

European Communities

EUROPEAN PARLIAMENT

Working Documents

198³-198⁴

3 March 1984

DOCUMENT 1-1477/83

Report

drawn up on behalf of the Committee on Economic and
Monetary Affairs

on telecommunications

Rapporteur: Mr Silvio LEONARDI

PE 87.994/fin.

On 30 November 1982 the Committee on Economic and Monetary Affairs was authorized to draw up an own-initiative report on telecommunications.

The Committee on Transport and the Committee on Energy, Research and Technology were asked for their opinions.

On 22 September 1982 the Committee on Economic and Monetary Affairs appointed Mr LEONARDI rapporteur.

On 13 May 1982 a resolution (Doc. 1-246/82) on a common policy in the area of telecommunications was referred to the Committee on Economic and Monetary Affairs as the committee responsible.

It was decided to integrate this motion into the committee's own-initiative report.

The committee considered the report at its meetings of 22 November 1983 and 21/22 February 1984 and adopted it on the latter date.

The following took part in the vote: Mr Moreau, chairman; Mr Leonardi, rapporteur; Mr Beazley, Mr von Bismarck, Mr Delorozoy, Mrs Desouches, Mr Giavazzi, Mr Heinemann, Mr Herman, Mrs Tove Nielsen (deputizing for Mr De Gucht), Mr Nordmann and Mr Rogalla (deputizing for Mr Schinzel).

The opinions of the Committee on Transport and the Committee on Energy, Research and Technology are attached.

The report was tabled on 24 February 1984.

The deadline for tabling amendments to this report is shown in the draft agenda for the part-session during which it will be considered.

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The Committee on Economic and Monetary Affairs hereby submits the following motion for a resolution to the European Parliament together with explanatory statement:

MOTION FOR A RESOLUTION

on telecommunications

The European Parliament,

- having regard to its own previous resolutions¹,
 - having regard to the recent communications from the Commission²,
 - having regard to the motion for a resolution tabled by Mr MIHR (Doc. 1-246/83),
 - having regard to the report of the Committee on Economic and Monetary Affairs, and the opinions of the Committee on Transport and the Committee on Energy, Research and Technology,
- A. noting the great importance of telecommunications for the Community, as a sector in its own right, and in terms of its significance for other industries and services,
- B. noting the projected rapid growth of the sector in coming years, likely to outstrip greatly the growth in Community GNP;
- C. noting the increasing difficulty of separating telecommunications from the other new information technologies, and the tendency for them to become increasingly integrated,

¹ Notably its resolution of 7 May 1981 on the Commission's recommendations on telecommunications, based on a report (Doc. 1-138/81) by Mr Herman

² COM(83) 329 final of 9 June 1983 and COM(83) 573 final of 29 September 1983

- D. noting that the European telecommunications sector still has considerable strengths, that its trade balance is still strongly positive, but that there is a trend towards a reduction in the share of the world market obtained by the European industry. The share of the world market held by the European industry consists increasingly of traditional equipment, often supplied under contracts concluded several years ago,
- E. expressing its concern however that the growth rate of the sector within the Community appears to be less rapid than in the sector world-wide and that the European industry is increasingly dependent on third countries for its supplies of essential components,
- F. noting that there are shortcomings especially in the switching and transmission sectors which are particularly susceptible to economies of scale. In Europe, for example, nine different types of public switching equipment have been developed, as opposed to three in Japan and five in the United States which has a much larger internal market,
- G. noting that the level of penetration of traditional telecommunications services (such as telephones) has been considerably lower in the Community than in the United States and in certain other industrialised countries, and that this has major economic costs, in terms of foregone market opportunities for Community telecommunications manufacturers, and in wider terms of reducing economic efficiency,
- H. expressing concern at the lack of a Community telecommunications market, with it being fragmented into 10 separate national markets, with individually established national telecommunication strategies insufficiently coordinated with each other and each of these markets forming a unit too weak to offset the research and amortization costs,
- I. noting the consequent great differences in network configuration and characteristics, and in standards and tariffs, overlaps in research, and the very great difficulties for enterprises in one country to gain access to the markets of other Community countries,

- J. noting the almost total lack of cooperation between European undertakings, which prefer instead to establish closer and closer links with their American and Japanese counterparts,
- K. expressing its concern that the Community appears to be falling behind in the development of the new generations of telecommunications services which will be the cornerstone of the telecommunications sector of the future,
- L. believing that the above developments are eroding the Community's competitive basis not just in telecommunications, but in industry and services as a whole and that telecommunications are of vital importance for the creation of jobs, the productivity of the services industry and the creation of wealth. They can make an effective contribution to the process of Community integration, not only from an economic standpoint, but also from a cultural and political point of view, by improving the effectiveness of the system as a whole and reducing existing differences within the Community which are caused by distance or geographical location,

European Strategic Plan

1. Believes that a European Strategic Plan for the telecommunications sector needs to be established as soon as possible :
 - to identify strengths which need to be built upon, and weaknesses to be overcome;
 - to set clear objectives, qualitative and where appropriate quantitative, for the future development of the sector, in order to establish benchmarks by which to judge progress;
 - to determine where action needs to be primarily undertaken at European Community level, and where it is best left to national authorities or to the enterprises themselves;

- to provide, above all, a more coordinated and longer term approach to escape from the over-lapping ad hoc, short term measures which are prevailing today, and which will so clearly lead to failure;

2. Considers that this provides a rare and not to be foregone opportunity for the Community to assist in a process of 'structuring' through the establishment of a Community framework for the sector. Considers that individual measures should be coordinated with the aim of devising and gradually establishing a Community preferential area for telecommunications in the medium and long term, intended initially as a common approach to the problems of development and, at the same time, as a step towards a harmonized set of management policies, with uniform rules and approval procedures at Community level. This gradual convergence of objectives in the medium and long term should be based on the development of cooperation between those organizations currently responsible for the management of telecommunications services, by seeking suitable methods of gradually endowing the Community telecommunications area with an appropriate organizational structure which can make good use of the experience gained in common. The experience gained by PTT administrations within European organizations like the CEPT should also be exploited and developed, and there should be a commitment to adopt at national level the standards and recommendations accepted by the international authorities;
3. Believes, therefore that the Commission itself should propose guidelines for a strategy for the telecommunications sector, in close conjunction with a panel of national and PTT, manufacturer and consumer representatives;
4. Believes that there is no simplistic model for success to be followed by the Community. Notes, in this context, the successes obtained in this sector by the Americans and the Japanese, through adoption of quite different approaches, the Americans in considerable measure through deregulation and promotion of diversity, the Japanese through single-minded pursuit of common objectives by government and industry in the form of a 119 billion dollar Information Networks Systems programme. Considers, therefore, that an undogmatic approach, free of preconceptions should be adopted by the Community in establishing a strategic plan.

Believes that a common policy in the field of telecommunications can be achieved, since, despite the lack of uniformity with regard to institutions, laws and standards in the sector, the public authorities nevertheless retain a decisive role in determining the configuration and characteristics of networks, the compulsory rules and standards governing them, the legal conditions for access and the prices charged to users. In the various Community countries between 70 and 90% of the telecommunications market is dependent on the public authorities;

5. Believes that the strategic plan should cover action in the following areas:

- promotion of investment in basic telecommunications infrastructure;
- establishment of a European Standards Policy in the field of telecommunications, as regards both the equipment of the networks and the terminals, avoiding beggar-my-neighbour standards, but not stifling diversity;
- modification of existing regulatory regimes to provide greater freedom for the development of new products and services, while not allowing a complete free-for-all to develop;
- major new Community initiatives in the field of research and development, so Community scale can properly be taken advantage of;
- arrangement of trial projects at Community level;

Stimulation of investment at Community Level

6. Notes that total investment in telecommunications infrastructure in the Community over the next decade is estimated at around US\$ 150 billion³;
7. Points out that major investments are needed
 - (i) to greatly extend more traditional or "first generation" telecommunications systems and services such as telephones. These may be less glamorous than the developments on the cutting edge of technology, but their development towards levels approaching those in certain other industrialised countries would provide a greater stimulus to the Community economy, increase efficiency and aid greatly in the process of regional development in some of the more remote and underprivileged areas of the Community;
 - (ii) to establish more advanced services of a second and third generation nature;
8. Further points out that among the characteristics of certain necessary investments in the telecommunications sector, are their extremely high individual costs which require long periods of amortization making them ill-suited to the needs of technical progress which is characterized by rapid change.

Believes that such characteristics underline the need for a strong Community role in the promotion of such investments;
9. Considers that there a number of existing Community financial instruments which could be used, including EIB loans and regional policy funds.

³ Commission estimate Doc. COM (83) 573 final

Welcomes the possibility now afforded by NCI III to finance investments in advanced technologies, and hopes that telecommunications will be a priority sector. However, given the size of the investment required, it would be advisable to float a special loan in ECU at Community Level - to which anyone may subscribe including citizens of countries which at present place limits on transfers of capital overseas - specifically designed to finance the development of a telecommunications system which meets the needs of the Community;

10. Supports the idea that capital available from Community funds, might also be made subject to certain criteria, such as purchases above a threshold level being put out to Community-wide tender;

Establishment of a European Standards Policy for telecommunications

11. Recalls its previous statement⁴ deploring the fact that the European Community had not acted sooner to introduce more vigorous and decisive measures on the harmonisation of networks and the common definition of standards for connections, interface and equipment.

Believes that there has been completely inadequate progress since this statement was adopted;

12. Notes, for instance, as regards standards for telecommunications related services that incompatible Videotex Services were introduced in the U.K. (Prestel) and in France (Teletel). In the field of cellular mobile radio, it appears likely that there may be three different systems operating in the future within the Community. Considers that these are just the sort of conflicts that should be avoided;

⁴ Paragraph 3 of HERMAN Report of 7 May 1981

13. Calls for a European standards policy in the field of telecommunications, in order to ensure that common standards are adopted which will really open up the Community market, be co-ordinated with standards policy for the new information technologies as a whole;
14. Believes that the whole process by which Community standards are established needs to be carefully examined, and that a number of issues need further study:
- the role of CEPT
 - the role of the Commission and the idea of having a separate European Community Standards Institute
 - the links with international standards;
15. Points out that existing type approval procedures in the Member States are cumbersome and pose considerable barriers to the opening up of the market for telecommunications equipment, notably telematic terminals, and considers that greater harmonisation in this field is vital.

Recalls in this context⁵ its request that as a first step the national centres responsible for granting type approval of equipment be required to comply with the same standards and practices throughout the Community and that in the long term they gradually merge to form a common integrated centre.

This aim could be achieved by standardizing the features of the services provided at Community level, as regards both the services themselves and the operating procedures for users, adopting uniform type approval standards and supply specifications for telecommunications equipment and publishing them correctly. Every European producer should have the assurance that these standards will not be applied for discriminatory purposes;

⁵ Paragraph 24 of HERMAN Report op. cit.

Tariff Policy

16. Underlines the importance of tariff policy as a key factor in the development of a European telecommunications industry.
17. Notes that there are currently a number of major anomalies in the telecommunications tariff structure within Europe⁶ often very high cost of calls from one part of the Community to another, and that transit by way of third countries, even across the Atlantic, is sometimes cheaper than direct links.
18. Considers it necessary, as a first step towards establishing a Community preferential area for telecommunications, to adopt a single method for determining the tariffs applied within the Community for all international intra-Community telecommunications services, based on the principle that national frontiers are irrelevant to the calculation of the tariffs, which should be expressed in ECU. This system for international intra-Community services should subsequently be harmonized, as regards the structure and levels of the tariffs, with national tariff systems. Although international intra-Community telecommunications traffic accounts for only a small part of total traffic, it offers potential scope for initiatives which, at the outset, could be taken separately by the individual national administrations, as a way of breaking the current deadlock and giving public opinion an example of what can be done to help achieve a common policy;

⁶ e.g. an international leased telegraph circuit between Brussels and Milan is twice the cost of a similar circuit between Brussels and Marseille - the same distance - and the Belgian administration's charges for leased telegraph lines to Athens are higher than their charges for a circuit to Moscow. In area US online users pay an average of 40% less to reach a French host service than a French user would pay to reach a US host services (Figures supplied by the Commission - august 1982)

The need for 'reregulation'

19. Considers that the traditional system of PTT regulation has served the public well in the past, but that it lacks the necessary flexibility to permit the development of new products and services at the necessary speed to keep pace with the rapid rate of innovation in this sector;
20. Believes, therefore, that there needs to be a liberalization of the existing de facto monopolies in equipment supply in order to permit greater freedom for individual users to connect their equipment to the telecommunications infrastructure, and for suppliers to sell their products in other Community countries;
21. Further believes that other carriers besides the PTT's should be allowed to offer the new value added services which are currently evolving;
22. Recognizes the vital public service obligations of PTT's, and considers, therefore, that what is needed is 'reregulation' which would permit more rapid development while still providing necessary safeguards;
23. Notes that between 70 and 90% of the major telecommunications market of switching transmission and certain terminating equipment is dominated by nationally oriented public procurement⁷, and calls urgently for the extension of the directive on public procurement to the supply of telecommunications equipment as well;
24. Recommends that the widest possible competition be encouraged for markets and equipment. The ability of Community undertakings to compete in overseas markets will depend to a large extent on their capacity to do so in the internal Community market;

⁷ page 3 of Commission's recent communication on telecommunications (COM(83) 573 fin.)

Research and Development

25. Points out the extremely high cost of R. and D. in this sector⁸, and the crucial need to reap economies of scale to the maximum extent;
26. Notes that total Community R. and D. expenditure on public switching technology, for instance, is considerably higher than expenditure in either Japan or the US, but that it is split between a far higher number of programmes, leading to considerable overlaps and wasting of resources which could be used far more productively elsewhere;
27. Considers, therefore, that the prime objective should be to provide for much closer coordination of R. and D. programmes throughout the Community through the establishment of a major Community programme on telecommunications research that would be complementary to the ESPRIT programme, and that would involve close cooperation between industry, PTT research facilities and academic institutions;

Community-wide infrastructure projects

28. Strongly supports the three major priorities laid down by the Commission in its recent communication⁹, namely transnational development of voice and data integrated services facilities at the Community level, development in common of intra-European terrestrial broad-band links for carrying voice, data and video services, based on the most advanced optical fibre techniques, and common development of broad-band services at a Community level using satellite communications;

⁸ e.g. the R and D costs for a complete family of digital exchanges range from 300 to 500 million dollars for a product with a 10-15 year commercial life.

⁹ COM (83) 573 fin, pages 11-12

29. Considers that the immediate priority for 1984 should be the development of a new transborder Community network offering digital/ISDN services, which would have major beneficial direct and indirect impacts on Community manufacturers and suppliers of services;
30. Believes that the Community should also support pilot projects aimed at the development and demonstration of the new generation of telecommunications-related services, such as electronic publishing and remote printing, video-conferencing, document transfer and digital facsimile. Considers that such pilot projects could be extended beyond the existing INSIS project (which should anyway be built upon by putting a much greater emphasis than at present on meeting the future needs of Members of the European Parliament) to other integrated projects in a few selected parts of the Community;

Social and regional impacts

31. Points out that the telecommunications revolution will have major social effects, in that certain jobs will be lost, but others will be gained, and also in that the nature of many jobs will change, and considerable retraining will be necessary. Points out, furthermore, that in a more fundamental sense, the whole nature of work will be altered in the long run;
32. Emphasizes again the need for careful evaluation of these social consequences, and for Community support to help in the process of adjustment;
33. Points out the beneficial implications of telecommunications development for the disadvantaged and peripheral regions of the Community whose remoteness will become less of a disadvantage. Notes further the particular impact on smaller enterprises which will have much readier access to sources of information, and will be better able to compete;
34. Instructs its President to forward this resolution to the Commission and Council of the European Communities and to the governments of the Member States.

EXPLANATORY STATEMENT

1. The situation and problems of telecommunications, both as an industry and in terms of the services provided, have been fully studied and are sufficiently well-known.

The Commission has given this sector the attention it deserves and a wide range of material is available.

2. The importance of the sector is clearly apparent, not only from an industrial, economic and technological point of view, but also from a cultural and political standpoint. The ability to achieve an adequate common policy in the field of telecommunications would demonstrate that the Community is capable of cohesion and political and cultural identity, and that it has the capacity to provide an initial and significant response to the problems of technologically advanced industrial development, employment and the need to encourage young people.

The basic problem is that, after decades of relative technical stability, the telecommunications sector has in recent years entered a period of rapid and far-reaching change in the field of both transmission and the processing of information, which involve greater research costs, shorter product life-cycles and increased dimensions for economies of scale. As a result, the former methods based mainly on the principle of a 'natural monopoly' at national level are no longer valid and in some cases act as a barrier to development. Methods of technical organization established over decades must therefore be revised and this involves political choices.

3. The United States and Japan have tackled the problem of renewal and the challenge of new developments in telematics in different ways in line with their different national characteristics. Both have nevertheless been successful and have increased their competitiveness in overseas markets.
4. The same cannot be said of the European Community where the Member States have tried different methods, invariably at national level. Modest attempts by the Commission to introduce some elements of a common policy have so far proved unsuccessful.

5. Everyone acknowledges the need for a degree of cooperation at European level to provide an adequate response to the problems of the internal Community market, and, at the same time, to those posed by the need for competitiveness on overseas markets. However, agreement breaks down when it comes to moving from words to deeds. Community undertakings prefer to reach agreements with their American and Japanese counterparts rather than amongst themselves, and, in addition, there is no agreement on a Community policy. The attempts made in this direction have always failed because of the inability of those concerned to see beyond their own immediate and arbitrary interests. As a result, the previously dominant position of the Community telecommunications industry is under serious threat both in overseas markets and in national domestic markets where it is becoming increasingly difficult to raise protectionist barriers against products which are qualitatively new. At the same time, it will become increasingly difficult and costly to provide users with the new services which are becoming widespread in the most advanced industrialized countries.
6. In conclusion to this explanatory statement, which has been kept brief because the main elements of the report are contained in the body of the resolution itself, it should be pointed out that under the present circumstances it is vital to find a solution - even a partial and limited one - which can break the current deadlock and serve as a step in the right direction.

For this reason, and as part of a wider programme, emphasis has been placed here on the problem of tariffs - a problem of minor importance but one which could demonstrate to public opinion that a desire exists to create a Community preferential area for telecommunications. This could be achieved at once if the governments so desired.

MOTION FOR A RESOLUTION (DOCUMENT 1-246/82)
tabled by Mr Karl Heinz MIHR
pursuant to Rule 47 of the Rules of Procedure
on common policy in the telecommunications field

The European Parliament,

- whereas telecommunications is a fast-developing sector closely interconnected with various branches of the informatics and electronics industries and public service sectors such as information and education;
 - whereas the pattern of supply requirements in the telecommunications field has a major influence on the situation of various industries, particularly the electronics industry, which is heavily dependent on scientific and technical progress;
 - whereas telecommunications services and the acquisition of equipment by such services have a major influence on investment, employment, exports and cooperation with third countries;
 - whereas in all the member countries the development and management of telecommunications is subject to more or less direct but, at all events, effective state control, a situation which affords greater opportunities for integration, at least at Community level, based on comprehensive initiatives encompassing research, standardization and harmonization and the free movement of goods;
 - whereas it should be possible gradually to work out guidelines for a common telecommunications policy at Community level, to which Parliament, with its influence, could contribute;
1. Instructs its relevant committee to draw up a report on the present state of the telecommunications industry in the member countries and to outline possible ways in which it could be developed, not least with a view to defining the basic elements of a common policy.

OPINION

(Rule 101 of the Rules of Procedure)
by the Committee on Transport

Draftsman: Mr H. SEEFELD

On 26 January 1983, the Committee on Transport appointed Mr Horst SEEFELD draftsman of the opinion.

The committee considered the draft opinion at its meeting of 22 June 1983 and adopted it unanimously on 11 July 1983.

The following took part in the vote: Mr Seefeld, chairman and acting draftsman; Dame Shelagh Roberts and Mr Kaloyannis, vice-chairmen; Mr Albers, Mr Baudis, Mr Buttafuoco, Mr Cardia, Mr Cariglia (deputizing for Mr Key), Mr Gabert, Mr Hoffmann, Mr Janssen van Raay (deputizing for Mr O'Donnell), Mr Klinkenborg, Mr Loo (deputizing for Mr Lagakos) Mrs Scamaroni, Mr Travaglini (deputizing for Mr Mochiano) and Mr Vandewiele.

I. Transport and telecommunications

1. The relationship between transport and telecommunications is obvious. For what are telecommunications but a method of transporting information? Telecommunications are a new form of transport which is developing remarkably fast and in directions which cannot be predicted with certainty.
2. Because of the fantastic speed of developments in this field, and the changes which they will produce in the world economy, consideration is mainly being given at European level to such aspects of telecommunications as the structure and competitiveness of the industry, and the basic and applied technological research involved.
3. Although the Committee on Transport is of course aware of these aspects of the subject, the area in which its own responsibilities lie is the interface between transport and telecommunications.
4. Many forms of transport rely on telecommunications networks in order to function at all, and for guidance and safety. This applies to air, sea and inland waterway transport, but also to the road haulage industry.
5. Telecommunications also play a role in solving the logistical and management problems of transport undertakings, particularly in the road haulage industry.
6. The Committee on Transport is particularly interested in the question of the tariffs charged for the different telecommunications systems, since the latter may be compared to transport charges.

II. Telecommunications and civil aviation

7. Telecommunications play a crucial role in air traffic control, providing links between aircraft and the ground and also permitting the exchange of information between air traffic control centres.
8. Improving the safety record of civil aviation calls for the use of the most advanced communications technology, including in particular certain automatic devices, and the harmonization of telecommunications systems at the European level. This subject is raised in the draft report being prepared by Mr RIPA DI MEANA on behalf of the Committee on Transport on air transport safety.

III. Telecommunications and shipping

9. The introduction of computerized navigational aids has an essential role to play in reducing potential hazards to human life, equipment, cargoes and the environment involved in shipping. Such systems ought to be the object of concerted action by the Community, a subject on which the Committee on Transport prepared an opinion in March 1982.
10. Here, also, the aim should be to develop systems incorporating the latest technology (satellites) and to ensure, given the international character of shipping activities, that they are harmonized.

IV. Telecommunications and other forms of transport

11. In the next few years, road transport could be revolutionized by the introduction of electronic traffic management, which could, apart from increasing average speeds and capacity, achieve considerable improvements in road safety. This system could be begun in the near future by introducing a system of guidance for motorists at peak periods, which would be directly available to motorists via radios in their vehicles.

12. Attention should also be drawn to the lack of harmonization in the use of radio telephones, which militates against the introduction of a system of intra-European on-board communications.
13. While on the subject of radio communications on board goods vehicles, mention should also be made of the problem of Citizens' Band radio, which is subject to different - and indeed conflicting - regulations and technical requirements from one Member State to another, and on the subject of which the Committee on Transport is due to deliver an opinion.
14. The inland waterways and railways have made only very slight use of telecommunications up to now, but it is conceivable that more specific applications might be developed.

V. Telecommunications and their implications for the management of transport undertakings

15. The development of networks for the very rapid exchange of information made possible by the latest technological developments should have a considerable impact on the productivity of transport undertakings.
16. The ability to centralize information from many sources should enable consigners and charter companies to make the best possible use of the capacity of the vehicles available and reduce the incidence of vehicles returning empty or with only a partial load. In this context, the need for networks to be compatible at European level becomes evident.

VI. Tariffs and conditions of use of communication networks

17. Although the ultimate objective should be to achieve a uniform system of tariffs, it should be recognized that very many obstacles, of a political, technical and financial nature, must first be overcome.

18. Nevertheless, certain intermediate objectives can still be achieved in this area by adopting common rules on tariffs and by harmonizing the conditions of use of telecommunication services in general (such as reduced off-peak tariffs, and compatibility and interconnection between networks of different types).

VII. Conclusions

The Committee on Transport considers that a European policy on telecommunications is essential, particularly since the technology is developing so rapidly that there is a very real danger that a large number of different systems will arise, which would be counterproductive both in terms of Europe's industrial output and in terms of the actual exchange of information.

The coordination and harmonization of telecommunications networks and systems in the transport sector are particularly important in view of the fact that the various modes of transport are international by their very nature. This coordination and harmonization would serve both to improve the safety of various forms of transport, and to increase their productivity. The Committee on Transport is therefore obliged to request the Committee on Economic and Monetary Affairs to take account, in its own-initiative report on telecommunications, of the special requirements of the transport sector outlined in this opinion so that the equipment, the conditions of use and the tariffs charged may be standardized as far as possible.

O P I N I O N

of the Committee on Energy, Research and Technology

Draftsman: Mr MORELAND

On 16 March 1983, the Committee on Energy, Research and Technology appointed Mr MORELAND draftsman of the opinion.

The Committee considered the draft opinion at its meeting of 22 February 1984. It adopted the draft opinion on 22 February 1984 unanimously.

The following took part in the vote: Mr GALLAGHER, acting-chairman; Mr SELIGMAN, vice-chairman; Mr PURVIS (deputizing for the draftsman, Mr MORELAND); Mr ADAM, Mr CALVEZ (deputizing for Mr GALLAND); Mr FUCHS; Mr FLANAGAN; Mr LINKOHR; Mr MARCHESIN; Mr PETRONIO; Mr VERONESI; Mrs VIEHOFF (deputizing for Mrs LIZIN)

I. Telecommunications developments

1. Telecommunications is an important aspect of the sector broadly known as information technologies (IT). The whole IT sector is the fastest growing part of the industrial and service sectors. There are many possible applications. Many go so far as to predict that economic progress will depend on the scope for producing, marketing and using IT services.
2. Combined with the fact that:
 - (a) industry and services account for 55% of added value in the Community and over 60% of employment,
 - (b) the European telecommunications market in the period 1982/1987 is expected to increase from \$12,500 million to \$17,200 million (1979 rate) or by 6.7% a year, compared with \$19,900 million to \$29,100 million in the USA (7.8% a year) and \$11,800 million to \$19,900 million in Japan (10.1% a year),
 - (c) the Community accounted for 50% of world telecommunications exports in 1980 (compared with 54% in 1975), but of the 100%, 10% represented internal Community trade, 16% spare parts for equipment already sold and a single Philips contract with Saudi Arabia represents 7% of completely new equipment,
 - (d) for instance the cost of developing new lines of digital switches alone, including the development of software and maintenance, costs up to \$1,000 million,
 - (e) it is estimated that the capital needed for R&D in the telecommunications market will require sales of some \$16,000 million worth of equipment (since an average of 7% of sales are invested in R&D). This is more than the largest single market in Europe²,

¹ The Commission's IT task force in 'The European IT-Industry', June 1983, p. 28

² Ibid., p. 33

(f) the Community is an extremely fragmented market made up of national markets with the national post and telecommunications authorities in a monopoly position sanctioned by law or practice,

the problem is clear: should and can the Community take steps at least to maintain its present position on the telecommunications market, which is obviously threatened, or strive to give the Member States a leading position? If so, how?

II. The European market

3. As mentioned above, the telecommunications sector is composed of national state monopolies that have formed the basis for the telecommunications industry. Operational procedures and technical standards controlled by postal and telecommunications authorities (irrespective of the reasons for this) have resulted in closed markets and a low level of trade. The capital requirements, especially for R&D, are evidence that the institutional, and in this case also economic, framework have become a straitjacket because of the extremely rapid developments in computer and communications technologies. The present development within the whole area of satellite-telecommunication is an example of the rapid changes, which modern technologies enable.
4. There have been some signs of a change in recent years, with major telecommunications industries cooperating internationally on specific subprojects. European industries have cooperated not only with other European countries but also with America and Japan. Since these are also the Community's main competitors, the conclusion is obvious: sales on national markets are simply not large enough to produce a big enough yield for the investments needed.

III. Community initiatives

5. In response to the Commission's studies¹ the Council set up, in connection with the Stuttgart meeting, a working party to examine the lines of action proposed by the Commission, i.e.:

¹ Communications to the Council on telecommunications, COM(83) 329 final, June 1983, and on telecommunications - lines of action, COM(83) 573 final, October 1983

- to coordinate Member States' policies in the medium and long terms,
- to harmonize standards,
- a common policy towards third countries,
- to open national markets to supplies from other Community countries.

6. The European Parliament¹ had already called for Community action along these lines, most recently in the own-initiative report currently under consideration².

IV. Comments by the Committee on Energy, Research and Technology

7. The committee responsible is therefore urged to include the following points in its motion for a resolution:

- considers that the lack of a competitive market in telecommunications through its dominance by state-owned post and telecommunications organizations is a disincentive to innovation, research and development.

It is essential that the Community and the Member States open the market to competition.

- considers that Community joint planning measures should be aimed primarily at creating a favourable climate for joint European research;

Justification: R&D requirements are enormous and greater than individual firms can cope with in an area where technology is developing rapidly. The research stage is also the stage where much duplication of work can be avoided. R&D should be directed towards basic requirements rather than individual sales objectives so that the finished product has consumer appeal.

¹ The HERMAN report on telecommunications (Doc. 1-138/81)

² Draft report by Mr LEONARDI, PE 87.994

- urges the Commission to work towards creating common norms and standards and possibly to harmonize existing norms and standards as a prerequisite for international cooperation and, later, open markets. Compatibility in the interest of consumers should be given priority;
Justification: in addition to the reasons already given, there is the vital point that lack of competition caused by standards that have the effect of technical barriers to trade impedes vital innovations and in the end investments and an improved competitive position. The fact that the Commission has identified this as an area for action is a first step in the right direction.

- points out that standardization should not merely cover the Community area but should be really international;
Justification: apart from those set by national postal and telecommunications authorities, standards are American-dominated, which is crucial for future sales on the European market.

- recalls the frame of reference provided by the Community framework programme for science and technology and the experience and organizational methods of the Esprit programme. Efforts should be concentrated on the pre-industrial area;
Justification: the Esprit programme is an important (if not essential) area in which a Community effort could be made but active participation by industry from the planning stage is an important if not essential prerequisite.

- points out that the telecommunications field provides a unique opportunity for common action since institutionally it is already dominated by national rules and regulations;

- therefore believes that, as an initial step in the telecommunications field, the Commission should draw up and submit a proposal for an action programme on common research and development measures.