EU Regulations for Internet Pricing
Klaus Nieminen
Agenda

- EU regulation principles
- New EU regulatory framework
- Significant market power (SMP)
- Case: bitstream
- Implications on Internet pricing
EU Regulation Principles

- Harmonisation of the national legislation
- Actors:
  - European Parliament and Council
  - Commission
- Various tools to make this happen
  - Directives, regulations and decisions
  - Resolutions, recommendations and opinions
- Minimum, but also maximum regulation
  - More e.g. in consumer protection legislation
  - Less e.g. in competition area legislation
The New Regulatory Framework 1/2

- **Framework Directive**
  - Establishes the common regulatory framework
  - Defines the tasks of NRAs
  - Set procedures for SMP definition
  - Accounting separation requirement (network/services)

- **Access Directive**
  - Interconnection and access rights and obligations
  - Cost recovery and price control
  - Accounting separation, use of specific CAS
The New Regulatory Framework 2/2

• Universal Service Directive
  • Defines minimum set of basic services, to which all end-users have access with affordable price
  • leased lines, basic telephone service

• These directives should be:
  • Published and adopted by 24.7.2003
  • Applied by 25.7.2003
  • ... but there will be delays due to political reasons
SMP Definition Process

- Defining the markets
- NRA analyse the markets

- If not efficiently competitive:
  - NRA Identify SMP operators
  - NRA impose regulatory obligations

- If competitive:
  - No new obligation can be set
  - And the existing obligations have to be removed
Relevant Markets

• Commission has defined
  • 7 retail markets
  • 11 wholesale markets

• Relevant markets for Internet pricing are:
  • 7 – minimum set of leased lines
  • 11 – wholesale unbundled access
  • 12 – wholesale broadband access
  • 13 – wholesale terminating segment of leased lines
  • 14 – wholesale trunk segment of leased lines
Case: Bitstream

- Reselling vs. Bitstream
- No consensus
  - Technical term is clear
  - ‘but economic term not...

- Definition:
  - High speed bit stream access
  - Incumbent manages and installs the equipment
  - Possibility to alter the service by some parameters
Implications on Internet Pricing

• Retail prices – Universal Service Directive
• All other service at wholesale level

• Fixed network focus
  • Broadband connections
  • No mobile Internet markets defined

• Impact of other regulatory actions
  • License and other fees
  • Mobile operator “special positions”
  • Other regulations, e.g. network sharing
The end

• Thank you!

• Any comments, questions?