

12th EU Telecom Rules implementation report

European consumer services: More, cheaper and better!

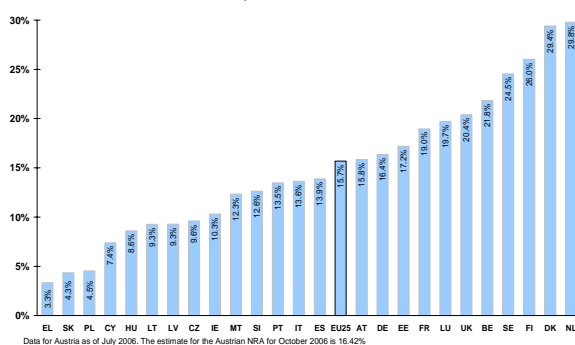


This year European consumers could again benefit as broadband penetration increases and prices for fixed and mobile phones fall. EU mobile penetration now stands at over 100%. However; prices for using your mobile phone abroad remain unjustifiably high. Data services and internet telephony are also appearing more widely across Europe.

Broadband

In 2006 broadband continues to be the fastest growing segment within the electronic communications sector now worth €58.5 billion with growth rates between 7.8% and 8.5% in 2006. More than 20 million broadband lines were taken up in 2006, a 39% increase on 2005. Take-up has reached 15.7% of the EU population (almost 73 million lines), up from 11.4% last year.

EU Broadband penetration rate, 1 October 2006



The best-performing EU countries are world leaders: The Netherlands and Denmark have exceeded South Korea while seven EU Member States including Finland, Sweden, Belgium, the UK and Luxembourg have now penetration rates higher than the United States (19.2%). However, the gap between the best-performing Member States and those performing less well continues to widen as Member States with higher penetration rates grow more rapidly. Eight have a penetration rate less than 10%.

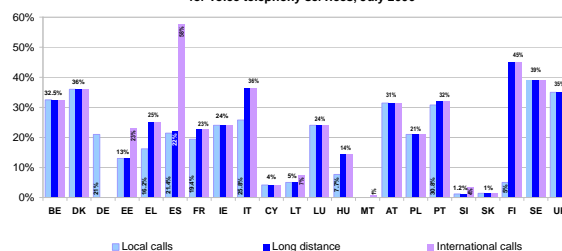
Fixed telephony

In the fixed telephony market (overall value: €83 billion), revenue decreased between 4.5 and 5.1% in 2006. Incumbent operators still dominate the market. However, their average market share in the overall fixed voice telephony market continues to decline from 67.7% (Dec. 2004) to 65.8% (Dec. 2005). The biggest rate of decline

(around 7%) has been experienced last year in Cyprus, Hungary, Ireland and Poland.

As of July 2006, over 32% of EU subscribers used an alternative provider for international calls, 28% for long distance calls and 24% for local calls. This is a significant increase compared to 2005. In Spain already 58% use alternative subscribers for their international calls, followed by Finland with 45% and Sweden with 39%.

Subscribers using an alternative provider for voice telephony services, July 2006



Prices for fixed telephony continue to fall, driven by increased competition between operators and by the switch from fixed to mobile phones. Prices for 3-minute calls have decreased by 1.1% and for 10-minute calls by 3% from 2005.

Partly in response, operators in many EU Member States have increasingly begun to make triple play services available, where television, voice and internet are delivered from a single service provider. These are expected to drive the consumer market further towards broadband. Quadruple play offers (which also include mobile voice) are also being made available in some Member States (e.g. France, Finland, Germany, Sweden and The Netherlands). However, the most frequently purchased service package is still a 'double play' offer of fixed voice and internet.

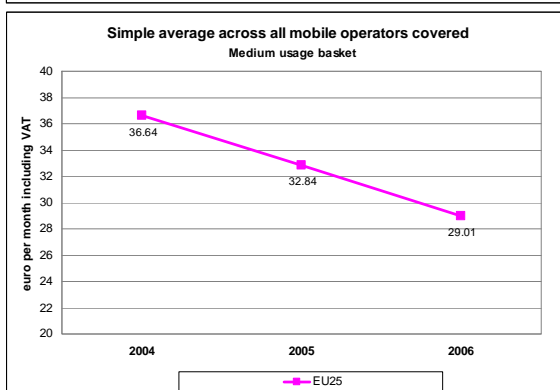
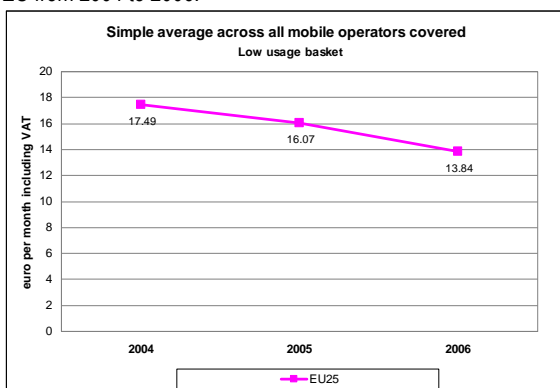
Mobile telephony

Revenue from mobile services grew at 4.6% in 2006, compared to 5.9% in 2005, reaching now €133 billion in total. While take-up and use of mobile phones continued to increase, the mobile voice market is showing clear signs of

maturing. Prices have continued to fall as a result of intensifying competition although there is scope for more progress in some areas.

Mobile penetration has now exceeded 100% and stands at 103% compared to 95% penetration last year. There are now 478.4 million mobile subscribers in the EU. In terms of Member State penetration, Luxembourg tops the list with 171%, followed by Italy with 134% and Lithuania with 133%. Poland has experienced the highest growth rate, with penetration up from 72% to 91% in just one year.

OECD baskets of prices of domestic mobile services for typical consumption patterns show EU-wide decreases of up to 13.9% between 2005 and 2006. The tables below give an indication of the fall in prices for mobile telephony between 2002 and 2006. A sharp drop in prices was registered in the EU from 2004 to 2006.



Using your mobile phone abroad

Despite the Commission's consumer website and the upcoming regulation to lower international roaming prices, average retail prices for calls made while abroad remain unjustifiably high. The draft regulation is currently being discussed by the European Parliament and the Council, and is expected to enter into force this summer. Consumers will be able to enjoy retail price cuts of up to 70%.

3G and data services

There are signs that 3G take-up is increasing. 70 operators are now offering 3G on a commercial basis and 3G services are now available in all Member States. While Japan retains the highest penetration of 3G services, Europe now has the highest number of subscribers. It is estimated that there are around 45 million 3G subscribers in the EU, indicating that Europe has overtaken Japan as leader in terms of subscriptions.

3G penetration in Europe is highest in Italy, with nearly 20% of total mobile subscribers now using 3G networks for services. Penetration for 3G services is also high in Portugal, Luxembourg, Ireland, UK and Sweden.

Emergency services - 112

While the availability and quality of the basic service now appear to be ensured quite widely, the provision of caller location information remains a problem, and the Commission opened proceedings against 13 Member States in 2006. Three Member States (Sweden, Denmark, The Netherlands) have designated 112 as their sole emergency number. However, in most Member States 112 exists beside other national emergency numbers.

Member States have used a range of methods for making citizens aware of 112 and its use, including references in payphones, directories, bills, police notices and newspapers, together with dedicated campaigns, websites, radio commercials and TV clips. In Sweden, 112 information is provided on milk packages, and in Latvia and the Czech Republic, TV programmes bring 112 to a wider audience.

Number portability

Number portability – the ability to keep your existing telephone number when you switch to a new operator – has significantly increased, and in 2006 more than 31.4 million mobile subscribers (up by 6.3 million) have made use of their right under EU law to port their telephone number. Active users of this right are mobile subscribers in Finland (64%), Denmark (32%), Spain and Sweden (both over 20%). At the same time, the percentage of ported numbers is remarkably low in Luxembourg (3.4%), in Greece, France, Portugal and Austria (not higher than 1.9%) as well as in the new Member States (all below 1%, with the relatively positive exception of Estonia with 6.2%). One reason for these discrepancies is that mobile number portability is free of charge for operators only in a few countries (Spain and Lithuania), costs less than €2 in Sweden and in Estonia, while it costs more than €15 in Luxembourg, France and Ireland and more than €20 in Germany. It is however always free for consumers. Number portability continues to be a key element for competition between operators in all Member States.

Internet telephony

In 2006 VoIP – the ability to make phone calls over your internet connection - has become widely available in the EU, showing strong growth in some countries. Traditional operators as well as alternative ones are offering VoIP products or bundled packages which include voice services.

Companies in a number of Member States have introduced Voice over Broadband (VoB) services. If VoIP continues to grow over the coming years, competition and prices in the fixed voice telephony market may be further affected.

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