INTUG

3G licensing in Europe

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INTUG contents

- declining commitment
  - financial
  - political
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- network infrastructure sharing
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INTUG

what is INTUG?

- members
  - national associations
  - corporations
  - individuals
- activities
  - ITU and WTO
  - OECD
  - APEC TEL, CITEL and EU

INTUG our aims

- real and effective competition
- genuine choice for users
- lower prices
- higher quality
- more innovative services
- constructive co-operation with
  - international bodies
  - governments
  - regulators

long standing market failures

- call termination prices
  - UK Competition Commission
  - European Commission
  - now agreed single operator markets
- international mobile roaming
  - European Commission
  - markets to be assessed
- Short Message Service
  - future complaints?

financial markets

- dot.bomb or dot.con
- dramatic decline in share prices
- no more investments in telecoms
  - especially 3G
- Telefonica and Sonera withdrew from 3Germany
  - their share prices went up

INTUG network sharing

- to speed up roll-out
- to reduce costs of build-out
- to overcome health objections to new masts
- not included in most licences
- competition law issues
- NRA now making decisions
- sharing as an alternative to national roaming

INTUG # T-Mobile and VIAG

- 3G network sharing a “financial necessity”
  - 3G network infrastructure is more expensive than its predecessors - the antenna density is twice that of GSM
  - expectations of services revenue have been revised downward
  - downturn of the mobile telecommunications sector has increased their cost of capital
- T-Mobile and VIAG envisage
  - up to 30 % saving on infrastructure investment
  - further savings on network operating costs

INTUG long term commitment to 3G

- European Commission
  - Communication 1997
  - Communication 2001
  - Communication 2002
- Council of Ministers and European Parliament
  - Decision 1998

INTUG 3G rollout communication

- Barcelona European Council asked the Commission to analyse the situation of 3G
- it is part of ***e***Europe 2005 Action Plan
- new regulatory framework from July 2003
- considering secondary trading of spectrum
- attention shifted from technology to services and applications
- growing attention on obstacles to roll-out

Commissioner Erkki Liikanen

I believe that 3G has reached a sufficient degree of momentum to overcome the present difficulties and with the actions that we can take to facilitate its roll-out I am confident that 3G soon will emerge as one of the important building blocks of Europe's inclusive information society.

INTUG 3G rollout communication

- technology is available and it works
- market players have to find viable business models between operators and content providers
- new telecommunications regulation from July 2003
  - aim was best environment promoting for 3G services based on efficient competition
  - "emerging markets" not subject to "ex-ante" regulation
- success requires an open service environment for:
  - industry (equipment and content)
  - consumers to have more choice
- eGovernment content can increase demand
- harmonisation in secondary spectrum trading
- conditions of the 3G licences were set (and can be changed) by the Member States

- need to remove obstacles to roll out:
  - slow and fragmented local planning decisions about base stations
  - unharmonised regulations on emission levels
  - sensitive public opinion regarding health effects of base stations and hand-sets
- general awareness campaign on the safe use of mobile equipment
- the new regulatory framework facilitates deployment with special measures like co-location and facility sharing
- exchange of best practices between local authorities should be encouraged

INTUG EC conclusions

- “3G appears now to be on track despite certain difficulties”
- no “easy fixes”
- member states to ensure that regulation supports new 3G services and avoid inappropriate rules
- value of 3G services may be stimulated by promoting a service environment that is fully open and inter-operable
- environmental, local planning and health concerns should be addressed through better dialogue and greater harmonisation

INTUG new legislative framework

- specific measures:
  - Radio Spectrum Decision
  - Radio Spectrum Policy Group
- general measures:
  - defined markets:
    - call origination
    - call termination
    - roaming
  - identify SMP operators
  - assess competitiveness
  - impose appropriate remedies

Also preparatory work for WRC-01 and WRC-03

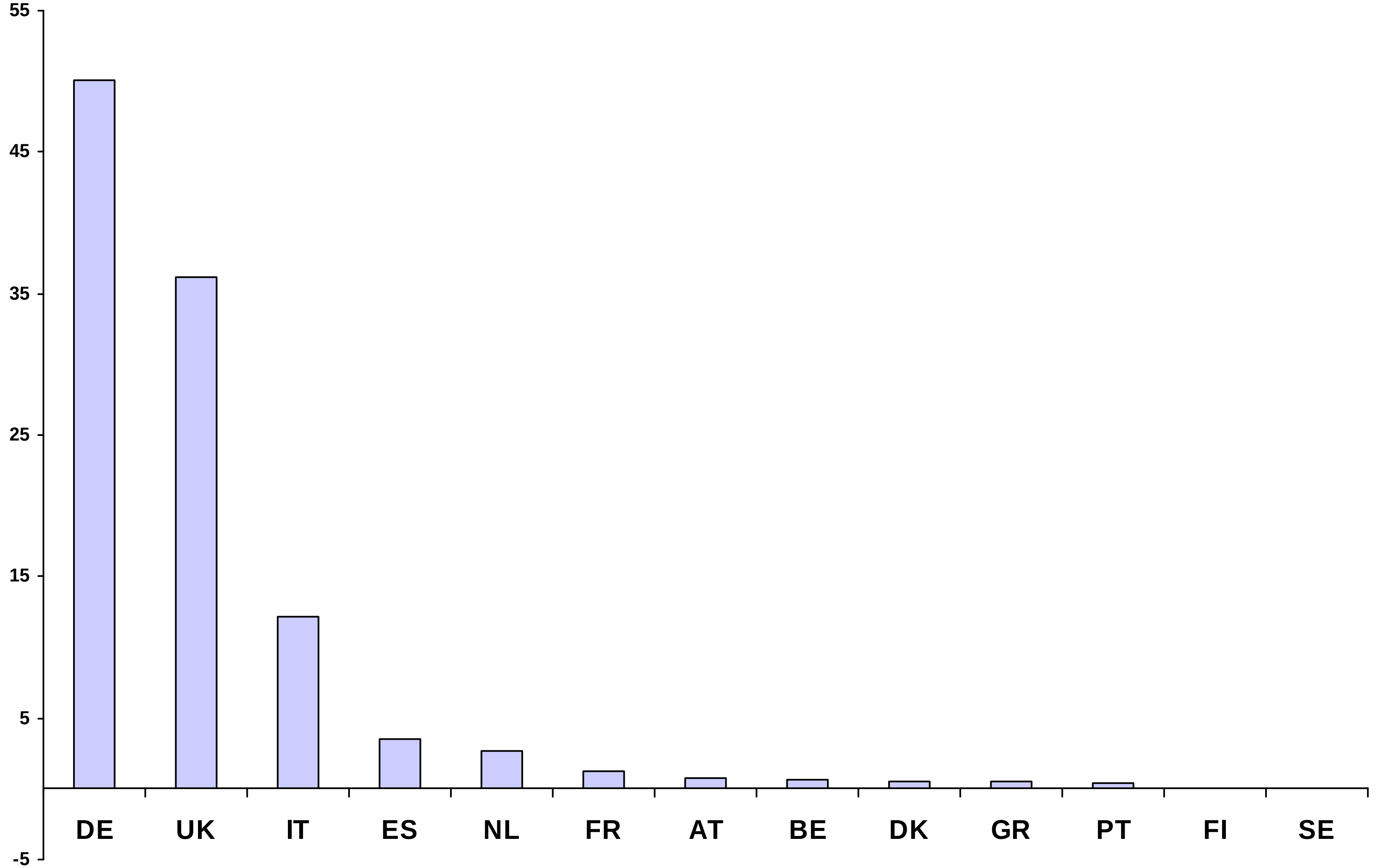
McKinsey study for EC

- comparative assessment of licensing regimes for 3G
- concern at the lack of harmonisation
- however
  - operator/manufacturer bias
  - not technology neutral

INTUG auctions or beauty contest

- Belgium
- Italy
- UK
- Denmark
- Netherlands
- Austria
- Greece
- Germany
- Luxembourg
- Finland
- France
- Ireland
- Portugal
- Spain
- Sweden

INTUG Total 3G licence fees



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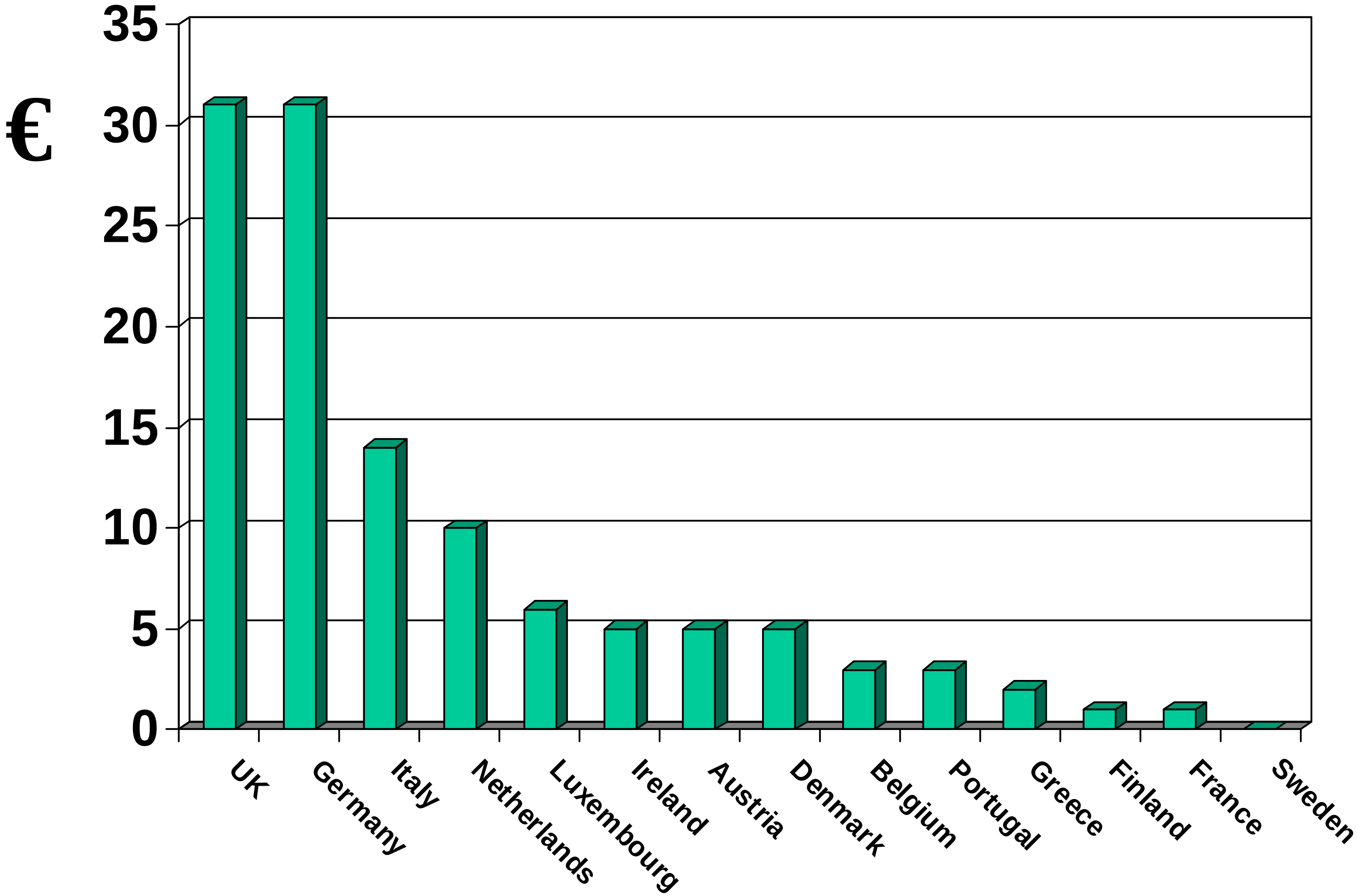
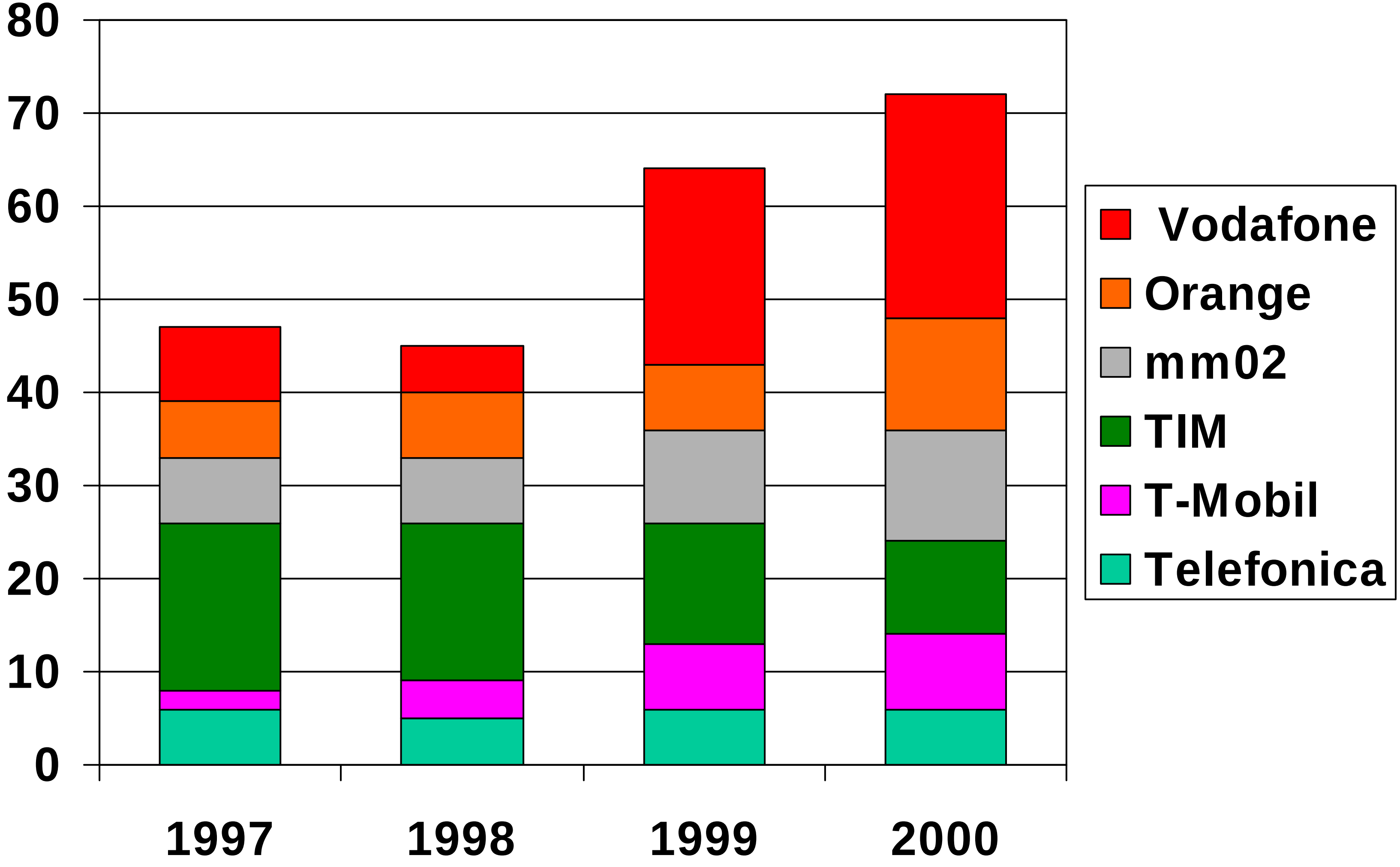
INTUG total licence fees/inhabitant/year



INTUG evolution of market shares



INTUG distorting factors

- impact of market expectations
  - financial analysts
- number of licences offered
- characteristics of awards process
  - “It’s now or never”
  - prisoner’s dilemma
  - sequence

INTUG guiding principles

- build spectrum assignment on the notion of sustainable market
- allow for gradual introduction of new technology and/or new capacity
- design spectrum assignment to minimise distortions
- align licence conditions and other regulatory levers for financial stability
- support take-up of market demand

INTUG problems with this approach

- demands for spectrum
  - parallel
  - not sequential
- not clear how to distinguish conflicting demands
- markets are technologies and not competition law markets

INTUG Wireless LAN

- is the service legal?
  - public/private
  - 2.4GHz 5.8GHz
- is the service secure?
- does WLAN compete with 3G?
- RegTP decision
- British Telecom “Rabbit 2”
  - Voice – GSM reselling minutes
  - Data – WLAN “hot spots”

INTUG conclusions

- 3G is slowing down
- WLAN is speeding up
- no revenues from 2.5 data services
- no killer applications
- doubts about billing software
- questions about data protection
- can the operators save themselves?

INTUG thank you

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http://www.intug.net/talks.html