

## **e-Business Watch 2006 Workshop**

Brussels, 15 June 2006

### **Intervention by Michael Bartholomew, ETNO Director**

#### **Introduction**

- The long awaited convergence of services and platforms is not a trend anymore, it is a reality. With convergence, existing business models become quickly mature and regulatory models are becoming obsolete.
- Convergence has immediate consequences for the consumers, the market place and represents major challenges for telecoms operators:

Consumers' behaviour:

- There is an increasing consumer demand for seamless and convergent services.
- Content is among the main drivers for the take up of new services by consumers together with brand new forms of interpersonal communications (MMS, photos, videos...).

Consequences for the market place:

- **New technological developments lower market entry barriers. New players from previously totally separated industries are entering the traditional voice market.**

Electricity, cable and mobile operators are already offering double or triple play services to end-consumers, not relying on access to the fixed network of former incumbents. IT-equipment providers also enter the electronic communications market.

- **Consumers can choose to access a variety of services** (data transmission, voice, content) through any platform (fixed, mobile, wireless) or technology (DSL, fiber, cable, ...).
- The provision of convergent services (fixed-mobile convergent services, double or triple-play offerings) **blurs the traditional market boundaries** (fixed, mobile, Internet, content).

- In an increasingly competitive and global market, a concentration trend is observed.

Challenges for operators:

- Convergence results in the integration of services. Operators tend to reintegrate their mobile and Internet activities within core activities.
- Transition towards all-IP networks or Next Generation Networks is a key element of all operators including traditional telecoms operators' strategy to meet the consumer demand for convergent services.

- Edited or self-produced content is a key driver for consumers to embrace new convergent services (double- or triple play services, IP TV, 3G mobile TV). Access to content is therefore essential for the roll out of new services and for attracting investment in new technologies.
  
- Next Generation Networks are currently being conceived and built. We are not yet in a full NGN-environment.
  
- **A characteristic feature of the NGNs is the uncertainty associated with them.** The move towards NGN is technological break involving new architectures, new protocols and new types of access.

- Consumer demand for new convergent products, such as fixed mobile convergent offerings, multi-media services, also remains largely uncertain.

### **Policy challenges**

- Regulation was initially designed to ensure the transition from a monopolistic to an open and competitive sector, by ensuring access to existing (mainly fixed PSTN) networks. Markets in Europe have evolved considerably since then.
- **Now that competition is increasingly developing with players from separated and less regulated industries, EU decision makers should accelerate the transition towards ex-post competition law.**

- **The on-going review of the regulatory framework is a unique opportunity to achieve that.**
- **Regulators should not preempt future market developments by applying to the NGNs access and price regulation, developed for a totally different world. They should let new business models and alternative forms of competition emerge from the market as illustrated by edge-based applications providers building their own network. They should also remain “business neutral” and refrain from favouring some players against others.**

- Another important challenge is the need for interoperability. The way standards and interoperability of networks and applications are handled in the packet switched world differs considerably from the circuit switched environment. Solutions for interoperability must be defined by industry.
  
- Another important issue for the transition towards the next generation network is interconnection. Interconnection between public telecommunications networks has been heavily regulated while IP interconnection has not. In the transition towards a NGN environment, these two worlds risk overlapping. (An extension of the telephony interconnection regime to the IP world would not be appropriate.)

- The roll-out of innovative online and on-demand legitimate content-rich services should not be hampered by the extension of existing audiovisual rules to new services. The wide availability of these services is key for the promotion of the European works and the fight against piracy.
- Convergence represents huge opportunities both for businesses and users but also entails risks and requires significant investments. It is therefore essential that decision makers create the appropriate regulatory environment that at the same time takes into account the new realities and provides incentives for investment.