

Euro
Consulting™

presents

The Introduction of a New EU-wide Telecom Regulatory Body

Reaction of 2 countries France and Greece

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Table of content

- Introduction: The regulatory Operation of the EU
 1. The new telecom regulatory body Vision and Mission
 2. A first approach to the Problem
 3. 2 very different countries, 2 very different interests
 - France
 - Greece
 4. SWOT Analysis of the Problem
 5. Our solutions with SWOT Analysis
 - “Do nothing”
 - Benchmarking
- Conclusions

The Regulatory Operation of the EU

Flow of power



Source: News BBC UK

1. The new telecom regulatory body

Vision and Mission

Why is the telecom sector so important for Europe?

- 2% of the EU economy (GDP)
- Overall revenue growth of sector outpaces growth of the EU economy as a whole
- In 2006 the ICT sector was valued at 649 billion euros
- In 2006 investment in telecom sector was 47 billion euros

1. The new telecom regulatory body

Vision and Mission

Why is there an EU responsibility for the telecom sector?

- UNICE, for industry: “The current system has not delivered a true internal market”.
 - http://youtube.com/watch?v=uAupZ9hmR_0&feature=related

1. The new telecom regulatory body

Vision and Mission

The Reform focuses on 4 main objectives:

- To regulate less, but more effectively
- To strengthen the independence of national telecoms watchdogs
- To preserve and enhance consumer protection, security and reliability of Europe's communications networks
- To create the right conditions to move to a single market

1. The new telecom regulatory body

Vision and Mission

Main proposals for change

- Significant deregulation of markets
- More choice through more competition-reinforced tools for regulators
- Promoting the digital era and wireless economy
- A European Authority-working towards a single market in telecommunications

GREATER SPECTRUM EFFICIENCY ALLOWS OLD AND NEW SERVICES

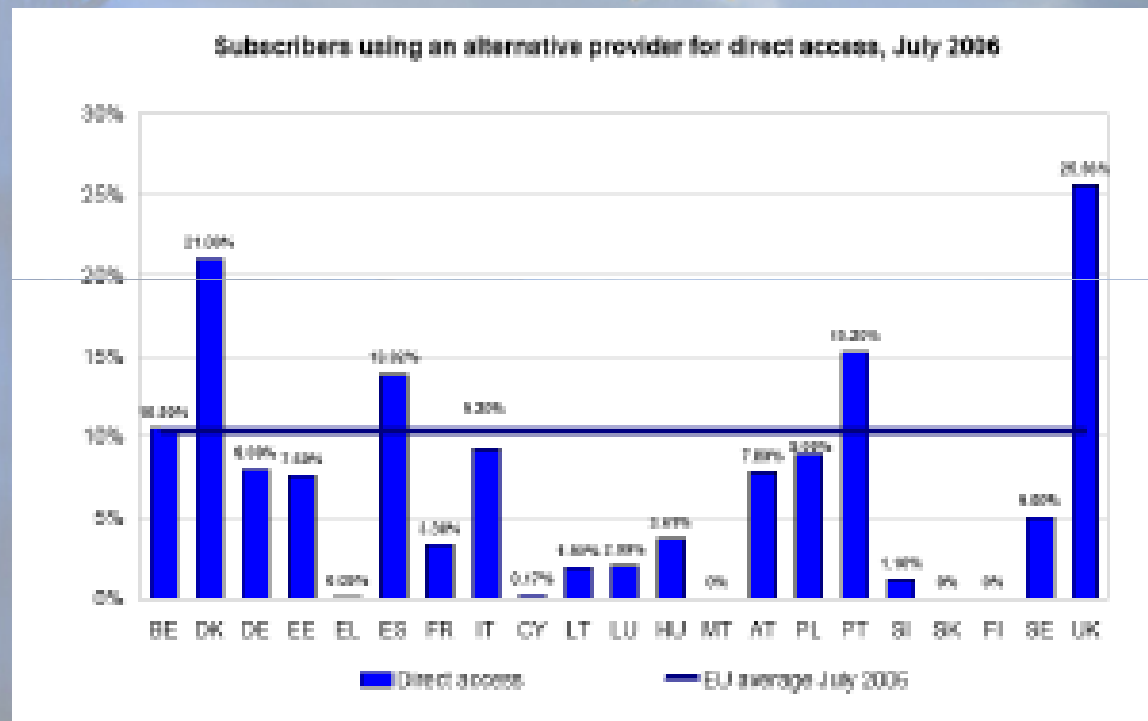
Existing TV	Additional standard TV programmes, new broadcasting	Multimedia services, such as	New mobile and fixed wireless broadband
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← The digital dividend →

Source: EU Commission official website

1. The new telecom regulatory body Vision and Mission

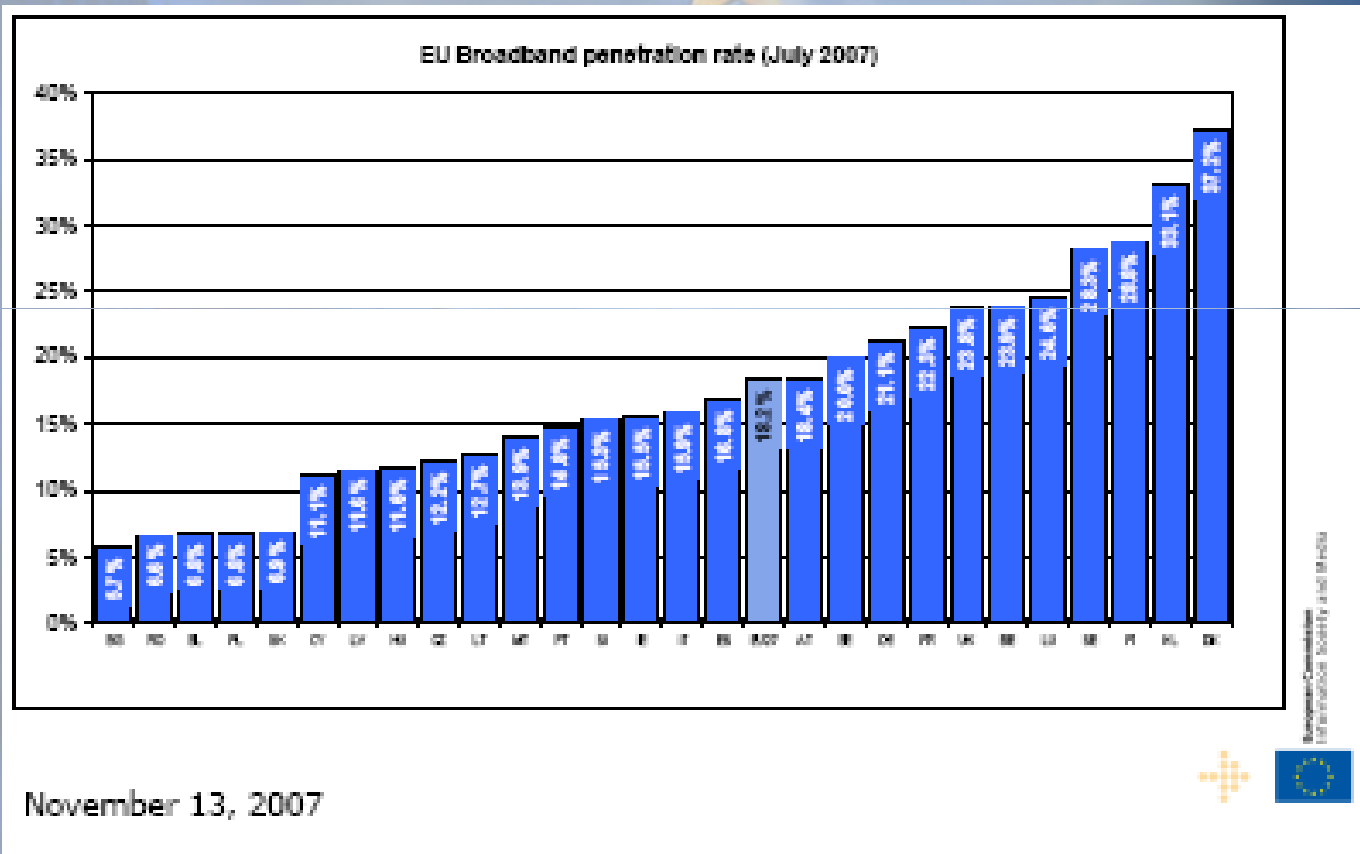
Remaining competition bottlenecks in the sector



1. The new telecom regulatory body

Vision and Mission

Good regulation drives competition and investment



1. The new telecom regulatory body

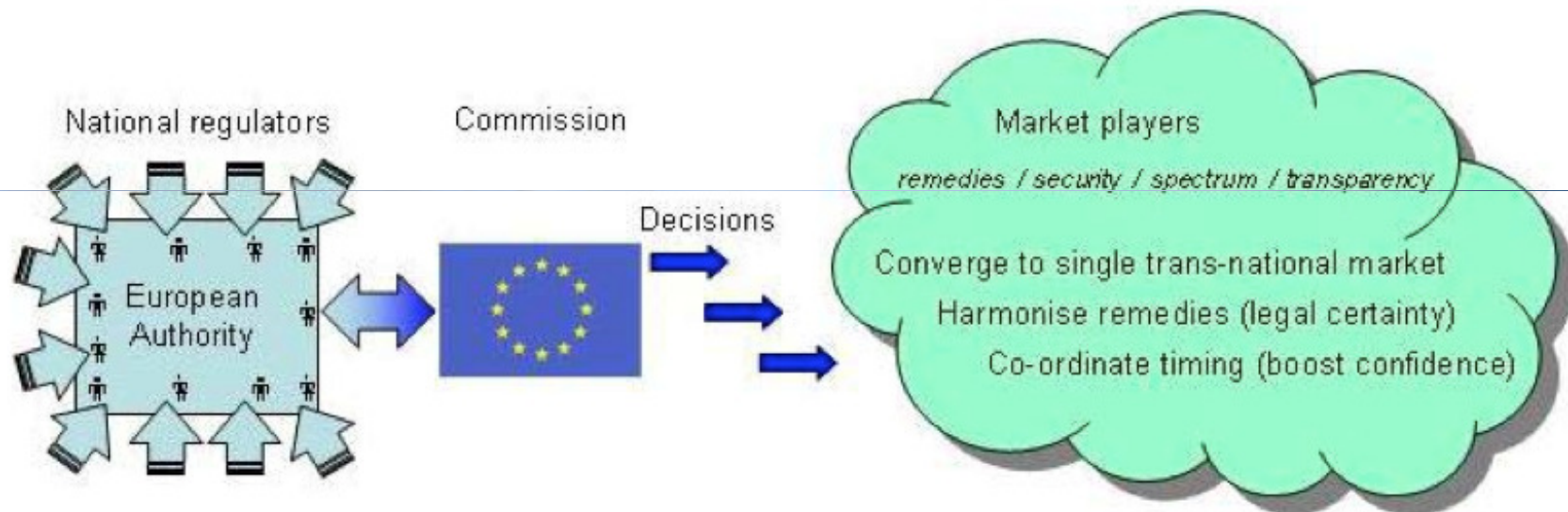
Vision and Mission

Functional Separation

- Definition
- To ensure equal treatment for operators
- Separate management of an operator's infrastructure and retail operations; does not imply "ownership unbundling"
- Stimulate competition

1. The new telecom regulatory body Vision and Mission

A MORE EFFECTIVE WORKING PRACTICE FOR IMPLEMENTING REGULATION



Source: EU Commission official website

1. The new telecom regulatory body

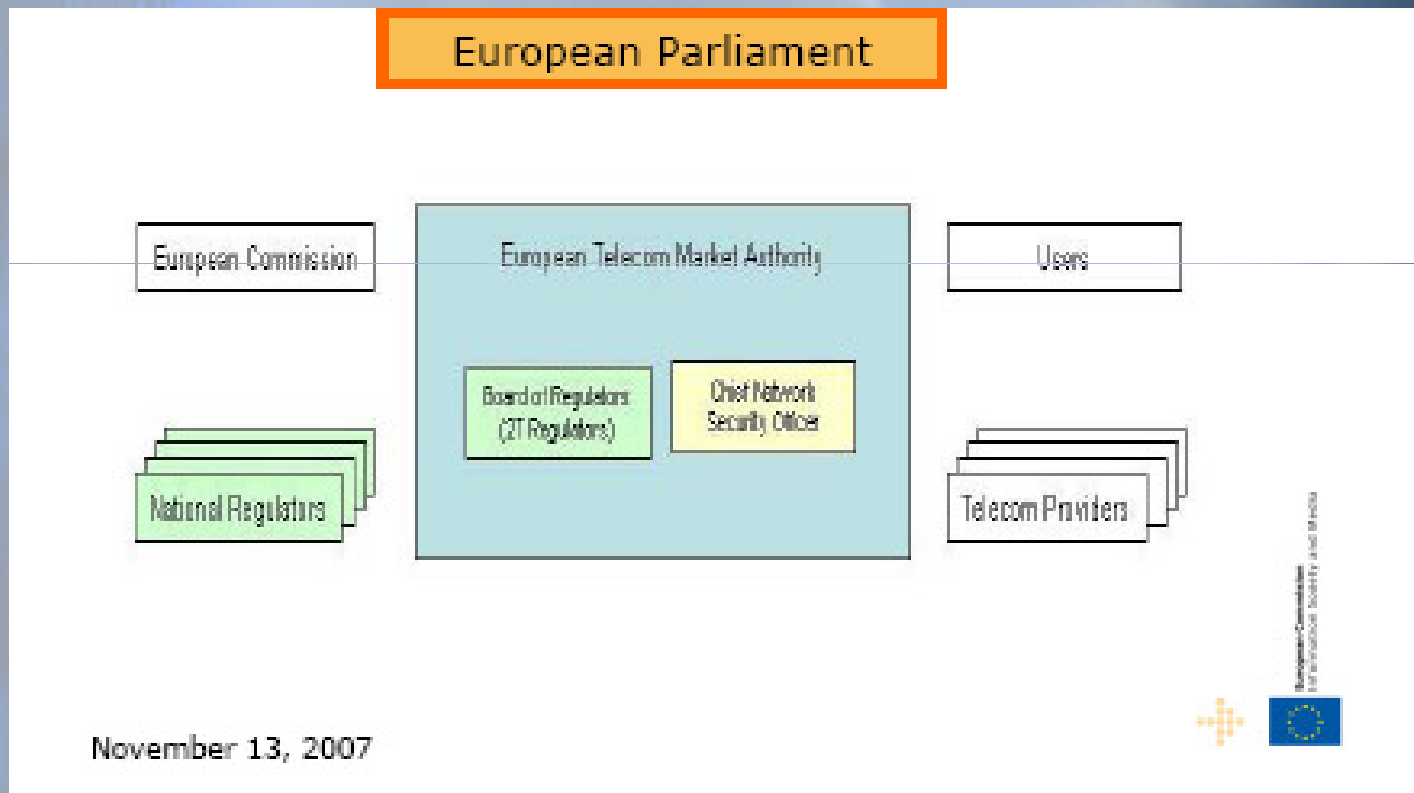
Vision and Mission

A European Telecom Market Authority

- Working with national regulators to achieve consistent European best practice
- Incorporating the tasks of the existing European Network and Information Security Agency (ENISA)

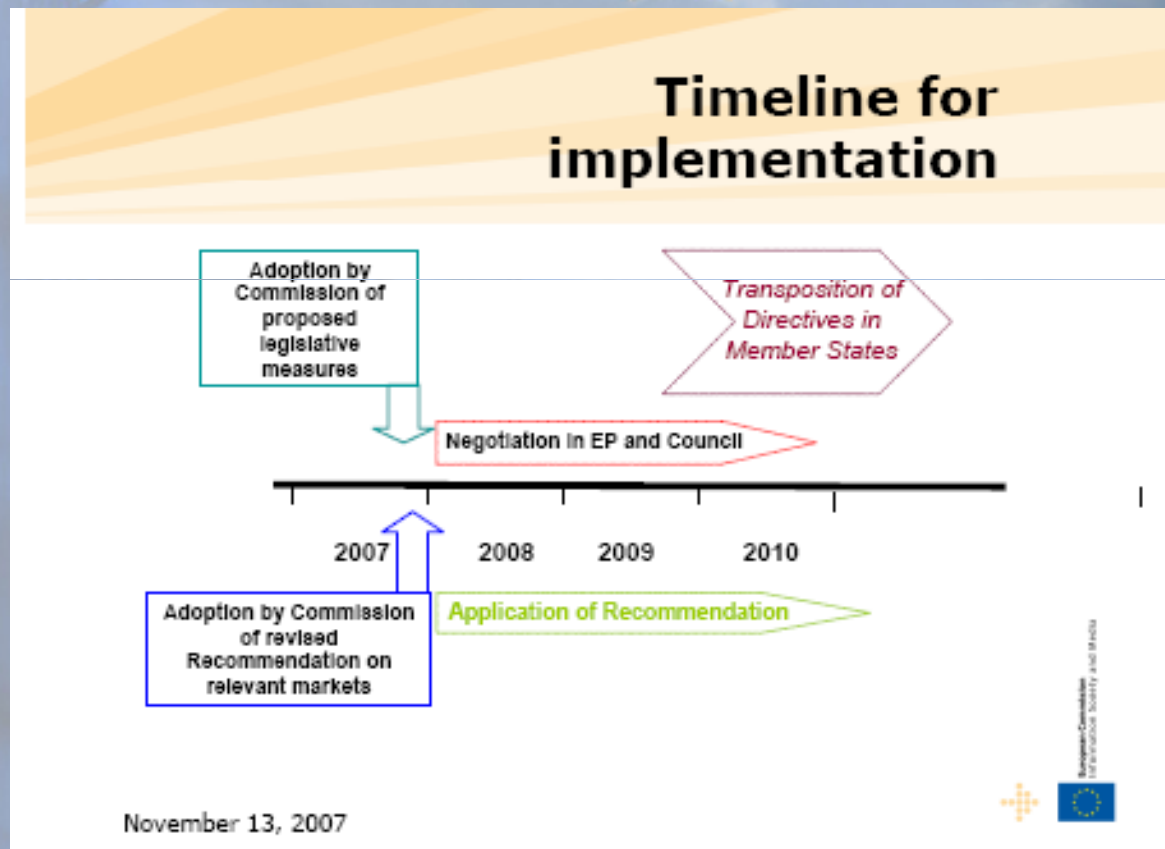
1. The new telecom regulatory body Vision and Mission

Structure of the European Telecom Market Authority



1. The new telecom regulatory body Vision and Mission

Timeline for implementation



2. A First Approach to the Problem

Statement of the Problem

- The proposal to adopt an EU-wide telecom regulatory body faces varying degrees of acceptance and resistance among the 27 member states who would inevitably be affected.
- The Commission proposes functional separation and this goes against the goals and demands of some EU nations.

2. A First Approach to the Problem



Viviane Redding, Commissioner of the European Union, strong proponent of the establishment of an EU-wide regulatory body

- She argues that consumers are losing out because the regulators are too close to the companies they are supposed to oversee: "I am for the consumers and I'm going to be the one who is going to question this intimate relationship".

2. A First Approach to the Problem



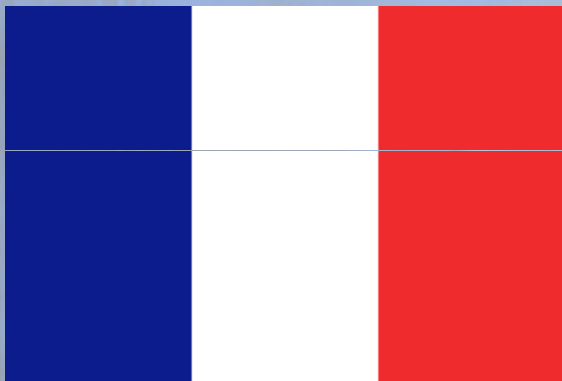
Edward Richards, head of Britain's regulator, Ofcom

- He recently warned: “Centralization of power to Brussels, plus a new European bureaucracy would not enhance regulation. The harmonization of regulation across Europe only works when it respects the freedom of independent national regulators to respond to conditions in their own markets.”

3. 2 very different countries, 2 very different interests

France

La France



Greece

Ελλάδα



France: Country Background

Economic Background

- GDP \$1.8 Trillion
- \$30,385 Per Capita
- Unemployment Rate of 8%
- Income Disparity
 - Highest 10% make 34% of income
 - Lowest 10% make 3% of income

France: Country Background

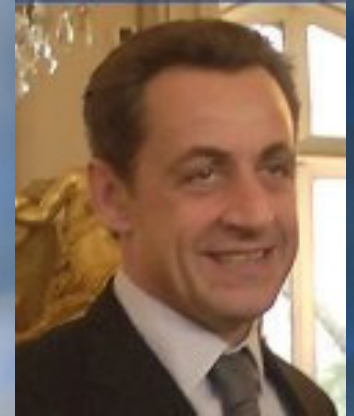
Population Background

- Population: 60.9 Million (Metropolitan)
- Literacy Rate 99%
- 28% of Population 25-64 High Educational Attainment
- 41% of Population 25-34 High Educational Attainment

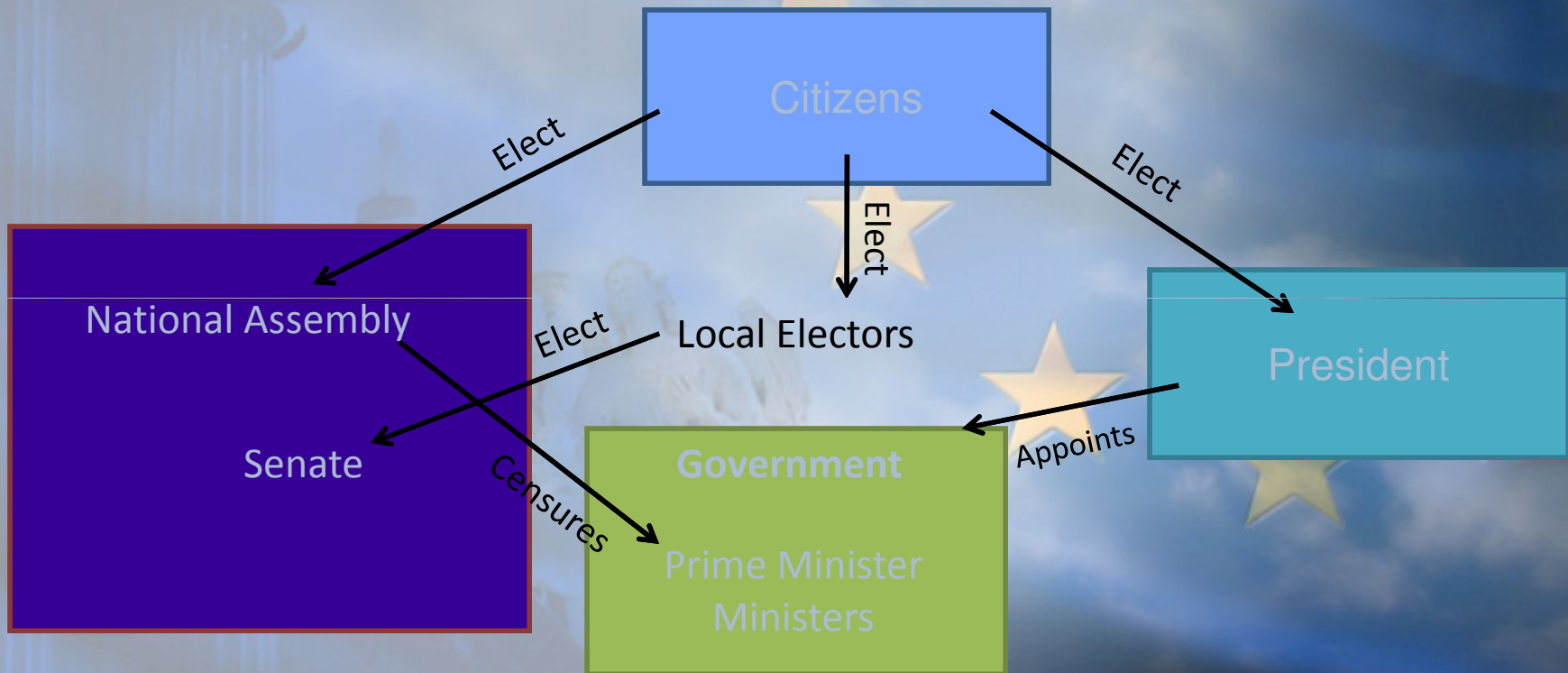
France: Country Background

Government Background

- Form of Government: Republic
- Executive, Legislative, and Judicial Branches
- President Nicolas Sarkozy, Heads Executive
- Prime Minister Francois Fillon, Head of Government
- Courts: Court of Cassation



France: Country Background



France: Sector Background

Regulatory Framework: The French Telecommunications and Posts Regulator (ARCEP)

- Created in 1996 to regulate competition
- Assigned postal regulation in 2005, forming the current organization

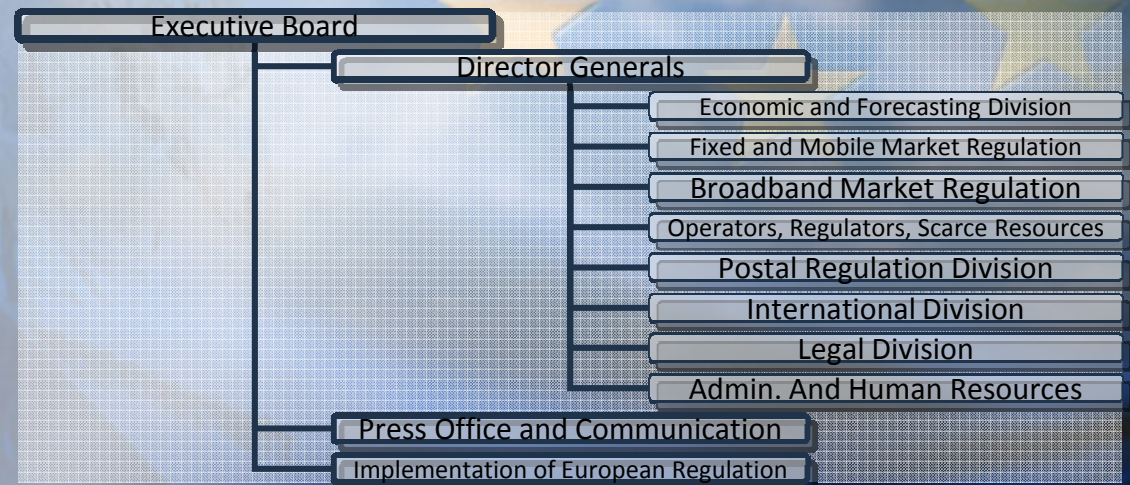


Organizational Structure

- 7 Executive Board Members

Members

- Broadband
- Telephone



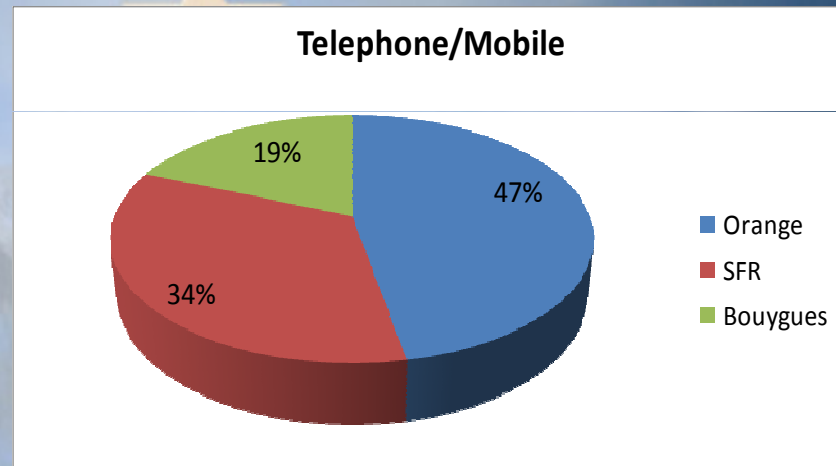
France: Sector Background

Market Share in Telecom Market

Internet/ Broadband

- Orange
- Free
- Neuf Cegetel
- Telecom Italia
- T-Online
- AOL
- Tele2

Telephone/ Cell phone



France: Sector Background

The Sector

- Liberalized in 1987
- Incumbent, Formerly State Owned Enterprise: France Telecom
-27.5% Voting Rights owned by Government
- 52.5 Million Mobile Customers
- 15.5 Million High Speed Internet Customers
- Broadband Market opened to competition in 2000



Emerging Technology

- 3G
- Wi-fi
- Licenses awarded to SFR and Orange

Greece: Country Background

Economic Background

- GDP of \$259.6 Billion
- Per Capita Income of \$36,983
- Unemployment Rate: 9.2% (2006 est.)
- Income Disparity
 - Lowest 10% is 2.5%
 - Highest 10% is 26%
- Ranked by Heritage Foundation: 60.1% free and 80th out of all nations ranked

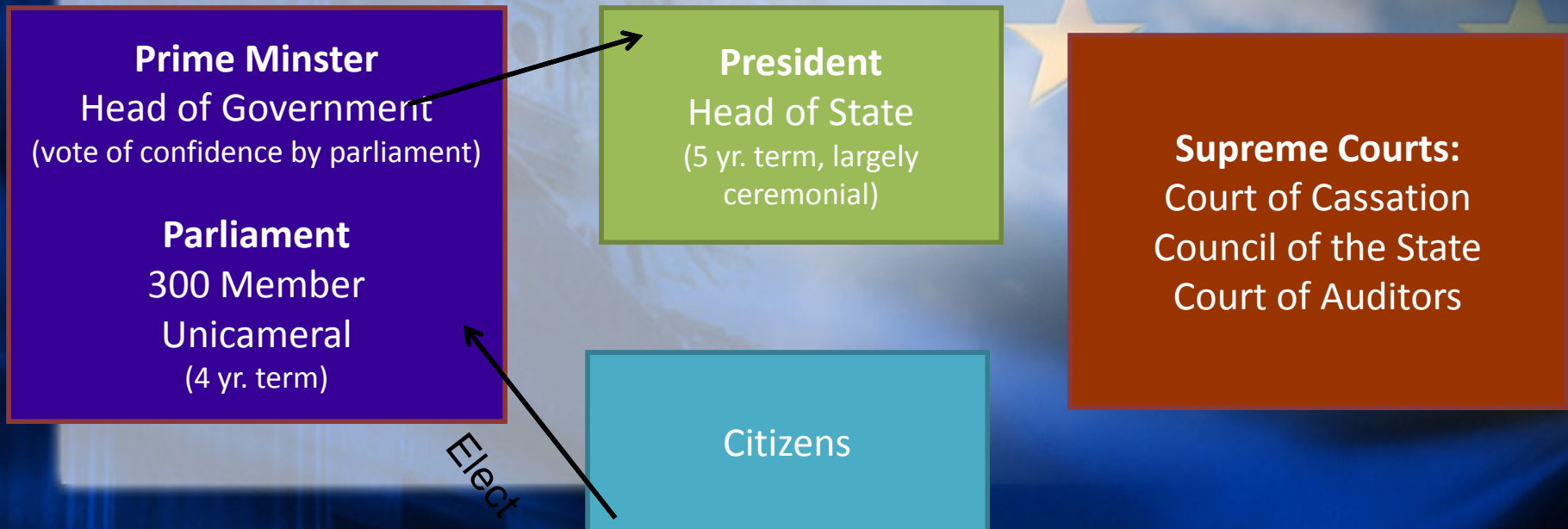
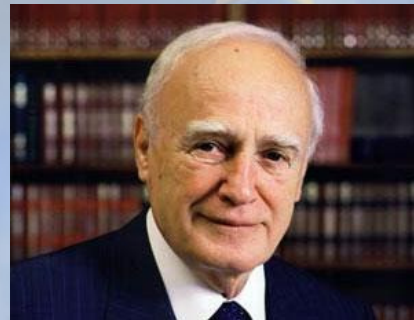
Greece: Country Background

Population Background

- Population: 11 Million
- Literacy Rate: 97.5%
- Ranks 24th in the Human Development Index

Greece: Country Background

Government Background



Greece: Sector Background

Regulator: National Telecommunications and Postal Committee (EETT).



- Structure: A 9 member Plenary
- A President and 2 Vice Presidents
- Other 6 members are appointed by the Minister of Transportation and Communications.



Prof. Nikitas Alexandridis
President



Nikolaos Koulouis
VP for Electronic
Communications



Thodoris Dravillas
VP for Postal
Services

Greece: Sector Background

Problems

- The country places last out of the 30 members of the Organization for Economic Co-Operation and Development (OECD).
- CIA world fact book 2006: 2.04 million out of 10.7 million in Greece were internet users.

EETT Solution

- EETT Goal: Enhance the range of choice and high quality services at affordable prices
 - What did they do?
 - How?



Greece: Sector Background

Still Problems with OTE

- Demands from the government to establish a costly infrastructure for the industry
- Competitors argue OTE is violating competition rules and burdening the market.



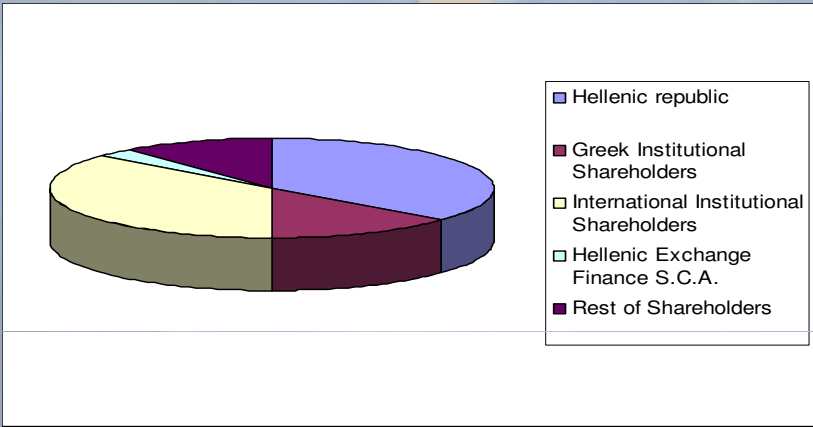

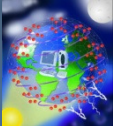









President of OTE, Panagis Vourloumis says:
Too many providers in such a small market.



USA Dept. of Commerce says:
OTE's current CEO favors
proceeding with the full
privatization of OTE.

Greece: Sector Background

Key Players- Greek Telecom Sector [1]

Company Name	Ownership	Market
Hellenic Telecommunications Organization (OTE)	 <ul style="list-style-type: none"> ■ Hellenic republic ■ Greek Institutional Shareholders □ International Institutional Shareholders □ Hellenic Exchange Finance S.C.A. ■ Rest of Shareholders 	 
FORTHnet	I.T.E 20.13%, INTRAKOM AE 24.41%, NOVATOR EQUITIES LTD 21.89%,	 
Q-Telecom	Info-Quest 100%	 
Tellas	PPC 50%, WIND 50%	 
CosmOTE	OTE 58.9%, Telenor 18%, WR Enterprises 7.0%	
Vodafone-Panafon	Vodafone 64.0%	
TIM Hellas	Telecom Italia Mobile 81.4%	

France vs. Greece Price Example

France

“Classic” Cell Phone Plan:

- 8 hours/480 minutes
- 12 Months Contract:
€84.50 (\$134.59)

= 0.184 €/min

Internet+TV+VOIP:

- €29.90 (\$47.66)



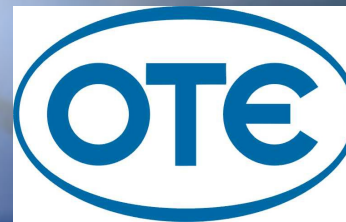
Greece

National Calls:

- Cosmote 0.0059€ /sec.
- OTE 0.354 €/min

Internet ADSL:

- €29.90 (\$47.66)



4. SWOT Analysis of the Problem

Greece and France: Analyzing the perspective of 2 key players

- 2 opposing responses to the Commission's proposal for an EU-wide regulatory body
- positions of each member nation vary, but Greece and France account for the two extreme ends of the spectrum

4. SWOT Analysis of the Problem

Greece SWOT Analysis

Strengths (coincidences)

- Government role recently changed from owner to organizer/regulator.
- Sector liberalized since 2000
- Currently reducing state influence in the OTE
- Experiencing large growths in telecom industry
- Heavily Relies on EU Aid

Weaknesses (conflicts)

- Weak Penetration
- Little Transparency
- Economic Climate
- Existence of more providers than the market has room for
- Government supplies OTE w/ infrastructure below costs
- Issues between OTE and private investors
- Need for Structural Reform of the Bureaucracy

4. SWOT Analysis of the Problem

Opportunities

- Increase Public Confidence
- Increased Production and Technology
- Increased Investment
- Privatization
- Increased Internet Service
- Better Communication between States
- Lower Prices
- Standardized Access
- Standardized Infrastructure
- Less State Owned and Incumbent Providers

Threats

- Heavily Relies on EU Aid

4. SWOT Analysis of the Problem

Panagis Vourloumis, president of OTE, sheds some light on his company's perspective:

- “The existence of some 20 fringe providers in a small market with space for no more than 3 serious companies puts pressure on EETT to force OTE to maintain them by supplying them with its infrastructure below cost, at prices EETT arbitrary determines without taking into account OTE's real costs.”



4. SWOT Analysis of the Problem

France SWOT Analysis

Strengths (Coincidences)

- Strong competitive positioning
- High growth broadband market
- Strengthening of the regulator's intervention tools in wholesale markets
- Sector liberalized since 1987

Weaknesses (Conflicts)

- High debt
- Low revenues from fixed-line services
- Threat of the entry of the mobile virtual network in France
- Threat of the EECMA
- ACREP and past problems of instituting reform
- History of poor information supplied to consumers
- French government still owns portions of capital and voting rights in France Telecom

4. SWOT Analysis of the Problem

Opportunities

- None!

Threats

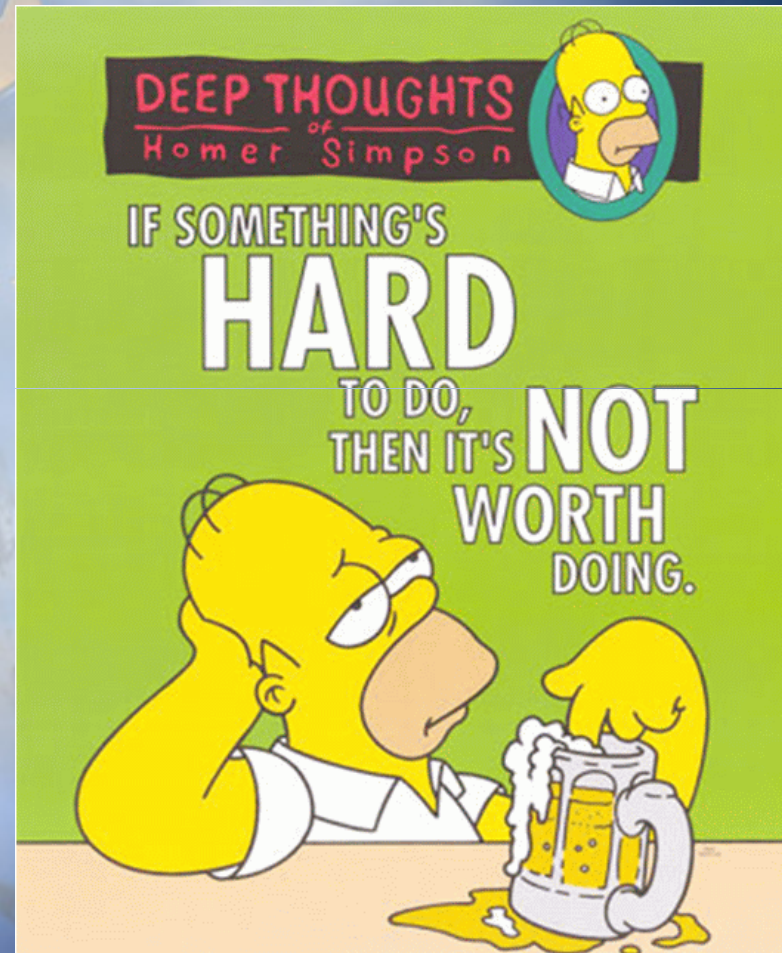
- Functional Separation France Telecom
 - Would lead to a new monopoly!
 - LT negative impact
- Would complicate unique opportunity to move to network competition
- New body “heavy and costly”
- Imbalanced process of decision making w/ negative csq for progress sector
- Contradictory message of progressive elimination of regulation
- Independence of EECMA?

5. Our Solutions

- Do Nothing
- Benchmarking

5. Our Solutions: Do Nothing

- Do not Intervene
- Let Events Take Place
- It's Magic!



5. Our Solutions: Do Nothing

Strengths

- Short Term Benefits
- Long Term Benefits
- Future Benefits

Weaknesses

- Difficulties in the Decision making process

Opportunities

- **Alternative Solution**

Threats

- Damage to investment
-

Our Solutions: Benchmarking

- What is Benchmarking?
- How does it work?



Our Solutions: Benchmarking

General Benchmarking Process



Source: <http://www.e-benchmarking.org/benchmarking.html>

Our Solutions: Benchmarking

Types of Benchmarking

- Internal Benchmarks
- Sector Benchmarks
- Functional (process) Benchmarks

Our Solutions: Benchmarking

Benchmarking in an EU Context

- A tool to satisfy all countries
- More power to developed countries
- The opportunity to gain power to less developed countries



Our Solutions: Benchmarking

What to look for while benchmarking

- Level of Penetration
- Quality of Service
- Productivity of Workers



Conclusion

The logo for Euro Consulting, featuring the word "Euro" in a blue serif font and "Consulting" in a black cursive font, with a trademark symbol (TM) to the right. The logo is centered within a white rectangular box with a black border. The background of the slide is a blue gradient with a faint image of a classical building and several yellow stars.

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Thank you for your attention
Any Questions ?