless communications (UMTS) in the Community (COM(98)0058 - C4-0144/98 - 98/0051(COD)).

At the sitting of 13 March 1998 the President of Parliament announced that he had referred this proposal to the Committee on Economic and Monetary Affairs and Industrial Policy as the committee responsible and the Committee on Budgets and the Committee on Research, Technological Development and Energy for their opinions.

The Committee on Economic and Monetary Affairs and Industrial Policy appointed Mr Felipe Camisón Asensio rapporteur at its meeting of 16 April 1998.

The Committee on Economic and Monetary Affairs and Industrial Policy considered the Commission proposal and the draft report at its meetings of 20 May and 3 June 1998.

At the latter meeting it adopted the draft legislative resolution unopposed with 1 abstention.

The following were present for the vote: von Wogau, chairman; Katiforis, Garosci and Secchi, vice-chairmen; Camisón Asensio, rapporteur; Anttila (for Kestelijn-Sierens), Argyros (for Areitio Toledo), Arroni, Billingham, Carlsson, Castagnède, Cassidy (for de Brémond d'Ars), Caudron, Cox, Cunningham (for Berès), de Lassus Saint Genies (for Scarbonchi), de Rose, Donnelly, Fourçans, Friedrich, Gallagher, García Arias, García-Margallo y Marfil, Gasòliba i Böhm, Glase (for Konrad), Harrison, Hautala, Hendrick, Herman, Hoppenstedt, Ilaskivi, Jarzembowski (for Mather), Kuckelkorn, Kuhne (for Glante), Langen, Larive, Lukas, Lulling, Malerba (for Mezzaroma), Metten, Miller, Murphy, Paasilinna, Peijs, Pérez Royo, Randzio-Plath, Rapkay, Read, Riis-Jørgensen, Rübzig, Soltwedel-Schäfer, Svensson, Tappin (for Imbeni), Thyssen, Torres Marques, Watson and Wibe.

The opinions of the Committee on Budgets and the Committee on Research, Technological Development and Energy are attached.

The report was tabled on 5 June 1998.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

A
LEGISLATIVE PROPOSAL

Proposal for a European Parliament and Council Decision on the co-ordinated introduction of mobile and wireless communications (UMTS) in the Community (COM(98)0058 - C4-0144/98 - 98/0051(COD))

The proposal is approved with the following amendments:

Text proposed by the Commission()

Amendments by Parliament

(Amendment 1)
Recital 10

Whereas UMTS service providers should be able to enter the market without unnecessary constraints to allow for a dynamic market and a broad competitive service offering; whereas where an authorization procedure is considered necessary, general authorizations or declarations should be the rule;

Whereas organizations providing UMTS networks should be able to enter the market without unnecessary constraints or excessive fees to allow for a dynamic market and a broad competitive service offering; whereas where an authorization procedure is considered necessary, general authorizations or declarations should be the rule;

(Amendment 2)
Recital 16

...; Whereas additional frequency spectrum may become necessary by 2005 and therefore the 900, 1800 and 1900 MHz bands would also need to be freed or refarmed as far as possible;

...; Whereas additional frequency spectrum may become necessary by 2005 and therefore the 900, 1800 and 1900 MHz bands would also need to be freed or refarmed as far as possible with a view to ensuring non-discrimination;

(¹) OJ C 131, 29.4.1998, p. 9.

(Amendment 3)

Recital 16

Whereas this ERC decision has designated the frequency bands 1900-1980 MHz, 2010-2025 MHz and 2110-2170 MHz to terrestrial UMTS applications, and accommodates UMTS satellite component applications within the bands 1980-2010 MHz and 2170-2200 MHz; whereas it already appears that additional frequency spectrum capacity will be necessary to meet the demand in the Community and to ensure introduction of UMTS in Europe even before 1 January 2002; whereas sufficient spectrum must be allocated within the bands identified by WARC 92 according to the increasing needs therefor before UMTS services are commercially deployed; whereas additional frequency spectrum may become necessary by 2005 and therefore the 900, 1800 and 1900 MHz bands would also need to be freed or refarmed as far as possible;

Whereas this ERC decision has designated the frequency bands 1900-1980 MHz, 2010-2025 MHz and 2110-2170 MHz to terrestrial UMTS applications, and accommodates UMTS satellite component applications within the bands 1980-2010 MHz and 2170-2200 MHz; whereas it already appears that additional frequency spectrum capacity will be necessary to meet the demand in the Community and to ensure introduction of UMTS in Europe even before 1 January 2002; whereas sufficient spectrum must be allocated within the bands identified by WARC 92 according to the increasing needs therefor before UMTS services are commercially deployed; whereas additional frequency spectrum may become necessary within a few years and therefore the 900, 1800 and 1900 MHz bands would also need to be freed or refarmed as far as possible;

(Amendment 4)

Recital 22

Whereas, without prejudice to Community competition law, organisations providing UMTS networks must have rights and obligations to negotiate roaming and infrastructure sharing agreements with other telecommunications organisations to ensure seamless Community-wide service coverage; whereas such negotiation needs to occur on the basis of a common, open and internationally competitive air-interface standard;

Whereas, without prejudice to Community competition law, organisations providing UMTS networks must have rights and obligations to negotiate roaming and infrastructure sharing agreements with other telecommunications organisations to ensure seamless Community-wide service coverage even in less populated areas; whereas such negotiation needs to occur on the basis of a common, open and internationally competitive air-interface standard;

(Amendment 5)

Article 2

For the purpose of the Decision, Universal Mobile Telecommunications System (UMTS) shall mean a third generation mobile and wireless communications system capable of supporting in particular innovative multimedia services, beyond the capability of second generation systems such as GSM, and capable of combining the use of terrestrial and satellite components. It shall include the characteristics referred to under Annex 1.

For the purpose of the Decision, Universal Mobile Telecommunications System (UMTS) shall mean a third generation mobile and wireless communications system capable of supporting in particular innovative multimedia services, beyond the capability of second generation systems such as GSM, and capable of combining the use of terrestrial and satellite components. This system shall at least be capable of supporting the characteristics referred to under Annex 1.

(Amendment 6)

Article 3(3)

When authorizing UMTS services, Member States shall ensure that the specific characteristics listed in Annex I are implemented;

When authorizing UMTS services, Member States shall ensure that this takes place in compliance with the Community legislation in force, whereby *inter alia* the principles of transparency and non-discrimination shall be adhered to and the specific characteristics listed in Annex I implemented;

(Amendment 7)

Article 3(4)

In the case of incompatibility of potential systems and if it is established in accordance with the procedure laid down in Article 17 of Directive 97/13/EC and in conjunction with CEPT that it is necessary to limit the number of UMTS services authorizations, Member States shall co-ordinate their authorization procedures with a view to authorizing compatible UMTS services in the Community.

In the case of incompatibility of potential systems and if it is established in accordance with the procedure laid down in Article 17 of Directive 97/13/EC and in conjunction with CEPT that it is necessary to limit the number of UMTS services authorizations for reasons of frequency spectrum efficiency, Member States shall co-ordinate their authorization procedures with a view to authorizing compatible UMTS services in the Community.

(Amendment 8)
Article 9(2)

For this purpose, the Commission shall make proposals to take all necessary actions to seek the effective implementation of international agreements applicable to UMTS, and shall, in particular and where necessary, submit proposals to the Council for appropriate mandates for the negotiation of bilateral and multilateral agreements with third countries and international organisations. The Council shall decide by qualified majority.

For this purpose, the Commission shall seek the effective implementation of international agreements applicable to UMTS, and shall, in particular and where necessary, submit proposals to the Council for appropriate mandates for the negotiation of bilateral and multilateral agreements with third countries and international organisations. The Council shall decide by qualified majority.

(Amendment 9)
Annex I, first section, paragraph 1

Services

System capabilities needed to accommodate service features

1. Multimedia capability with wide area mobility.

1. Multimedia capability; full mobility and low mobility applications in different geographical environments beyond the capability of the second generation systems such as GSM.

(Amendment 10)
Annex I - point 5

5. Indoor, outdoor and far outdoor operation of GSM/UMTS in one seamless environment including full roaming between GSM as well as between the terrestrial and satellite components of UMTS networks.

5. Indoor, outdoor and far outdoor operation of GSM/UMTS in one seamless environment including full roaming between all GSM services as well as between the terrestrial and satellite components of UMTS networks.

(Amendment 11)
Annex I, third section
Core network

- Evolution from GSM system family; call control mobility management including full roaming functionality based core GSM network standard .
- Mobile / fixed convergence elements.

- Call handling, service control and location and mobility management including full roaming functionality based on an evolution of existing core network systems, for example on an evolved GSM core network, taking the convergence between fixed and mobile networks into account.

DRAFT LEGISLATIVE RESOLUTION

Legislative resolution embodying Parliament's opinion on the proposal for a European Parliament and Council Decision on the co-ordinated introduction of mobile and wireless communications (UMTS) in the Community (COM(98)0058 - C4-0144/98 - 98/0051(COD))

(Codecision procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(98)0058 - C4-0144/98 - 98/0051(COD)),⁽¹⁾
 - having regard to Article 189b(2) of the EC Treaty and Articles 57, 66 and 100 A of the EC Treaty, pursuant to which the Commission submitted the proposal to Parliament (C4-0144/98),
 - having regard to Rule 58 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs and Industrial Policy and the opinions of the Committee on Budgets and the Committee on Research, Technological Development and Energy (A4-0221/00),
1. Approves the Commission proposal, subject to Parliament's amendments;
 2. Calls on the Commission to alter its proposal accordingly, pursuant to Article 189a(2) of the EC Treaty;
 3. Calls on the Council to incorporate Parliament's amendments in the common position that it adopts in accordance with Article 189b(2) of the EC Treaty;
 4. Should the Council intend to depart from the text approved by Parliament, calls on the Council to notify Parliament and request that the conciliation procedure be initiated;
 5. Points out that the Commission is required to submit to Parliament any modification it may intend to make to its proposal as amended by Parliament;
 6. Instructs its President to forward this opinion to the Council and Commission.

⁽¹⁾ OJ C 131, 29.4.1998, p. 9.

B
EXPLANATORY STATEMENT

Background

UMTS is the name for the future generation of mobile telecommunications systems, which will provide voice, data and multimedia services, including fast Internet access, with a level of quality nowadays only available with fixed equipment.

UMTS will with no doubt be a major issue around the year 2000 and will foster innovative services and applications. The telecommunications industries (both operators and manufacturers) see this technology as "the next frontier" for market expansion.

Boosted by its GSM experience, where early standardization boosted rapid deployment of competitive networks and services, Europe is now able to take the lead in this field, both technologically and strategically, whereas the development of mobile phones in the USA was hampered by the incoherent deployment of incompatible technologies.

In its resolution of 29 January 1998(

) based on the two Commission communications on the future of mobile communications, the European Parliament expressed strong support for a clear

This implies that both the industry and the public authorities accept to work together and overcome individual preferences in favour of a model of open networks and technologies, rather than proprietary designs aimed at controlling captive markets.

Our institution called on in particular the Commission, the standardization body ETSI and the industry to agree upon the development of a single standard, or at least compatible ones. Systematic roaming capabilities would be both a consequence of such developments and a pro-active demand for achieving them.

Since then, substantial progress has been made on the standardization process, with rival equipment technologies combining in an attempt to offer users the combined advantages of both and facilitating dual operation of terminals as local wireless or mobile according to circumstances. Operators, the primary users for such technologies, are welcoming this result.

() based on the two Commission communications on the future of mobile communications, the European Parliament expressed strong support for a clear commitment of the European Union towards the deve

) Resolution A4-0027/98 on the communication from the Commission on the further development of mobile and wireless communications: challenges and choices for the European Union and on the communication from the Commission 'Strategy and policy orientations with regard to further development of mobile and wireless communications (UMTS)' (COM(97)0217 and COM(97)0513 - C4-0271/97)

Even if a lot remains to be done to specify the details of this future European open standard, the conception of which incorporates not only European but also US and Japanese technology, your rapporteur welcomes this victory of reason. The next step is now to prepare the launch of

experimental, and soon commercial services: the speed of technological progress in the industry is such that the first commercial services might be available by 2002.

The Commission proposal

To this end, it is now high time to initiate the licencing process, so as to give operators and manufacturers the indispensable legal certainty they need to initiate the sizeable investments that are needed.

This proposal establishes the necessary guidelines to ensure the consistency of the national procedures and requirements throughout the Union in line with the «Licences» Directive⁽¹⁾, as well as in co-operation with the CEPT⁽²⁾.

Its principles and structure are very similar to the decision approved last year by the European Parliament relating to the Satellite Personal Communications Systems (S-PCS).

It covers the harmonisation of technological requirements under CEPT harmonized frequency bands and ETSI European standards, the co-ordination of licencing procedures, the rights and obligations in the field of roaming, both national and Union-wide, the relationships to be established to this end with the above-mentioned bodies and the international action, both bilateral and multilateral, in particular in the framework of ITU's IMT-2000 standardization prospects.

It does not prejudice the financial conditions for access to a licence, nor does it give any priority to (or cast any *a priori* exclusion on) present mobile networks operators.

Critical appraisal

Your rapporteur welcomes this proposal. Its purpose is entirely justified, as are its commitment to ETSI standards and its independence from market policy options.

In particular, it is perfectly legitimate not to reserve the access to UMTS licences to present GSM/DCS operators, as it is not to exclude them in the principle: decisions must be taken based on a mixture of technical expertise, market ability and the situation of competition, with a view to achieving optimal results both in terms of spectrum efficiency, technological capabilities, extent of services available and completion of societal aims.

⁽¹⁾, as well as in co-operation with the CEPT⁽²⁾ Directive 97/13/EC of the European Parliament and of the Council of 10 April 1997 on a common framework for general authorizations and individual licences in the field of telecommunications services - OJ L 117 of 7.5.1997, p. 15

⁽²⁾ Conférence Européenne des Postes et Télécommunications, pan-European body responsible i.a. for the use of frequency ranges. CEPT is part of the ITU system, under which responsibility the global rules for UMTS (called IMT-2000 at ITU) are to be agreed.

While the proposal does not address selection criteria for licences or pricing of the licenced frequency spectrum - which is not its purpose anyway, it is however important for the development of UMTS that optimal methods are used for that purpose. In particular great care

should be given by Member States prior to auctioning frequencies. Frequency auctioning tends to favour the financially strongest bidders, not necessarily the most qualified ones, and to put more emphasis on short term economic returns, at the expense of the customers and of the general public. Your rapporteur, while respecting the freedom of the Member States in this field, wishes to draw the attention to this aspect: UMTS will require high investment. Frequency auctioning must still prove that it is, in such a case, the optimal method for developing the market and maximizing overall economic and social benefits.

The same reasoning applies to any other measures envisaged, which must bear in mind the market requirements and not privilege the industrial strategy of given actors.

The other amendments are therefore strictly limited to confirming the necessity of a sufficient coverage of less populated areas, and to bringing technical specifications more in line with technological and market expectations, as well as giving the Commission a higher profile for negotiations at international level, while respecting the Member States' rights in the field of spectrum management.

These limited changes should not be controversial, and your rapporteur is optimistic about the Council's readiness to accept them, allowing therefore a speedy adoption of this decision.

OPINION

(Rule 147 of the Rules of Procedure)

for the Committee on Economic and Monetary Affairs and Industrial Policy

on the proposal for a European Parliament and Council Decision on the co-ordinated introduction of mobile and wireless communications (UMTS) in the Community (COM(98)0058 - C4-0144/98 - 98/0051(COD))(report by Mr Camisón Asensio)

Committee on Budgets

Letter from the chairman of the Committee on Budgets to Mr von Wogau, chairman of the Committee on Economic and Monetary Affairs and Industrial Policy

Brussels, 3 June 1998

Dear Mr von Wogau,

At its meeting of 3-4 June 1998, the Committee on Budgets considered the above proposal for a decision.

The committee noted that the proposal is a response to:

- the Council's invitation to the Commission: *to submit by early 1998, a proposal for a European Parliament and Council decision which would enable orientations to be established on the substance of the issue and facilitate within the existing Community legal framework the early licensing of UMTS services and, if appropriate, and on the basis of the existing repartition of competences, in respect of coordinated allocation of frequencies in the Community and pan-European roaming;*
- the resolution of 29 January 1998 in which Parliament stressed the urgent need *for a European approach, in particular on regulation, standardization and frequency allocation.*

It has taken into account the objectives of the proposed action consisting of establishing *a common market for third generation mobile and personal communications (UMTS - Universal Mobile Telecommunications System) through an action at Union level to set up a licensing framework based on harmonized criteria.*

As regards the budgetary aspects, the committee noted that the cost of this action amounts to ECU 990 000 over a period of five years (1999-2003). This expenditure will be effected from line B5-302: *Definition and implementation of Community policy in the field of telecommunications and posts* on the legal basis of Articles 57, 66 and 100a of the EC Treaty.

The Commission pointed out that Parliament had entered part of the appropriations in the reserve on this line owing to the Commission's inappropriate choice (Article 235) of a legal basis for a previous action. The Commission had then withdrawn the latter. In addition, the Committee

on Budgets gave a favourable opinion on the choice of the articles proposed for implementing this action and its funding by the Community budget.

Yours sincerely,

Detlev SAMLAND

The following were present for the vote: Tillich, acting chairman; Giansily, vice-chairman; Böge, Dankert, Dührkop Dührkop, Elles, Fabre-Aubrespy, Kellett-Bowman (for Bardong), Laignel, McCartin, Miranda de Lage, Mulder (for Brinkhorst), Müller, Seppänen, Tappin, Tomlinson, Waidelich, Willockx and Wynn.

(Amendment 1)
Article 7, the committee

In the implementation of this Decision, the Commission shall be assisted by the Licensing Committee set up by Article 14 of Directive 97/13/EC.

In the implementation of this Decision, the Commission shall be assisted by the Licensing Committee set up by Article 14 of Directive 97/13/EC. The committee shall be composed of one representative from each Member State and shall be chaired by the representative of the Commission.

The representative of the Commission shall submit to the committee a draft of the measures to be taken. The committee shall deliver its opinion on the draft within a time-limit which the chairman may lay down according to the urgency of the matter.

The opinion shall be delivered by the majority laid down in Article 148(2) of the Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the committee shall be weighted in the manner set out in that Article. The chairman shall not vote.

The Commission shall adopt the measures proposed when they are in accordance with the opinion of the committee.

If these measures are not in accordance with the opinion of the committee, or in the absence of an opinion, the Commission shall submit to the Council without delay a proposal for the measures to be taken. The Council shall act by qualified majority.

If, within a period of three months, the Council has not acted, the measures proposed shall be adopted by the Commission.

2 June 1998

OPINION
(Rule 147)

for the Committee on Economic and Monetary Affairs and Industrial Policy

on a European Parliament and Council Decision on the co-ordinated introduction of mobile and wireless communications (UMTS) in the Community (COM (98) 0058 - C4-0144/98 - 98/0051 (COD)); report by Mr Felipe Camisón Asensio

Committee on Research, Technological Development and Energy

Draftsman: Mr Franco Malerba

PROCEDURE

At its meeting of 17 March 1998 the Committee on Research, Technological Development and Energy appointed Mr Franco Malerba draftsman.

It considered the draft opinion at its meetings of 20 May 1998 and 2 June 1998.

At the latter meeting it adopted the following conclusions unanimously.

The following were present for the vote: Adam, acting chairman; Malerba, draftsman; Camisón Asensio (for Quisthoudt-Rowohl), Chichester, Estevan Bolea, Ferber, Holm (for Bloch von Blottnitz) and Matikainen-Kallström.

INTRODUCTION

The GSM and DCS 1800 technology provides mobile telephone systems to millions of users today. However they are not compatible with the US digital mobile system (D-AMPS) and Japanese (PDC). Moreover the existing base of mobile communication terminals shows a basic incompatibility between terminals for cellular digital systems, for wireless telephones (DECT), for paging systems and radio extensions of Private Branch Exchanges (PABX). The UMTS technology and standards carry the promise of full integration of all existing systems so that the user can communicate with one portable (pocket size) terminal anytime anywhere, with a high quality of voice and also have access to multimedia services such as Internet.

The agreement reached in ETSI in 1998 on the UMTS radio interface technology and the prospective deployment of UMTS services by 2002 places UMTS as a strong candidate for acceptance as a global world-wide standard.

CRITICAL APPRAISAL

The rapporteur agrees with the Commission on the timetable outlined in the Decision and would like to stress that a clear strategy must be developed to make available sufficient frequency spectrum before UMTS services are commercially deployed and to further release

frequency spectrum with market demand. The decision identifies the frequency bands assigned to the UMTS system and - after the ERC decision 30-6-1997 - it seems urgent that the Member States take the necessary steps to ensure the availability of such UMTS frequencies and to establish harmonised non discriminatory licencing procedures for the spectrum assignments and for the UMTS commercial services authorisations to either existing GSM operators or new entrants on UMTS markets.

It is important to realize that the emergence of the UMTS technology as a worldwide platform will affect the leadership position of the European industry in cellular telephony, putting an end to the exceptional situation of a 'united Europe' around the GSM standard and divided 'United States' with competing incompatible standards. However, delaying the deployment of UMTS services in Europe would deprive our industry of an early entry in this new game and affect its future competitiveness.

The rapporteur agrees with the decision to allow for assignment of all frequencies in the 900, 1800 and 1900 MHz for UMTS services in a non-discriminatory fashion. This will allow the support of combinations of mobile telephone technologies and allow for coverage of the less populated areas in a more effective way than through roaming agreements between different operators.

In the Annex I - characteristics of UMTS the rapporteur feels it would be appropriate to explicitly recall that "GSM" in the context of the directive means a family of services including GSM 900, DCS 1800, PCS 1900.

The draftsman believes that the exchange of information between the Member States and the Commission is crucial to a rapid and harmonised deployment of the UMTS services. The Member States should inform the Commission on the availability of frequencies for UMTS.

CONCLUSIONS

The Committee on Research, Technological Development and Energy therefore proposes that the Committee on Economic and Monetary Affairs and Industrial Policy incorporate the following amendments into its draft resolution on this subject:

Text Proposed by the Commission

Amendments by Parliament

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(Amendment 1)
Recital 16

...; Whereas additional frequency spectrum may become necessary by 2005 and therefore the 900, 1800, and 1900 MHz bands would also need to be freed or refarmed as far as possible;

...; Whereas additional frequency spectrum may become necessary by 2005 and therefore the 900, 1800, and 1900 MHz bands would also need to be freed or refarmed as far as possible with a view to ensuring non-discrimination;

(Amendment 2)
Article 3(3)

When authorising UMTS services, Member States shall ensure that the specific characteristics listed in annex I are implemented.

When authorising UMTS services, Member States shall ensure that the specific characteristics listed in annex I are implemented and licences are made available in compliance with the Community legislation in force.

(Amendment 3)
Annex I - point 5

5. Indoor, outdoor and far outdoor operation of GSM/UMTS in one seamless environment including full roaming between GSM as well as between the terrestrial and satellite components of UMTS networks.

5. Indoor, outdoor and far outdoor operation of GSM/UMTS in one seamless environment including full roaming with all GSM services as well as between the terrestrial and satellite components of UMTS networks.