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TOWARDS A COMPETITIVE COMMUNITY-WIDE

TELECOMMUNICATIONS MARKET IN 1992

IMPLEMENTING THE GREEN PAPER ON THE

DEVELOPMENT OF THE COMMON MARKET FOR

TELECOMMUNICATIONS SERVICES AND EQUIPMENT

State of Discussions and Proposals by the Commission

(Communication from the Commission)

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SUMMARY

On 30th June 1987, the Commission submitted its Green Paper on the future development of telecommunications sector, the major driving force for the entry of the Community's economy into the information age ["Towards a Dynamic Economy - Green Paper on the Development of the Common Market for Telecommunications Services and Equipment", (COM(87)290)]].

As set out in the Green Paper, the current wave of technical innovation resulting from the convergence of telecommunications and computer technology has led to reviews in all Member States, and at world-level, of the future organisation of the telecommunications sector and its necessary regulatory adjustment. The strengthening of European telecommunications has become one of the major conditions for achieving the Community-wide market for goods and services in 1992.

The Green Paper was intended to initiate debate and attract comment from a broad spectrum of opinion : "the Council ; the European Parliament and the Economic and Social Committee ; the Telecommunications Administrations and Recognized Private Operating Agencies, referred to as 'Telecommunications Administrations' ; the European telecommunications, data processing, and services industry ; the users who must be the main beneficiaries of the new opportunities ; and the trade unions and other organisations which represent the social interest in this field.

In the meantime, the Commission has received a wide range of comments. The broad consensus apparent from these comments now seems to give a strong basis on which to define further a determined campaign to develop the Community's telecommunications market, with the overall objective of fully achieving a Community-wide open competitive market by 1992.

On this basis, and in order to facilitate the consideration of the Green Paper and future Community policy in the sector by the Council, the European Parliament and the Economic and Social Committee, this Communication sets out a programme of action, both as regards measures to be undertaken by the Commission under Community competition rules and its general mandate, and as regards future proposals to Council, in order to achieve progressive opening of the telecommunications market in the Community to competition. It reviews the proposals advanced in the Green Paper in the light of the comments received up to now, establishes priorities and proposes strict deadlines for implementation.

I) INTRODUCTION

The Commission published on 30th June 1987 a Green Paper on the future development of the telecommunications sector ["Towards a Dynamic Economy - Green Paper on the Development of the Common Market for Telecommunications Services and Equipment", (COM(87)290), hereinafter referred to as the Green Paper].

The Commission has set out its basic motivations in the opening statement to the Green Paper. It emphasised that "the strengthening of European telecommunications has become one of the major conditions for promoting a harmonious development of economic activities and a competitive market throughout the Community and for achieving the completion of the Community-wide market for goods and services by 1992".

The Commission further stated : "Information, exchange of knowledge, and communications are of vital importance in economic activity and in the balance of power in the world today. Telecommunications is the most critical area for influencing the 'nervous system' of modern society. To flourish, it has to have optimum environmental conditions.

In this respect, the convergence of telecommunications, computing and applications of electronics in general has now made possible the introduction of a wide variety of new services. The traditional form of organisation of the sector does not allow the full development of the potential of these new services. In order to create an open and dynamic market in this area it therefore seems necessary to introduce regulatory changes to improve the sector's environment.

These changes should allow the full development of the supply of services and equipment, thus making it possible for industry to take full advantage of this potential. In particular national frontiers should not be allowed to hamper the development of a consistent communications system within the European Community".

Telecommunications must now be seen as the major component of a conglomerate global sector comprising the management and transport of information which already represents more than ECU 500 billion world-wide. The world market for telecommunications equipment has reached ECU 90 billion by 1986, of which ECU 17.5 billion was accounted for by the Community. In 1985 world revenue from telecommunications services was almost ECU 300 billion, of which the Community represented ECU 62.5 billion.

It is estimated that by the end of the century, up to 7% of the gross domestic product of the Community will result from telecommunications and adjacent activities, as against 2% today. Via information technology, more than 60% of Community employment will depend, to an important degree, on telecommunications by the year 2000.

The situation in the Community is in flux. All Member States are envisaging or discussing necessary adjustments of regulatory conditions to the new requirements. Managing together this challenge will be essential for the Community to achieve the Internal Market ; improve the competitiveness of the European economy ; and strengthen Community cohesion.

As set out in detail in the Green Paper, the necessary definition of common regulatory goals can build on the achievements of Community telecommunications policy to date, on the programme set out by Council on 17th December 1984, and on previous positions taken by the European Parliament and the Economic and Social Committee. The adjustment of the Community's telecommunications market involves a complex process and should be undertaken on a broad basis.

The Green Paper emphasised that "regulatory changes in telecommunications must take account of the views of all parties concerned, in particular private and business users, Telecommunications Administrations, the Administrations' work force, competing enterprises, and the telecommunications and data-processing industry".

With this in mind, the Commission has undertaken, since June 1987, an extensive consultative process on the Green Paper. A broad range of reactions has been received from the wide spectrum of interests concerned. In parallel, substantial discussion has been carried on with the Senior Officials Group on Telecommunications (SOG-T), the Director-Generals of the Telecommunications Administrations and the European Committee of the Postal, Telegraph & Telephone Trade Unions.

At this stage, the Commission considers it appropriate to draw preliminary conclusions on the results of this process of broad consultation. This is the purpose of this Communication.

The Communication is intended to facilitate the further consideration of the Green Paper in Council, the European Parliament, and the Economic and Social Committee, by reviewing the proposals advanced in the Green Paper in the light of the reactions received up to now, establishing priorities and proposing strict deadlines for implementation.

The overriding objective, supported by all comments, must be to "develop the conditions for the market to provide European users with a greater variety of telecommunications services, of better quality and at lower cost, affording Europe the full internal and external benefits of a strong telecommunications sector" and "the development in the Community of a strong telecommunications infrastructure and efficient services" in order to achieve this goal.

It involves obtaining the full benefits of the opportunities deriving from the Treaty in this sector : the full implementation of the free movement of goods and the freedom to provide services ; the establishment of a competitive environment ; and the strengthening of Community cohesion.

II) THE GREEN PAPER APPROACH

The consultative process undertaken and the reactions received must be seen against the positions set out in the Green Paper.

The objectives set out in the Green Paper correspond to three major concerns which must be dealt with at the European level :

- technological change is penetrating irreversibly the European and world market and requires adjustment of market conditions. Over recent years, the speed of technological diversification (signal digitisation, optical cables, cellular telephony, satellites, etc.) has dramatically accelerated.

Digitisation - the transmission of information in the form of bits in computer language, and the best indicator of the convergence of telecommunications and computer technology - will be an economic fact in the Community by the end of this decade. By 1990, on average in the Community, approximately 70% of long distance transmission will be digitised, 50% of long-distance switching and 30% of local switching.

A major consequence in regulatory terms flowing from technological and market development will derive from the simple fact that those connected to the network will be able to carry out many more activities via this network. This poses the fundamental problem of how in the future current constraints on these new possibilities will be handled ;

- the current change of technological and market conditions is leading all Member States to undertake or envisage changes in regulatory conditions. As set out in the Green Paper, the Community must make sure that "the necessary European scale and dimension are introduced into the current phase of transformation ; no new barriers are created within the Community during the adjustment of regulatory conditions ; existing barriers are removed in the course of this adjustment" ;
- The Treaty obligation of achieving the completion of the Community Market by 1992 sets a strict deadline for full application of the Treaty to this sector. As a result of on-going changes, telecommunications will come to play a central role in the Community's technology and service markets. Even today, services account for nearly two thirds of Community output and employment.

The future importance of telecommunications for overall economic development and growth makes a Community-wide market in this sector indispensable for reaching the 1992 goal for the Community market as a whole. This implies full and speedy application of the opportunities and obligations deriving from the Treaty to the sector : the free movement of goods ; the freedom to provide services ; competition rules ; the common commercial policy.

In the Green Paper, the Commission :

- pleads strongly for recognising - and using the potential of - the new technological and market trends ;
- acknowledges fully the traditional public service tasks of the Telecommunications Administrations. It accepts safeguards in order to maintain their capability to develop networks and services and envisages their full participation in the newly emerging markets in both the services and terminal equipment fields ;
- emphasises, however, that any service monopoly which is maintained implies constraints on the activities of those connected to this network or using network facilities. The justification of continued exclusive provision where it still exists, must therefore be weighed carefully against the restrictions which this may impose on those connected to the network concerning present and future application for their own use, shared use or provision to third parties.

As a consequence, the Green Paper clearly considers that, with a view to 1992 and the full development of new economic activities with their potential for employment, a more liberal and flexible competitive environment for the telecommunications services and equipment market is indispensable for the overall development of the Community's technology and service markets. At the same time, it recognises the continuing central role of the Telecommunications Administrations in ensuring the long-term convergence and integrity of the network infrastructure and the supply of a broad range of services in the Community.

With the Green Paper, the Commission has tried to achieve a careful balance :

"The Green Paper acknowledges the differences in current situations and the variety of trends. It proposes essentially a hard core of proposals designed to ensure Community consistency in telecommunications. The proposed process is iterative ; it accepts the existence of a movement, not all aspects of which can be defined today.

The fundamental purpose of the measures is therefore to set off a dynamic process that will give the political, economic and social actors involved a better understanding of their own interests and to optimise their activities in the construction of the Community".

III) STATE OF DISCUSSIONS

The Green Paper translates the foregoing considerations into ten detailed "Proposed Positions" and a number of "Proposed Actions Lines" to support the transformation process. The comments received have concentrated on these Positions and Action Lines. They are therefore recalled in Figure I and Figure II for easy reference. More detailed explanation is given in the Green Paper.

As set out in the introduction to the Green Paper, the Green Paper was intended "to launch a debate and to attract comment from a broad spectrum of opinion". The Commission announced that it would draw preliminary conclusions at the end of 1987, in order to focus debate and to facilitate consideration in the Council, the European Parliament and the Economic and Social Committee (1)

Since June 1987, the Green Paper has stimulated a very broad response by the users, telecommunications and data-processing industry and other parties concerned. More than 45 organisations representing different interests in the field, both at Community and national level, have forwarded formal comments. The full text of the comments is available on request.

As already mentioned, in parallel, intensive discussion was carried on with the Senior Official Groups on Telecommunications (SOG-T), the Director Generals of the Telecommunications Administrations, and the Trade Unions in the field.

While for details reference should be made to the full text of the comments, summarising the following can be said :

- the consultation process has been a major success in itself. This is the very first time in the Community that an in-depth broadly based discussion between all actors involved in the future of the sector has taken place ;
- the process has proved that, while respecting different national situations and perceptions, a broad consensus in this field can be developed in the Community ;

(1) The Economic and Social Committee has given, at its meeting of 18th November 1987 an initial opinion on the Green Paper (OJ No C 356, 31.12.1987). It announced that it reserves the right to re-examine specific problems when the Commission presents its proposals for attaining the objectives of the Green Paper.

FIG. I For easy reference, the following "PROPOSED POSITIONS" are reproduced, in their original form from the Green Paper, COM(87)290.

PROPOSED POSITIONS

- A) *Acceptance of continued exclusive provision or special rights for the Telecommunications Administrations regarding provision and operation of the network infrastructure. Where a Member State chooses a more liberal regime, either for the whole or parts of the network, the short and long term integrity of the general network infrastructure should be safeguarded.*

Closely monitored competitive offering of two-way satellite communications systems will need further analysis. It should be allowed on a case-to-case basis, where this is necessary to develop European-wide services and where impact on the financial viability of the main provider(s) is not substantial.

Common understanding and definition regarding infrastructure provision should be worked out under E) below.

- B) *Acceptance of continued exclusive provision or special rights for the Telecommunications Administrations regarding provision of a limited number of basic services, where exclusive provision is considered essential at this stage for safeguarding public service goals.*

Exclusive provision must be narrowly construed and be subject to review within given time intervals, taking account of technological development and particularly the evolution towards a digital infrastructure. 'Reserved services' may not be defined so as to extend a Telecommunications Administration service monopoly in a way inconsistent with the Treaty. Currently, given general understanding in the Community, voice telephone service seems to be the only obvious candidate.

- C) *Free (unrestricted) provision of all other services ('competitive services', including in particular 'value-added services') within Member States and between Member States (in competition with the Telecommunications Administrations) for own use, shared use, or provision to third parties, subject to the conditions for use of the network infrastructure to be defined, under E).*

'Competitive services' would comprise all services except basic services explicitly reserved for the Telecommunications Administrations (see B).

- D) *Strict requirements regarding standards for the network infrastructure and services provided by the Telecommunications Administrations or service providers of comparable importance, in order to maintain or create Community-wide inter-operability. These requirements must build in particular on Directives 83/189/EEC and 86/361/EEC, Decision 87/95/EEC and Recommendation 86/659/EEC.*

Member States and the Community should ensure and promote provision by the Telecommunications Administrations of efficient European-wide and worldwide communications, in particular regarding those services (be they reserved or competitive) recommended for Community-wide provision, such as according to Recommendation 86/659/EEC.

- E) *Clear definition by Community Directive of general requirements imposed by Telecommunications Administrations on providers of competitive services for use of the network, including definitions regarding network infrastructure provision.*

This must include clear interconnect and access obligations by Telecommunications Administrations for trans-frontier service providers in order to prevent Treaty infringements.

Consensus must be achieved on standards, frequencies, and tariff principles, in order to agree on the general conditions imposed for service provision on the competitive sector. Details of this Directive on Open Network Provision (O N P) should be prepared in consultation with the Member States, the Telecommunications Administrations and the other parties concerned, in the framework of the Senior Officials Group on Telecommunications (SOG-T).

- F) *Free (unrestricted) provision of terminal equipment within Member States and between Member States (in competition with Telecommunications Administrations), subject to type approval as compatible with Treaty obligations and existing Directives. Provision of the first (conventional) telephone set could be excluded from unrestricted provision on a temporary basis.*

Receive Only Earth Stations (ROES) for satellite down-links should be assimilated with terminal equipment and be subject to type approval only;

- G) *Separation of regulatory and operational activities of Telecommunications Administrations. Regulatory activities concern in particular licensing, control of type approval and interface specifications, allocations of frequencies, and general surveillance of network usage conditions;*

- H) *Strict continuous review of operational (commercial) activities of Telecommunications Administrations according to Articles 85, 86 and 90, EEC Treaty. This applies in particular to practices of cross-subsidisation of activities in the competitive services sector and of activities in manufacturing;*

- I) Strict continuous review of all private providers in the newly opened sectors according to Articles 85 and 86, in order to avoid the abuse of dominant positions;*
- J) Full application of the Community's common commercial policy to telecommunications. Notification by Telecommunications Administrations under Regulation 17/62 of all arrangements between them or with Third Countries which may affect competition within the Community. Provision of information to the extent required for the Community, in order to build up a consistent Community position for GATT negotiations and relations with Third Countries.*

FIG. II

For easy reference, the following "PROPOSED ACTION LINES" are reproduced from the Green Paper, COM(87)290.

1 ACCELERATION OF EXISTING ACTION LINES

- ENSURING THE LONG-TERM CONVERGENCE AND INTEGRITY OF THE NETWORK INFRASTRUCTURE IN THE COMMUNITY
- RAPID ACHIEVEMENT OF FULL MUTUAL RECOGNITION OF TYPE APPROVAL FOR TERMINAL EQUIPMENT
- RAPID PROGRESS TOWARDS OPENING UP ACCESS TO PUBLIC TELECOMMUNICATIONS PROCUREMENT CONTRACTS

2 INITIATION OF NEW ACTION LINES

- I SUBSTANTIAL REINFORCEMENT OF THE DEVELOPMENT OF STANDARDS AND SPECIFICATIONS IN THE COMMUNITY / CREATION OF A EUROPEAN TELECOMMUNICATIONS STANDARDS INSTITUTE
- II COMMON DEFINITION OF AN AGREED SET OF CONDITIONS FOR OPEN NETWORK PROVISION ("O N P") TO SERVICE PROVIDERS AND USERS
- III COMMON DEVELOPMENT OF EUROPE-WIDE SERVICES
- IV COMMON DEFINITION OF A COHERENT EUROPEAN POSITION REGARDING THE FUTURE DEVELOPMENT OF SATELLITE COMMUNICATIONS IN THE COMMUNITY
- V COMMON DEFINITION OF A COHERENT CONCEPT ON TELECOMMUNICATIONS SERVICES AND EQUIPMENT WITH REGARD TO THE COMMUNITY'S RELATIONS WITH THIRD COUNTRIES
- VI COMMON ANALYSIS OF SOCIAL IMPACT AND CONDITIONS FOR A SMOOTH TRANSITION

- during the process of discussions and consultation, a clear will to arrive at common regulatory aims for the sector has emerged on the part of all major actors.

Regarding the reactions to the main proposals set out in Figures I and II, the situation seems to be that (while there are different qualifications with regard to the exact wording) there is :

- a broad consensus regarding the full liberalisation of the terminal equipment market, with a reasonable period for transition ;
- a broad consensus on the liberalisation of value-added services, the high-value end of the overall spectrum of telecommunications services which is proposed in Fig. I to be open to competitive provision ;
- full endorsement in principle of the separation of regulatory and operational responsibilities of the Telecommunications Administrations ;
- general recognition of the fact that tariffs should follow overall cost trends ;
- strong support, in principle, regarding standards, in order to maintain or create Community-wide and world-wide interoperability, while safe-guarding the capability for innovation. Strong support for a clear definition of general requirements imposed by Telecommunications Administrations on providers of competitive services and other users for use of the network (O N P - Open Network Provision) ;
- broad acceptance of the fact that Telecommunications Administrations should be able to participate in the newly open competitive sectors, on an equal footing ;

general acceptance of the need to apply the general rules of competition law to the operational (commercial) activities of both the Telecommunications Administrations and other private providers, in a symmetric way ;

Support for the line taken in the Green Paper, that, while this implies on the one hand clear requirements for transparency of operations, in particular with regard to cross-subsidisation and procurement of equipment, it should imply on the other hand relaxing of organisational and financial constraints imposed on Telecommunications Administrations which may inhibit their ability to compete ;

- general support for existing Community programmes, actions and proposals aimed at strengthening the long-term convergence and integrity of the network infrastructure in the Community. This concerns in particular the development of Integrated Broadband Communications (IBC) (the RACE programme) ; the Integrated Services Digital Network (ISDN) ; and the introduction of Digital Mobile Communications.

A second category of positions has also met with general support, while at the same time receiving criticism from both possible perspectives : of going too far in the opinion of some and of not going far enough in the opinion of others.

This concerns in particular :

- the acceptance of the continuation of exclusive provision for network infrastructure. This has met acceptance in most comments while receiving some criticism from both sides.
- the degree of competition in services other than value-added services. There is broad general support for accepting exclusive provision of voice telephony, as long as it is defined as switched voice telephony intended for the general public and as long as this is subject to review.

A number of comments hold that either special authorisation schemes or exclusive provision for other services, in particular telex and switched data communications intended for general public use, are required. Special authorisation schemes have been suggested as a possible option for movement towards market opening in this area.

Generally, comments hold that a broad provision of efficient Europe-wide and world-wide communications to the public must be ensured.

Regarding competition in satellite communications, a consensus still does not seem possible. On this issue, there seems only to be a general readiness to open competition for Receive-Only Equipment as long as not connected to the public network.

Regarding other major issues, further discussion and definition is needed. This concerns in particular :

- the development of a coherent European position on satellite communications in order to create or deepen consensus in this key technology ;

- the rapid promotion of Europe-wide services and development of concrete concepts for a market led approach and of tariff principles for these services ;
- the development of a common position on the Community's relations with third countries and on international problems, in particular with regard to multilateral issues.

Special concern has been expressed with regard to future discussions of international regulation in the 1988 ITU World Administrative Telegraph and Telephone Conference (WATT-C), concerning especially the future openness of the international environment.

Broad support was given for thorough concertation in preparation of the new GATT Round. Comments have called for ensuring foreign market opening in services and equipment for Community providers, as a corollary to Community market liberalisation ;

- a further strengthening of the use of advanced telecommunications for developing the less favoured regions, on the basis of the STAR programme, and the consideration of the special problems of the peripheral regions of the Community ;
- the further promotion of the social dialogue and the discussion of effective means to match the requirements for training / re-training in the sector.

Discussion should be broadened to include more clearly general social consensus in this area, in particular the protection of privacy and of personal data, and general long-term social implications of different options in the development of telecommunications in the Community.

IV) PROGRAMME FOR ACTION :
ACHIEVING PROGRESSIVELY A COMPETITIVE COMMUNITY-WIDE MARKET BY
1992

The reactions received to date, and the broad consensus apparent from these comments seem to give now a strong basis on which to define in more detail, a determined policy to develop the Community's telecommunications market, with the overall objective of fully achieving a Community-wide open competitive market by 1992.

As set out in the Green Paper,

"given their importance and wide ramifications, regulatory changes in telecommunications can only be introduced progressively. Time must be allowed for present structures, which have grown up historically over a long period, to adjust to the new environment".

It seems therefore appropriate to define the future approach according to three areas :

- areas where the development of concrete policy actions seems possible now ;
- areas where comprehensive policy consensus still has to be worked out ;
- areas where existing policies must be confirmed / strengthened.

IV) 1 Areas where the development of concrete policy actions is possible now

For a number of areas the development of consensus seems sufficiently advanced on the one hand, the need for clarification and the obligation to act speedily are evident on the other.

Given the overriding aim of achieving the Internal Market before the 31st December 1992, the obligation fully to apply the Treaty to the sector and the broad consultation process, a strong basis now exists for the opening of the Community's telecommunications market, according to defined deadlines and according to the following principal measures :

i) Rapid full opening of the terminal equipment market to competition.

Community-wide opening should be fully achieved for terminal equipment by 31st December 1990 at the latest. This should allow a sufficient transition period for all equipment including the first (conventional) telephone set.

Opening must ensure free (unrestricted) provision of terminal equipment within Member States and between Member States (in competition with the Telecommunications Administrations), subject to type approval as compatible with Treaty obligations and existing Directives.

Fair type approval procedures must involve, amongst others, full publishing of the type approval procedures in force, and appropriate cost and time required for the completion of the procedures. A network termination point appropriate for suitable connection of terminal equipment must be made available to the subscriber on request.

The Commission will, before end-March 1988, issue a Directive under Article 90 (3) regarding the liberalisation of the terminal equipment market.

In parallel, the Commission will rapidly propose a Directive on full mutual recognition of type approval before end-1988, building on Directive 86/361/EEC on the progressive introduction of the NETs (see v.4).

ii) Progressive opening of the telecommunications services market to competition from 1989 onwards

Continued exclusive provision or special rights for the Telecommunications Administrations regarding provision and operation of the network infrastructure, and at this stage of voice telephone service, is accepted.

All other services should be opened by 31st December 1989.

However, special consideration will need to be given to the telex service and packet and circuit switched data services intended for general public use. Provision will be made for a period of transition to be defined, sufficient to allow the elaboration of schemes to ensure future service provision for the general public for this type of service.

Opening must ensure free (unrestricted) provision of services within Member States and between Member States (in competition with Telecommunications Administrations), for own use, shared use, or provision to third parties, subject to fair conditions of access, and the lifting of restrictions on use and interconnection where they exist.

Implementation of these principles will involve the closer definition of the limitations of the Telecommunications Administrations service monopoly, in order to prevent wide differences in the scope of the monopoly from Member State to Member State and definition of principles guiding access to and use of the network (see Open Network Provision - O N P, v.2 below).

By 1st January 1992, any remaining exclusive provision of services will have to be reviewed "taking account of technological development and particularly the evolution towards a digital infrastructure". The development of trade must not be affected to such an extent as would be contrary to the interests of the Community.

iii) Full opening of Receive-Only Satellite antennae, as long as they are not connected to the public network, by 31st December 1989.

It is believed that liberalisation for this specific segment of equipment can be advanced rapidly as no major technical obstacles exist.

- iv) Progressive implementation of the general principle that telecommunications tariffs should follow overall cost trends.

If reasonable overall cost-related tariffs are not achieved by 1st January 1992, the whole approach with regard to the future evolution of the telecommunications sector will have to be re-evaluated.

- v) Setting in motion of a number of accompanying measures, necessary to allow the competitive environment to function and to ensure market participation by all on fair terms.

This concerns, at this stage :

- v.1. Clear separation of regulatory and operational activities,

in order to prevent possible abuses of a dominant position in type approval, licensing, etc. by the Telecommunications Administrations acting both as regulator and as competing operator ;

- v.2. Definition of details for Open Network Provision (O N P).

The clear Community-wide definition of general requirements imposed by Telecommunications Administrations on providers of competitive services for use of the network has been recognised generally as central to the future functioning of a competitive market.

In the meantime, the SOG-T's subgroup GAP (Group for Analysis and Forecasting) has started to define the general approach to the concept.

In order to allow timely input to the Community-wide definition of fair access and usage conditions, it is suggested to concentrate on those issues most critical to providers of competitive services and a competitive market environment and to work according to a stringent time schedule :

- analysis of conditions of open provision of leased lines to be completed by mid-1988 ;
- analysis of conditions of open provision of the general public data networks to be completed by end-1988 ;
- analysis of conditions of open provision of the future Integrated Services Digital Network (ISDN) to be completed by mid-1989.

In a subsequent study period, the conditions of access to frequencies may be a suitable subject.

Analysis should cover technical interfaces, tariff principles, and conditions of use. It should include the clear definition of network termination points where appropriate.

Allowing for comment by all concerned - including users, industry, and potential service providers - will be essential to reach a general consensus.

v.3. Establishment of a European Telecommunications Standards Institute,

in order to accelerate substantially work in this area.

In September 1987, the CEPT took a basic decision to establish such an institute by April 1988. Details are currently being worked out.

In the Green Paper, the Commission has emphasised that "this action should build on and complement the Community's current policy on telecommunications and information technology standards", within the framework of the Community's general promotion of open international standardisation.

The comments received have shown a broad conviction that a substantial re-inforcement of resources applied to standardisation is a necessary requirement for a truly open competitive market.

The planned Institute will best serve this objective if it is open both to those involved in telecommunications and to those involved in information technology and allows for full active participation of industry and users.

The Commission expects that, as a result of the efforts currently being devoted to the establishment of the Institute, such a body will be in a position efficiently to draft the specifications with the status of standards, with the participation of all interested parties, in full alignment with the Community principles applicable to technical harmonisation and with adequate links with existing European standardisation bodies.

v.4. Rapid introduction of full mutual recognition of type approval to terminal equipment.

Full mutual recognition of type approval is a necessary corollary for the effective Community-wide opening of the terminal equipment market. The Green Paper's proposal concerning rapid extension of the current Directive 86/361/EEC to include full mutual recognition of type approval has found universal backing.

The Commission therefore intends to submit a draft Directive on full mutual recognition of type approval before end-1988.

v.5. Creating transparency in the financial relations between Member States' governments and the Telecommunications Administrations, and a fiscal environment within which Telecommunications Administrations will be able to participate in the competitive market on fair terms.

As set out in the Green Paper, "participation in a competitive market will offer new opportunities to the Telecommunications Administrations, if at the same time organisational and financial constraints imposed on them are relaxed".

Participation in the competitive markets on fair terms requires a stable financial environment for Telecommunications Administrations.

The Commission intends fully to apply Directive 80/723/EEC (extended to Telecommunications by Directive 85/413/EEC) which requires transparency in the financial relations between Member States' governments and their public undertakings, to the sector.

The abolition of fiscal frontiers and the objective to arrive at a state of equal competitive conditions in the sector, requires adapting the fiscal conditions of the Telecommunications Administrations to the new competitive environment.

In a number of Member States, public telecommunications are currently still exempted from Value-Added Tax. The Commission presented on 17th June 1987, an amended proposal for an 18th VAT Directive which makes provision for obligatory taxation of these supplies with effect from 1st January 1990.

v.6. Ensuring fair conditions of competition.

Ensuring an open competitive market makes continuous review of the telecommunications sector necessary.

The Commission intends to issue guidelines regarding the application of competition rules to the telecommunications sector and on the way that the review should be carried out.

v.7. Ensuring the independence of procurement decisions and the opening of public procurement.

In the Green Paper, the Commission announced that the results of the voluntary and partial opening of procurement of the Telecommunications Administrations achieved by Recommendation 84/550/EEC are currently under review. The Commission has also announced that it will undertake a determined campaign to introduce open purchasing procedures in those sectors, which are still excluded from the existing Directives.

The essential objective will be to ensure non-discriminatory open procurement in the telecommunications sector, subject to commercial criteria and free from undue influences, allowing fair open tendering.

The Commission is currently considering a number of options, in order to attain this objective in the most efficient way. A detailed analysis is required to take into account the specifics of the sector. Comments have pointed in particular to the influence of the competitive environment within which Telecommunications Administrations operate, on procurement behaviour.

While the Community-wide opening of the terminal equipment market to competition should rapidly ensure open purchasing procedures in the best commercial conditions, under the pressure of a competitive market place, special measures will be needed to ensure fair Community-wide purchasing practices in the field of network equipment or in those sectors of the terminal market where Telecommunications Administrations continue, for the time being, to exercise exclusive or special rights.

Measures should concern both ensuring open tendering for network equipment suppliers throughout the Community through appropriate tendering procedures as well as the establishment of a monitoring system.

The Commission will propose appropriate measures in March 1988.

Procedure envisaged

As set out, the Commission will, before end-March of 1988, issue a Directive under Article 90 (3) regarding the liberalisation of the terminal equipment market.

The progressive opening of telecommunications services from 1989 onwards and the problem of separation of operational and regulatory functions will be dealt with by a Commission Directive to be presented before mid-1988 and to be adopted before end-1988.

As set out, the Commission will further submit before end-1988 a proposal to Council concerning a Directive on the full mutual recognition of type approval of terminal equipment. Regarding the Community-wide opening of public procurement, it will propose appropriate measures in March 1988.

Regarding Value-Added Tax, the Council is currently considering the Commission's amended proposal for an 18th VAT Directive which makes provision for obligatory taxation of telecommunications.

Moreover, it will submit Directive(s) on Open Network Provision (O N P), as definition work proceeds according to the schedule set out.

IV 2 Areas where a comprehensive policy consensus still has to be worked out

During the consultations a number of areas have been identified, where discussion has still not sufficiently progressed but where there is general agreement that they form topics of key importance. For these areas, the Commission proposes that further discussions should lead to defined common policies before the end of 1988.

This concerns in particular :

i) A coherent European Position regarding the future regulation and development of satellite communications in the Community.

The discussions have singled out the importance of reaching common positions on :

- . future regulation of two-way satellite communications ;
- . development of the earth station market in Europe, in particular with regard to common standards ;
- . the future development of space segments in particular the relationships between EUTELSAT, national, and private systems, and the full use of the technological potential of the European Space Agency ;
- . the development of international satellite communications, in particular with regard to INTELSAT and INMARSAT.

ii) A pro-active concept for the promotion of Europe-wide services, by a market-led approach, and definition of common tariff principles.

Consultations have given full support for discussing major issues raised in this regard in the Green Paper :

- . defining a pro-active approach to develop Europe-wide compatibility and inter-operability of telecommunications services, required for both business activities and the needs of the general public.

In addition to efficient telephony and telex, new services such as packet switched and circuit switched data services, videotex, services provided under ISDN as defined in Recommendation 86/659/EEC, and future digital mobile communications, as defined in Recommendation 87/371/EEC and Directive 87/372/EEC should be available universally at the European level.

This could involve joint Community-wide service provision and network planning, as far as compatible with Community competition rules.

The Memorandum signed by Telecommunications Administrations for the joint implementation of digital mobile communications in Europe may serve as an example ;

development of common tariff principles, as far as compatible with a market led approach, with a view to seeking convergence on tariff structures.

Regarding intra-Community and international tariffs, higher transparency and convergence should be sought in order to avoid excessive divergences of tariffs and possible distortion of competition.

Provision of switched and leased lines services at reasonable rates must be an essential feature of Open Network Provision ;

full use of programmes at Community level for stimulating private and public initiatives for developing Europe-wide value-added and information services. This concerns in particular the TEDIS programme concerning electronic data interchange and the programme for the establishment of a Community-wide information market (see IV.3.ii).

In addition, new initiatives should be considered, to put new advanced services rapidly at the disposal of the European user, as technological opportunities develop.

Towards this end, the Commission will shortly submit a Communication on the Community-wide introduction of advanced broadband services for business use, using fully the technologies being developed in the RACE programme.

The initiative will be based on the analysis of SOG-T / GAP, regarding the co-ordinated introduction of broadband services in the European Community.

iii) Defining a European position on the major international questions in telecommunications.

Strong backing has been found in the discussions regarding the common definition of a coherent concept of telecommunications services and equipment with regard to the Community's relations with third countries.

As set out in the Green Paper, this concerns in particular :

. multilateral issues :

the preparation of the new GATT round and future relations with international organisations such as the International Telecommunications Union.

While further discussion will be needed, comments have emphasised the importance of the forthcoming World Administrative Telegraph & Telephone Conference (WATT-C), December 1988, which will review the international regulation of telecommunications. The working out of a common position on the WATT-C, in agreement with the regulatory consensus developed in the Community, should be a high priority objective for discussions in this area during 1988.

Future international regulations should be flexible enough fully to allow the implementation of the internal market in the Community in this area and to arrive, in the framework of the new GATT Round, at the definition of a fair open trading environment for both telecommunications equipment and services.

The Commission will need to build up the necessary international relationships, in order to dispose of the necessary position and information to undertake policy formulation.

bilateral issues :

in particular the evolving relationship in this field with :

- . the EFTA countries,
- . the United States and Japan,
- . and with the Third World.

iv) Developing the social dialogue and taking full account of social concerns.

The requirement for common analysis of social impact and conditions for a smooth transition has been singled out in the discussions as the single most important issue.

It has been generally agreed that, in the long term, this is a crucial factor for the future evolution of the telecommunications and information technology sector, both at the national and Community level.

Positions must be worked out in particular regarding :

- . best ways to intensify the social dialogue, on the basis of joint analysis and informed debate ;
- . a clear view on future skill requirements and their impact on training / re-training, in order to manage the shift in job qualifications required by the change of technology and to expand employment in the new service provision.

Analysis should result in concrete proposals on how best use can be made of the instruments available at the national and Community levels to facilitate change ;

- . extending the debate on the requirements for acceptability of new services and activities, both in the business and the private sector.

Special attention will have to be paid to develop a common position regarding the protection of individuals with regard to personal data. The issue is addressed in the framework of the Community's policy for the development of an information services market.

Currently, the Commission has engaged in an intensive dialogue with the trade unions in the field. A first common study concerning the analysis of the state of employment, requirements for future skills and requirements for training / re-training has been initiated.

IV. 3. Areas where existing policies must be confirmed/
strengthened.

i) Ensuring the long-term convergence and the integrity
of the network infrastructure in the Community

The ensuring of the long term convergence and integrity of the network infrastructure in the Community, the major goal of Community telecommunications policy since 1984 has found universal confirmation. The Community's RACE programme is essential in this context, as it is intended to lay the foundations for Europe's telecommunications infrastructure of the nineties.

The major policy goal in the sector must be the rapid implementation of the RACE programme which has recently been adopted. Further central goals must be the full application of Recommendation 86/659/EEC on the co-ordinated introduction of the Integrated Services Digital Network (ISDN) and the full application of Recommendation 87/371/EEC on the co-ordinated introduction of Public Pan-European Cellular Digital Mobile Communications in the Community, based on Directive 87/372/EEC on frequency bands to be reserved for this service.

Further, rapid progress on the implementation of infrastructure projects of common interest, according to the work programme agreed by the Council of Ministers at its meeting of 17th December 1984 should be made. This should concern in particular the progressive Community-wide introduction of broadband communications for business use (see IV.2.ii).

ii) Promoting a strong European presence in both the
services and industrial field

As set out in the Green Paper, "intensified co-operation within the Community must ensure that European industry will fully benefit from the opening of the markets".

More than 100 companies have submitted proposals for the RACE Main Programme. The programme is turning out to be a major factor in the formation of the Community's future industry and research structure in the sector. The rapid full launching of the programme will bring this effect to full fruition.

On the services side, Community programmes exist or are being introduced around which substantial initiatives can develop. This concerns in particular the TEDIS initiative, adopted by Council on 5th October 1987, which will offer major stimuli to European cooperations in the crucial field of electronic data interchange.

In neighbouring fields, the Community's INSIS and CADDIA programmes are now starting to exert their full influence as a spearhead of development in Community-wide cooperation in data communication, electronic mail, electronic message systems, and the operational interconnection of large sophisticated data bases.

In a broader context, the ESPRIT programme in the field of Information Technology on the one hand, the programme for the Development of an Information Services Market on the other, create the favourable environment which Europe needs for a strong entry into the information age ["The Establishment of a Policy and a Plan of Priority Actions for the Development of an Information Services Market", COM(87)360, submitted to Council on 24th July 1987].

- iii) Ensuring full participation, on equal terms, of the less-favoured regions of the Community in the new Community-wide markets.

Throughout the discussions, strong emphasis has been given to the important role which telecommunications infrastructure, services and markets will play in the future for strengthening Community cohesion. Concern has been voiced to ensure the full participation of the Community's less favoured regions in the new growth potential and to take account of their special problems.

As set out in the Green Paper, the Community's telecommunications policy has, in particular through the launching of the STAR programme, aimed at regional development and funded by the European Regional Development Fund, demonstrated that it will take full account of this fundamental concern. The development of a Community-wide competitive market for telecommunications services and equipment will represent for the regions a special potential for future growth on the one hand, a major challenge on the other.

In-depth discussion will be necessary, in particular concerning :

- . how to ensure that regions are fully integrated into the new markets, on an equal footing ;
- . how to ensure that the growth potential is put to best use, in order to reduce the gap in economic development which currently separates these regions from the more prosperous parts of the Community.

The implementation of the Community-wide market for telecommunications equipment and services will give the peripheral regions a new opportunity to better integrate into a future, information-based, Community-wide economy. It is believed that the experience gained in the STAR approach will serve as a very useful starting point for future discussion.

V CONCLUSIONS

The wide consultative process on the Green paper during the last six months has allowed, according to the Commission's opinion, to identify a broad consensus on major regulatory orientations in the sector, to define clear priorities and to develop a progressive approach which should lead to full market opening by 1992.

The proposals concentrate on priority issues which must be resolved at Community level for all Member States. They leave out, according to the line taken in the Green Paper, "questions which are important but fall to the national level, such as which status for Telecommunications Administrations is best suited to facing the developing competitive market, and related questions of finance, organisation and employment relations". Community policy in the area can and should support and complement the current transition.

The proposals, at this stage, concentrate on the use of the main network infrastructure. As pointed out in the Green Paper, for a number of infrastructure / services adjacent to the main network infrastructure, special consideration is needed. "This concerns in particular satellite communications, mobile radio communications and cable-TV networks". Out of these, satellite communications have been singled out as an area on which a common position must be most urgently reached.

The Commission considers that, at this stage, the implementation of the objectives and proposals set out can be pursued within the given institutional framework, by applying the Treaty's competition rules and by submitting proposals to Council as appropriate, as well as by providing the Community framework as a focus for policy formulation.

Comments have drawn attention to the requirement for a broad involvement of users, industry and trade unions in the policy formulation process. The Commission will propose appropriate mechanisms to achieve this end.

The future development of a Community-wide open competitive market in telecommunications services and equipment will be one of the major conditions for implementing the Community-wide market for goods and services in 1992 as a whole. Rapid progress towards a Community-wide market will also be the necessary pre-condition for reaching fair and balanced agreements for the Community with Third Countries in this field.

The Commission will work vigorously towards these ends. It transmits this Communication to Council, the European Parliament, and the Economic and Social Committee to facilitate the consideration of the Green Paper and future Community policy in the telecommunications sector.