The impact assessment for the Proposed Regulation concerning the Telecoms Single Market and to achieve a Connected Continent

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Aims of the proposal:

- **Contribute to a single market** based on freedoms of providers and consumers to act across borders, leading to **gradual market integration**
- Build on solid foundations of current legislation with **focused measures** against identified barriers
- Maintain market regulation based on **competition principles**
- Safeguard **open Internet,** while leaving space for innovation
- Enable benefits of **economies of scale** to be passed to consumers **without prejudicing efficient operators of any size**
- **Minimal governance changes** to ensure collaborative, strategic European approach

Stakeholders' consultation

- **Continuous dialogue with stakeholders** representing established and alternative operators, business and consumer organisations, users of telecommunications services, national regulators and governments
- Going Local exercise in all MS
- **BEREC reports** (Open internet)
- Work of the Radio Spectrum Policy Group
- 3 meetings held with EP to discuss the forthcoming proposal
- Policy debate in TTE Council group on 6 June 2013
- **Public information meeting** in Brussels on 17 June 2013
- **Studies**: towards a truly internal market for eComms (Ecorys, 2013) + other sector studies

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Regulatory fragmentation and its sources

- Barriers to the Single Market through National Authorisation Regimes linked with **inconsistency in regulatory approaches** implemented by NRAs
- **Lack of co-ordination in spectrum assignments** and regulatory uncertainty as to the availability of frequencies hinders the roll-out of Next Generation Wireless Networks
- **Lack of pan-European Virtual Network Access** and Inputs with consistent service interoperability levels
- **Market fragmentation harms consumers' interests**: high costs of roaming and international calls, blocking or throttling of services and uneven levels of consumer protection

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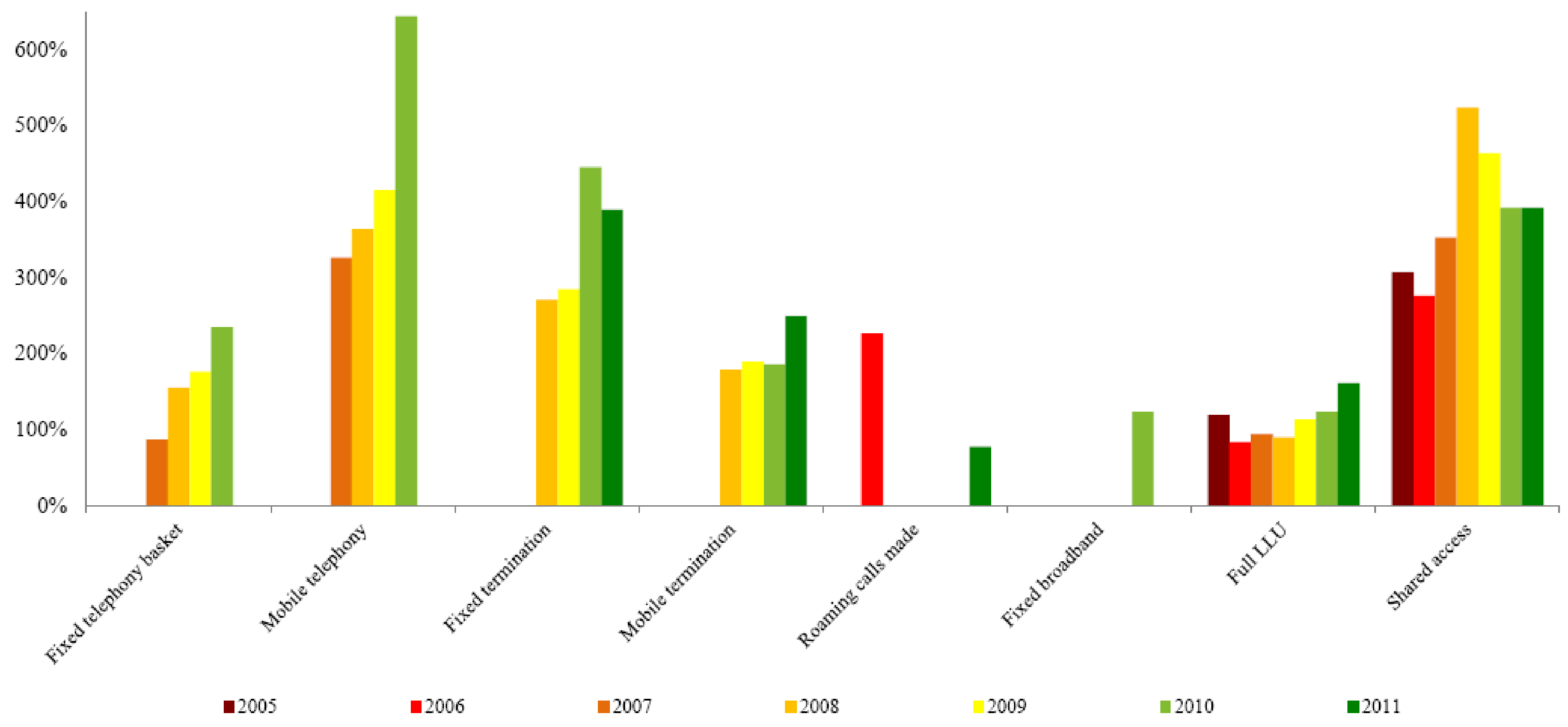
The effects of fragmentation (1)

Impact on consumers

Graph I.26a: Price disparities in various eComms segments



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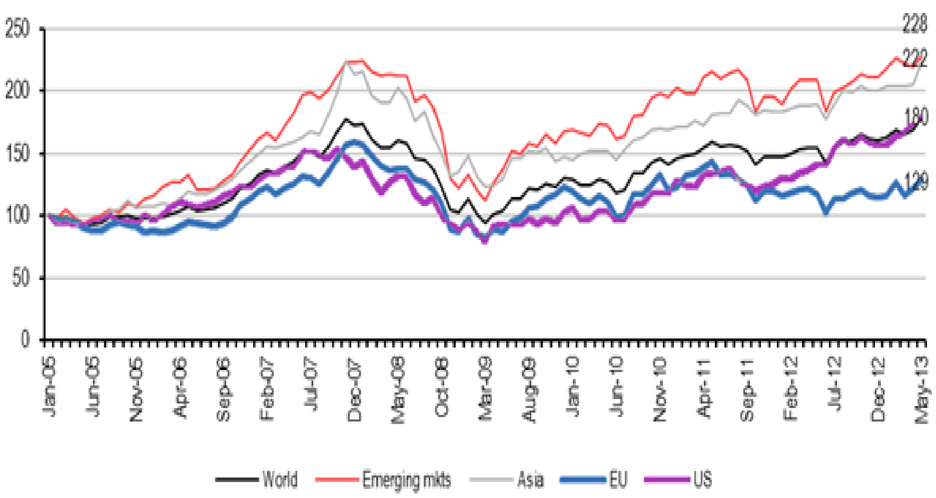
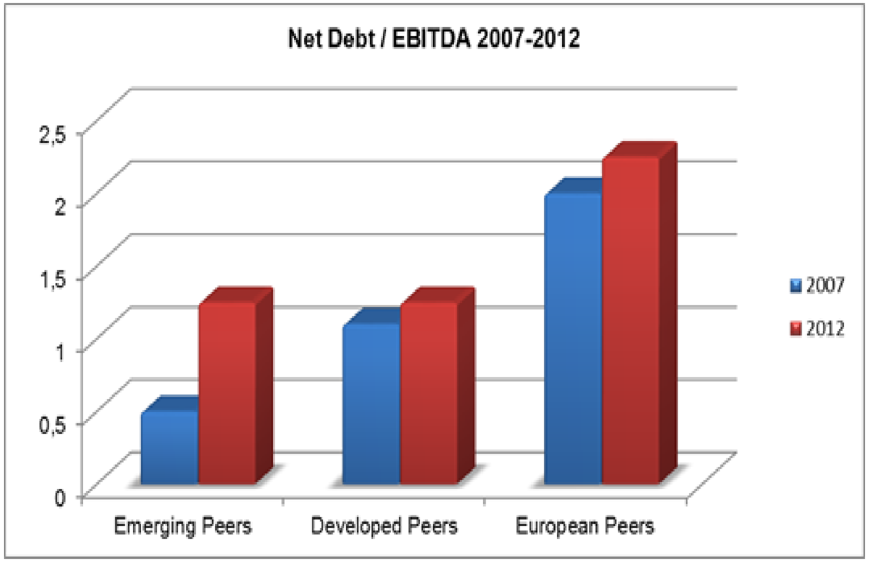
The effects of fragmentation (2)

Impact on operators

Price-focused competition over the last years and limited innovation, low performance and high levels of debt; investment at low levels

Total return on telco shares





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Subsidiarity and proportionality

- ***Current patchwork of national rules and divergent implementation***
- *Barriers to the provision of services on a cross-border basis and the operation of networks across the EU*
- *EU intervention limited to cases enabling operators who so wish to carry out their activities on a pan-EU dimension, and offer consumers who so wish wider choice of services provided on a cross-border basis*
- ***National margin remains***:
  - ✓ *Revenues from spectrum assignment are preserved*
  - ✓ *No pan-European authority*
  - ✓ *preserves MS freedom on whether EU virtual access products are suitable to resolve local competitive problems*
  - ✓ *regulatory obligations inherently linked to the place where a network is located or a service is provided remain to be decided by local NRAs*
  - ✓ *imposition of EU virtual access products remains with the NRA of the MS where the network is located*

Objectives

General Objective	Specific Objectives	
to complete the **Single Market for electronic communication services** to ensure that: - **citizens and businesses** have the right to access eComms services irrespective of from where they are provided in the Union, without being hampered by cross-border restrictions and unjustified additional costs; - **providers of electronic communications services and networks** have the right to operate their networks and provide services irrespective of where the company is established or its customers are situated in the Union.	**SO1**	Enabling unrestricted **EU-wide provision of service** by removing obstacles in the authorization regime and as regards rules applicable to service provision
	SO2	Ensuring greater **consistency in spectrum assignment** and deployment conditions in order to allow wireless broadband operators to access spectrum across the EU on the basis of predictable rules and coordinated conditions
	SO3	Ensure **consistent European wholesale inputs** to enable electronic communication service providers to offer their services across the Single Market
	SO4	Enable **consumers to freely enjoy eComms** services across the EU and establish a common high level of protection to both consumers and cross-border telecoms undertakings, providing the necessary legal certainty to develop new services and business models

What policy options?

Baseline scenario continued application of the current framework

Option 1: complete the Single Market through regulatory coordination. Combines recommendations and the review of elements of the regulatory framework (USD in 2014 and the Roaming Regulation in 2016)

Option 2 : integrated legislative with targeted measures to establish a complete Single Market in electronic communications services supported by enhanced EU coordination

Option 3 = Option 2, but foresees a single EU regulator would be established, responsible for implementation and enforcement of pan-EU services

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IMPACTS of option 2: Benefits

- **Direct benefit** of €110bn p.a. (Ecorys, 2013)

- Positive **spill-over effects** on other sectors of tens of billions of potential gains p.a.

- **Directly related sectors** (telecoms equipment manufacturing, application developers, content industry) benefit from a dynamic telecoms market

- **Other sectors** like automotive, logistics, or energy benefit from more connectivity in the TSM and productivity gains (ubiquitous cloud applications, (mobile) Internet of Things, integrated service provision for different parts of a company)

- **Public sector** will save money due to wider eGovernment and eHealth services (better quality care at much lower costs)

- **Consumers** benefit from more choice, innovative and better quality services

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Impacts of option 2 : Costs

- Some measures may result in a **reduction of some revenue streams** for operators. If **roaming and intra-EU calls** were provided at domestic rates, the worst-case static scenario implies annual revenue loss of 1,650 mEUR resulting from decrease in roaming and international calls (i.e. when no account is taken of effects of price elasticity or reasonable use criterion for roaming). In reality impacts are likely to be much smaller.

- These revenues are in any case unsustainable, as a result of the roaming regulation (by 2016) + increasing competition and technological change (Voice over IP)

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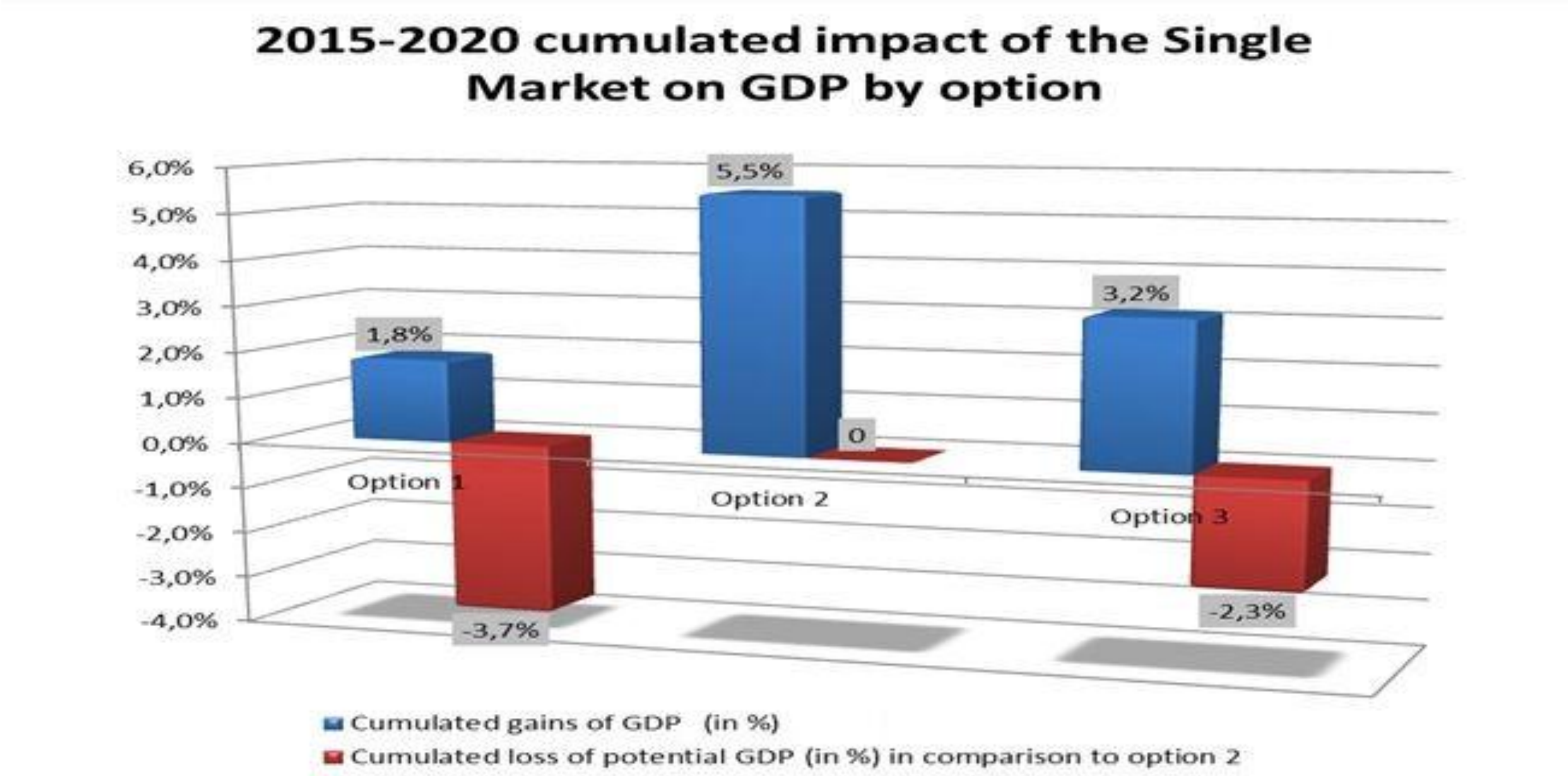
Impact on GDP



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Choice of the preferred option

Option 1 (+)	Option 2 (+++)	Option 3 (++)
• Option 1 would be based on recommendations which are **not entirely binding** so that MS have wide discretion as to implementation. • Option 1 would take significantly **longer (5 years) to implement** fully than the other options. This entails foregoing potential additional GDP of some 3.7% compared to option 2 and 3 over the period 2015 - 2020. • Option 1 is an improvement on the current situation and has a '**moderate overall positive impact**'; only a part of the expected economic benefits would be realised.	• Option 2 consist of a single legislative instrument introducing the EU market-level elements associated with a true Single Market + targeted changes of the current framework. • Option 2 leaves the **competences of NRAs essentially unchanged** while at the same time enhancing the European coordination mechanism. • **Option 2** delivers on all the specific objectives and **generates the highest possible expected benefits** in the most timely and effective manner. **Hence, it is considered the preferred option**.	Under option 3 there would be a **single EU regulator** that would have responsibility for pan-EU services The single EU regulator would have competence in the **consistent application of consumer protection** rules together with the implementation of specific dispute resolution mechanisms **Option 3 compared to option 2 takes more time to produce its full effects**. Setting and staffing the new body will require at least 3 ½ years and, as a result, delay and diminish the economic benefits

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Many thanks for your attention!