

EU regulator floats new telecom model, may sway draft law

13 Sep 13 | 16:03 GMT

Author: Magnus Franklin

IN BRIEF

A senior EU regulator, Georg Serentschy, has published a book promoting a new model for developing and policing the telecom industry. The release may well influence a draft law for the industry adopted by the European Commission this week.

If Georg Serentschy had his way, European telecom watchdogs would upgrade to “regulation 2.0.”

Under this new model, better broadband networks would spark new services. That, in turn, would boost demand, making consumers willing to pay more for faster broadband access and generating greater investments.

These benefits would flow from intense competition between different networks, the Austrian regulator writes in “The Virtuous Circle,”* a book (see [here](#)) published this week, coinciding with the European Commission’s adoption of a new draft law to govern the telecom industry.

Serentschy is the 2012 chairman of the EU’s umbrella group of national telecom regulators. He first mooted the model last summer, and has spent the time since fleshing out his thoughts. His book comes as EU governments and the European Parliament are just beginning the process of amending the commission’s draft law.

Though the scope of Serentschy’s paradigm is broader than the legislative bill, the two share many features. Legislators seeking to tweak the commission’s text may well dip into the book for ideas on how the commission’s proposal could be improved.

At the core of Serentschy’s concept is a call for policymakers to stop looking at the telecom sector in isolation. They should also consider how policies developed for digital services and content affect telecommunications, he says.

Serentschy draws on his experience at the helm of the Body of European Regulators for Electronic Communications, or Berec, to outline a more “flexible” format for regulating the market.

Regulation should, he argues, encourage operators to build as much of their own infrastructure as possible. This contrasts with the current EU model, in which the bulk of broadband competition involves alternative operators piggybacking on networks owned by Europe’s former telecom monopolies.

The rules should also recognize that telecom operators face competitive constraints from outside the industry, he says. The current trends, with

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London EC2V 7HJ
United Kingdom

Mlex Brussels
Rue de la Loi 67
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Belgium

Mlex Washington
1050 Connecticut Avenue, NW
Suite 1062
20036 Washington, D.C.
USA

Mlex New York
535 Fifth Avenue, 4th Floor
10017 New York
USA

providers such as Skype and WhatsApp replacing the traditional telephony and messaging services of telecom firms, suggest that in the future network operators will focus on infrastructure, leaving the provision of services to other operators that access the telecom firms' network via wholesale agreements.

– Single regulator? –

The book offers concrete suggestions as well as guiding principles. Serentschy suggests, for instance, that a single EU regulator would be a good idea in the long run. But that would become a realistic option only after cross-border markets become more developed, he says.

As things stand, the bloc's communications markets are so balkanized that a pan-European authority would be overburdened, making improved coordination of national regulation a better option.

Serentschy also calls for frequency auctions for mobile operators to be held under the same conditions and timeframes across the bloc. Such sales are especially needed, he says, in spectrum bands allocated to other uses, such as broadcasting, that may become available to mobile operators in the future. These include the 700 megahertz band.

Serentschy also supports the development of a wholesale product that would give rival operators standardized access to networks, rather than access to individual services such as voice calls and broadband.

Regulators should also focus on encouraging the creation of parallel networks instead of engaging in regulatory "micro-management," he says. The current emphasis on details such as the relative price – and pricing methodology – for different wholesale services generates uncertainty and high regulatory costs due to the complexity of those analyses, he says.

As market regulation becomes more aligned across the EU, national authorities should shift their focus to providing consumers with better information about the services they buy and to developing incentives to ensure network investments happen outside competitive hotspots such as urban areas, Serentschy says. They should also pay more attention to the interoperability of digital communications services, he writes.

Regulators should also develop – preferably at EU level – clear rules on "net neutrality," which posits that all data on the Internet should be treated equally. Greater legal certainty would allow telecom operators to develop new business models for both Internet access and "managed services," such as digital TV.

In addition to building a new regulatory model, policymakers should pay more attention to developing new services for networks. To make that happen, Europe needs better training in digital skills, improved copyright rules to ensure that national borders won't constrain services, and an improved structure for entrepreneurs to develop new businesses, Serentschy argues.

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London EC2V 7HJ
United Kingdom

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MLex Washington
1050 Connecticut Avenue, NW
Suite 1062
20036 Washington, D.C.
USA

MLex New York
535 Fifth Avenue, 4th Floor
10017 New York
USA

* *“The Virtuous Circle: New Regulations, Innovation and Investment – How to bring Europe back to the Top” is published by RTR in Vienna (141 pages)*

Linked Case File(s)

Digital single market

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One Angel Court
London EC2V 7HJ
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1050 Connecticut Avenue, NW
Suite 1062
20036 Washington, D.C.
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