12th Implementation Report – the EU Telecom Sector Before the Reform

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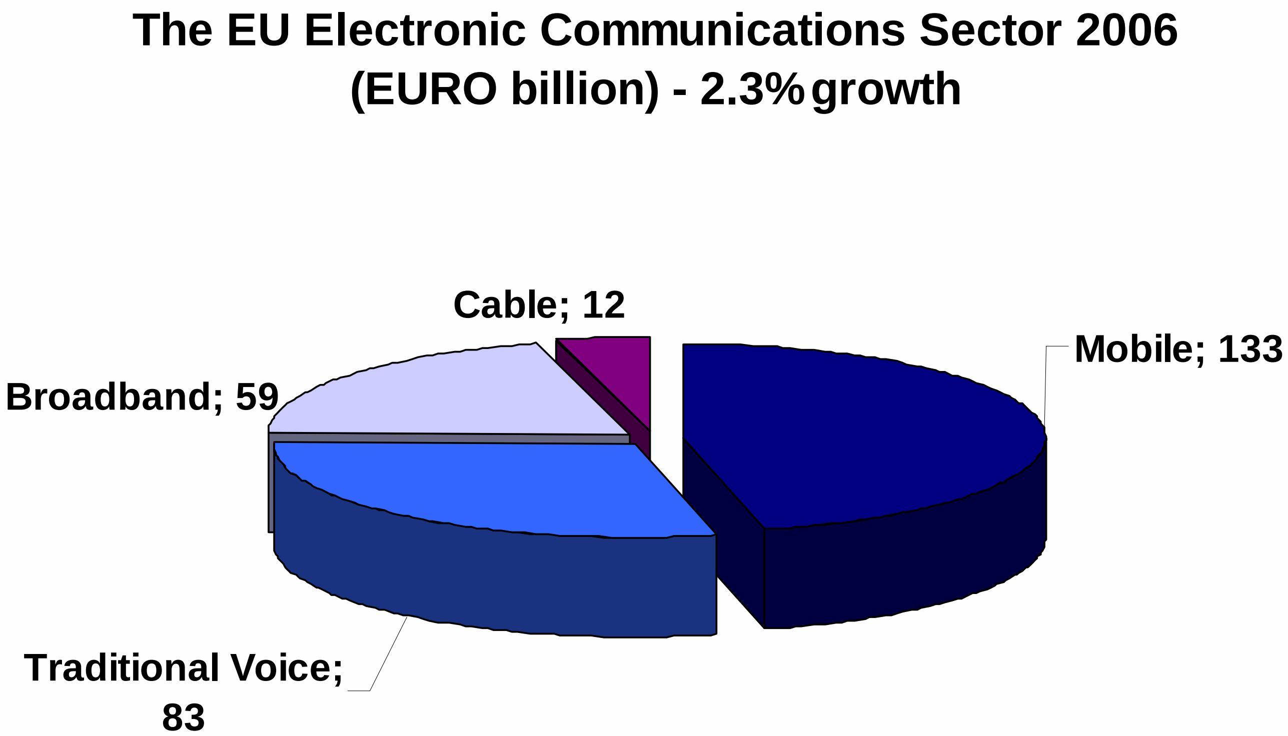
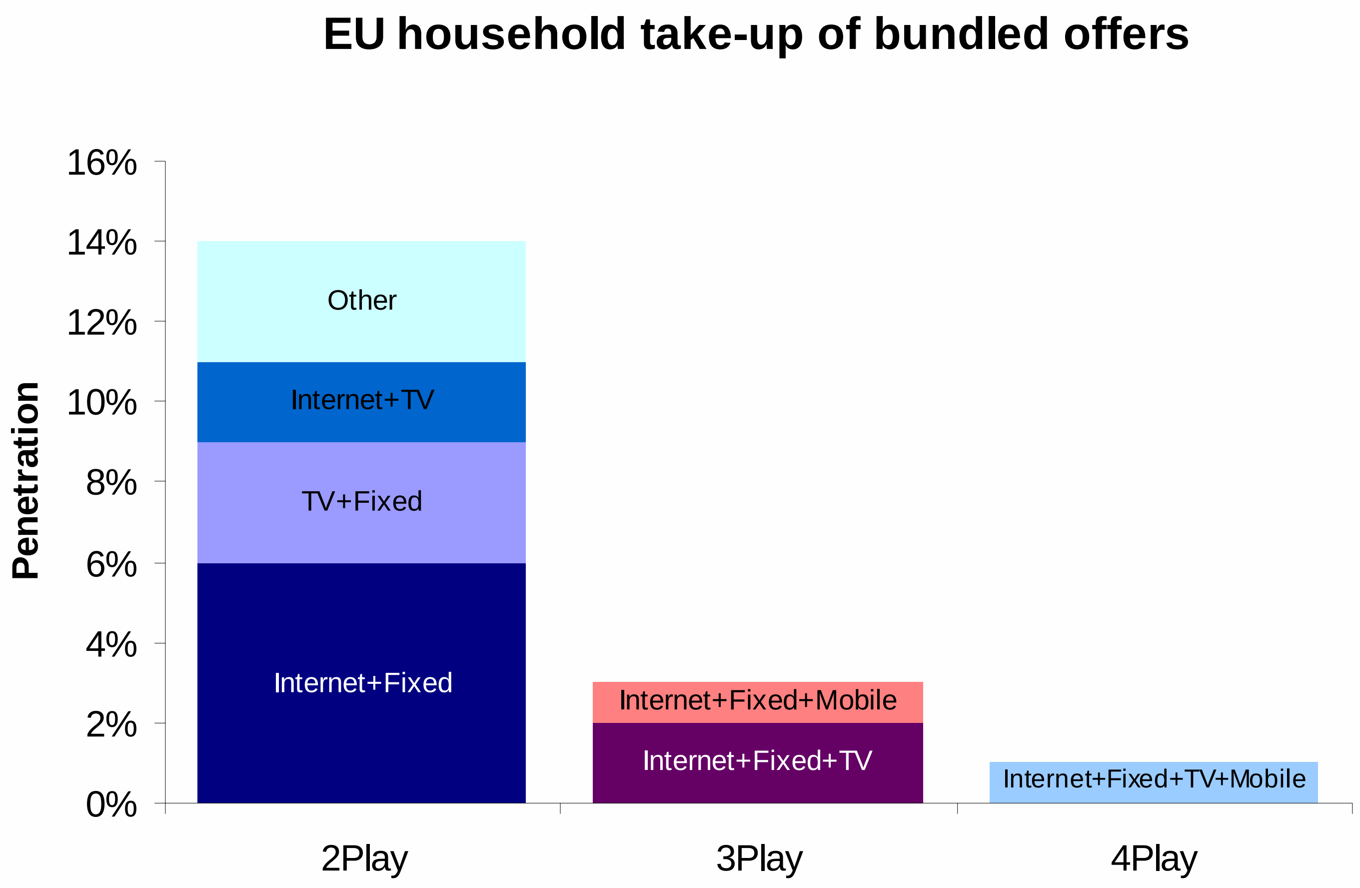
A large and dynamic sector – but some contradictions

- Electronic communications services:
  - 2% of the EU economy
  - key to the i2010 goals
- 2006 was a year of some market dynamism, but also missed opportunities

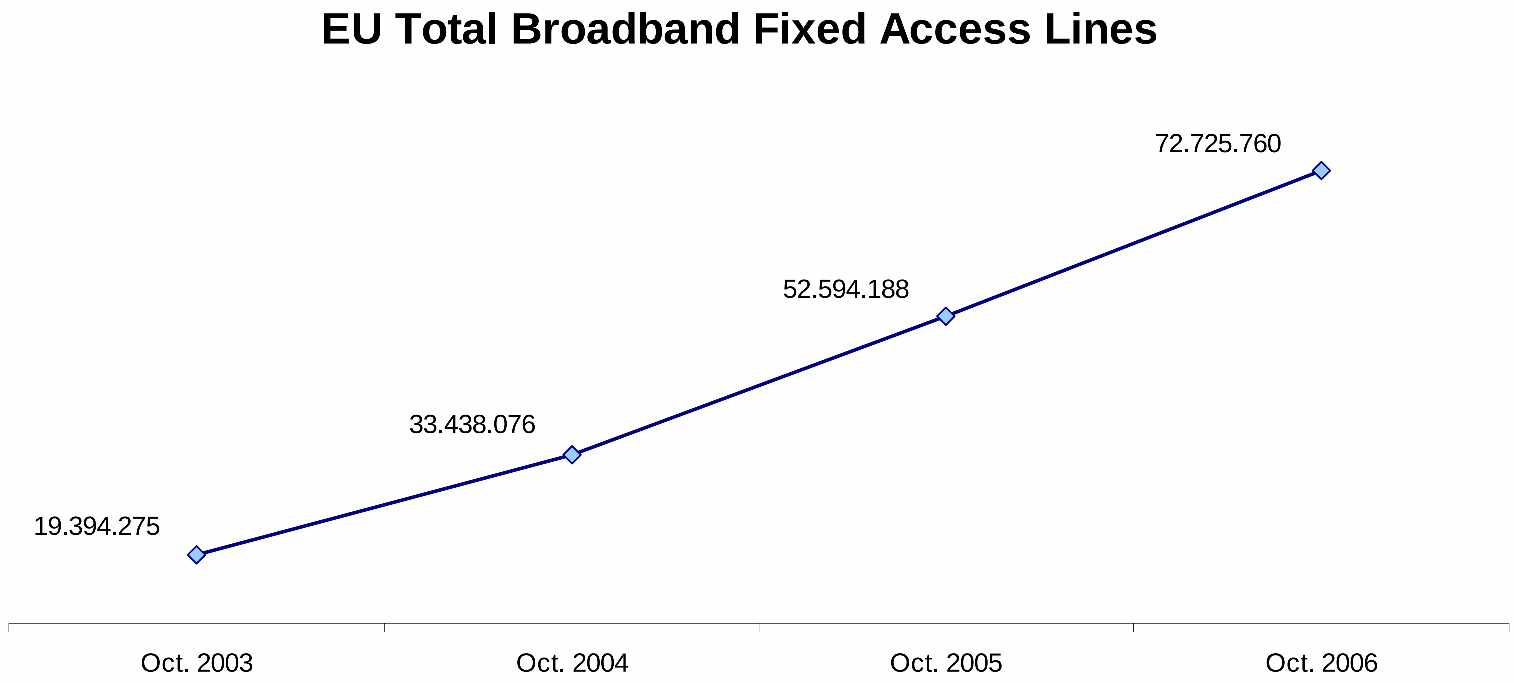
Overall growth of 2.3%



Convergence is starting



Tremendous growth in broadband lines...



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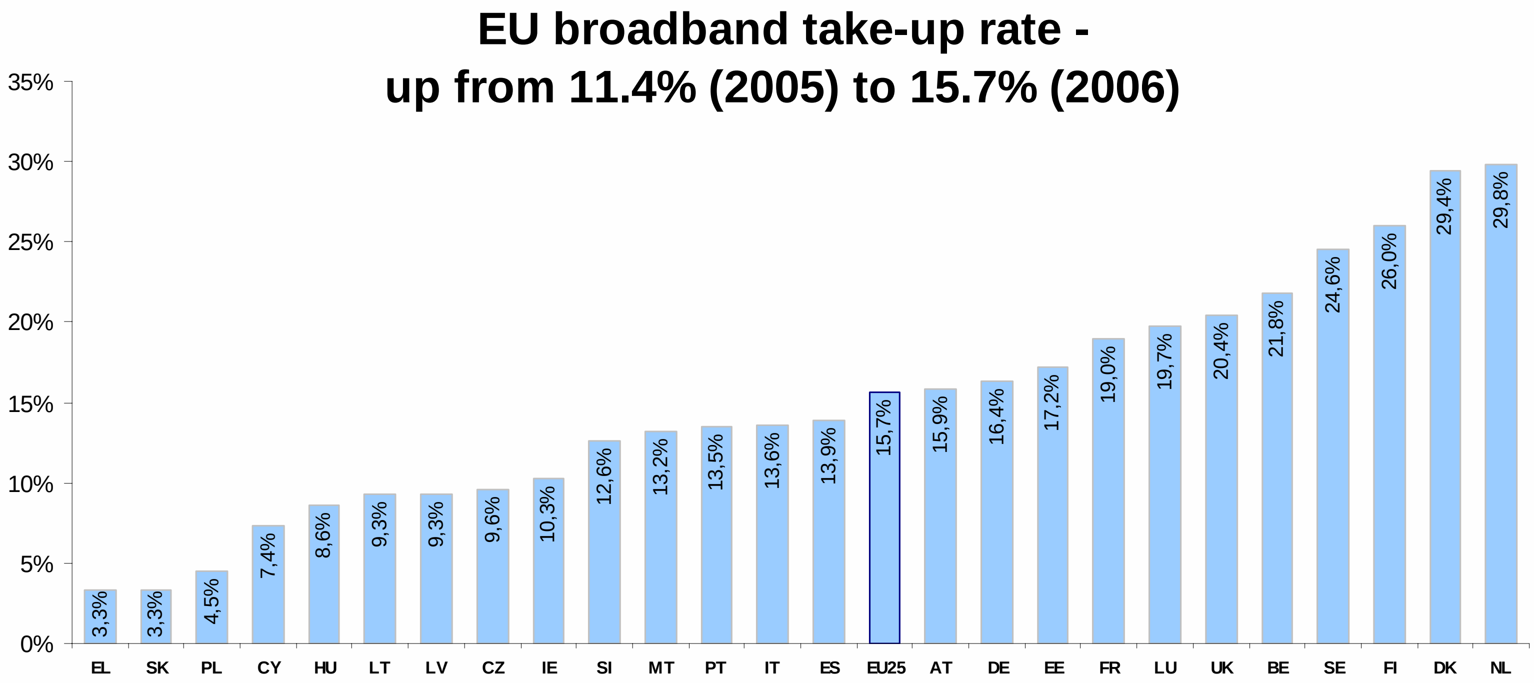
...is reflected in increased take-up rates...



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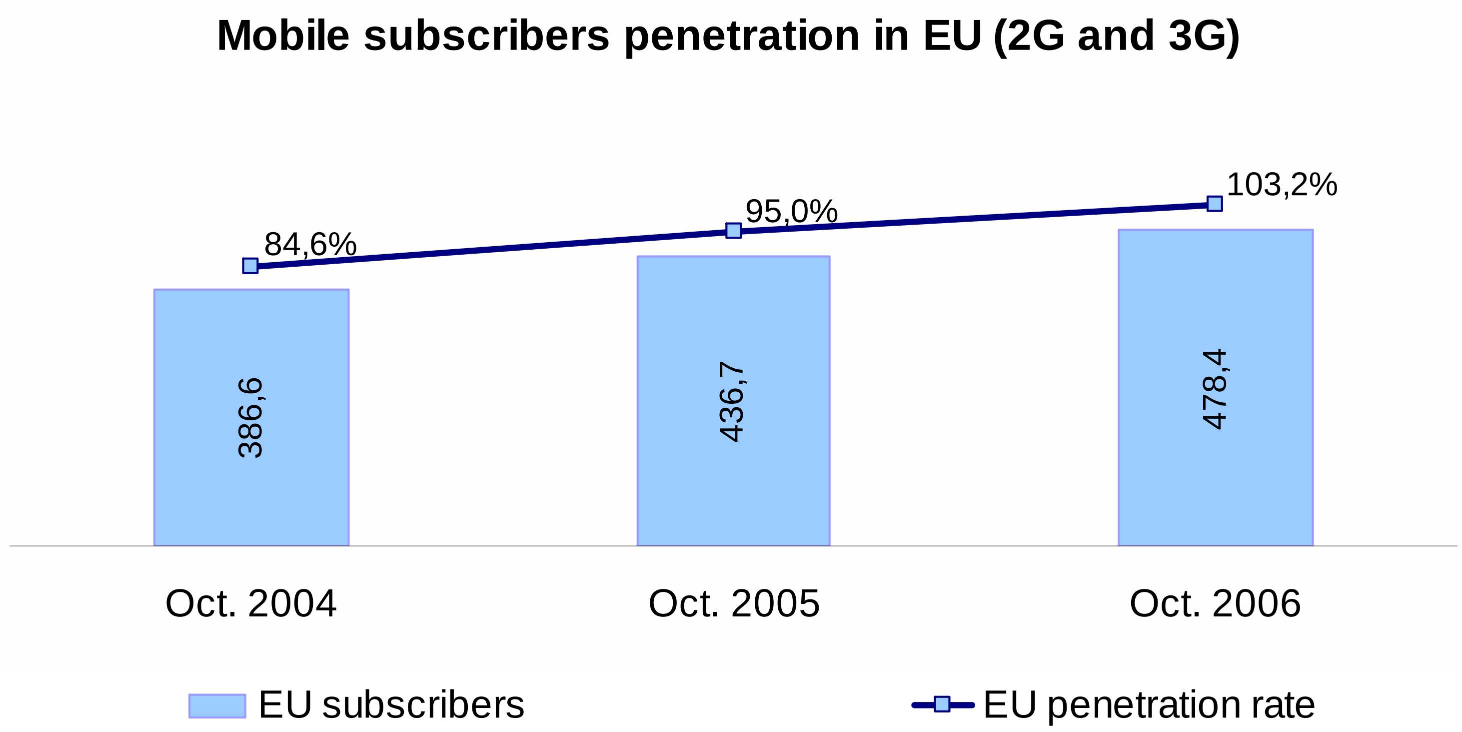
… but Member States' performance remains uneven

- Seven EU Member States are world leaders in broadband roll-out – particularly the Netherlands, Denmark and Finland
- Other countries are more disappointing - for instance Germany, Italy, Spain or Ireland, despite recent growth, still perform below their capabilities
- 8 Member States below 10%.

Mobile subscriptions in the EU have grown to record levels…



… but not all consumers are able to share in the benefits

- The market alone has failed to bring about competitive roaming services – the Commission intervened in 2006
- High termination charges have led to some consumers' subsidizing others

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Main issue for the Reform 2007

- Inconsistencies
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- Inconsistencies

Lack of a true Internal Market in telecoms

Inconsistencies in Remedies

- Often different regulatory remedies – eg for broadband access
- Sometimes similar regulatory remedies but different methodologies – eg cost-modelling vs. use of simple benchmarks

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Inconsistencies in sticking to the EU telecom rules

- More than 140 **infringement proceedings** since 2003 - eg 112 emergency number, lack or delay of market analysis or “regulatory holidays” for the German VDSL network
- **Delays** caused by national appeals systems
- Uncertainty over **political independence** of national regulators

Inconsistencies in the allocation of scarce resources

- Diverging and inefficient approaches to **radio spectrum**
- Diverging approaches to the allocation of **numbers** - such as to new VoIP players

These issues will be tackled in the Reform

Consolidating
the internal market

Managing spectrum
and scarce resources

Strengthening
consumer protection

→

Towards a
“European
FCC”

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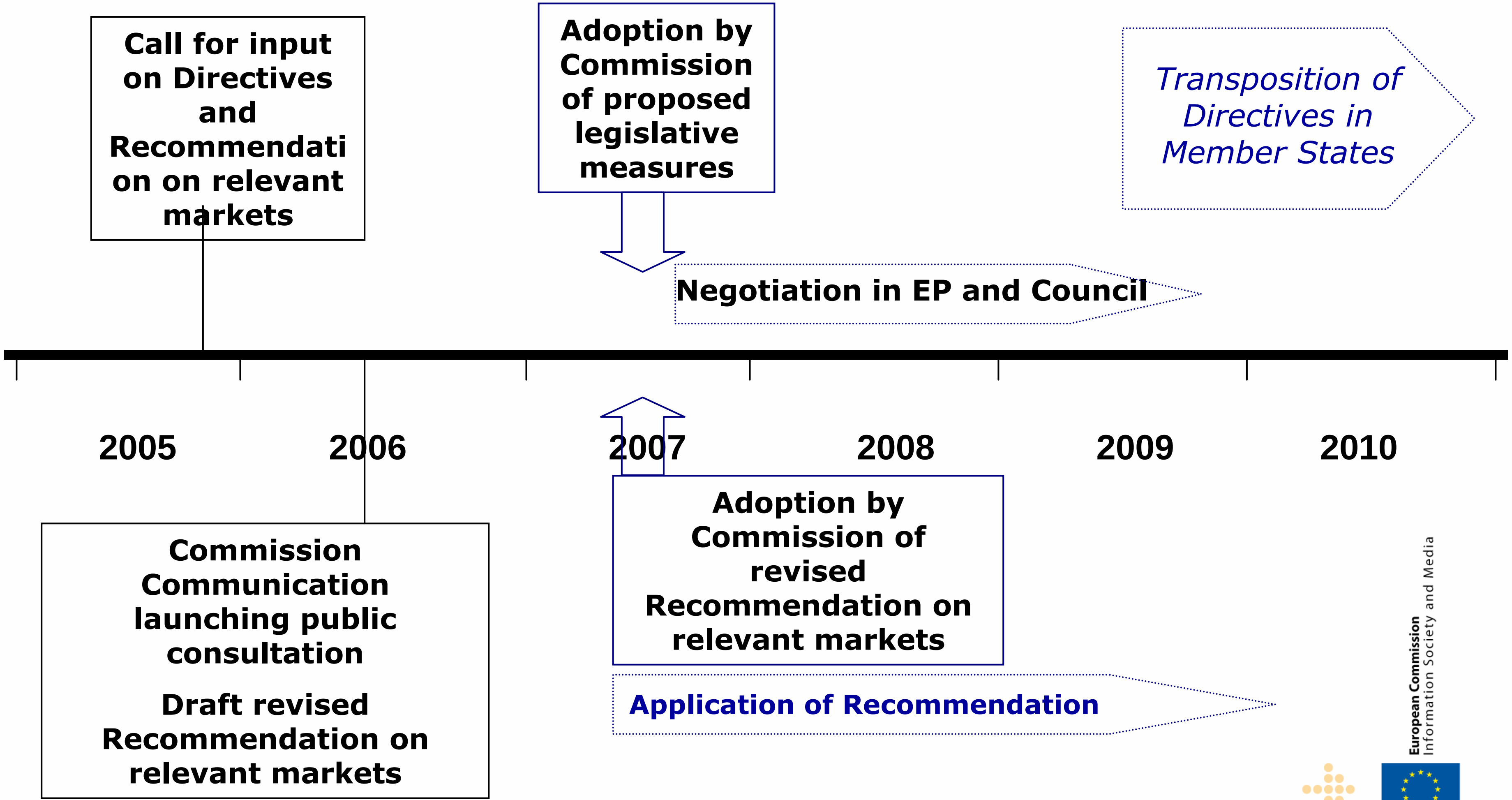
Commission proposals coming soon



Main conclusions of this year's Telecom Convergence Report

- Increasingly competitive markets are bringing consumer benefits
  - Continued EU-wide price decreases between 2005 and 2006 for basic fixed and mobile services
  - Greater choice of innovative services
- 478 million Europeans have a mobile phone
- Broadband take-up is at 15.7%

2007 will be a decisive year

- Political priority:
  Create a true Internal Market
  without regulatory borders
- Regulatory inconsistencies
  need to be tackled