Part I

Electronic Communications

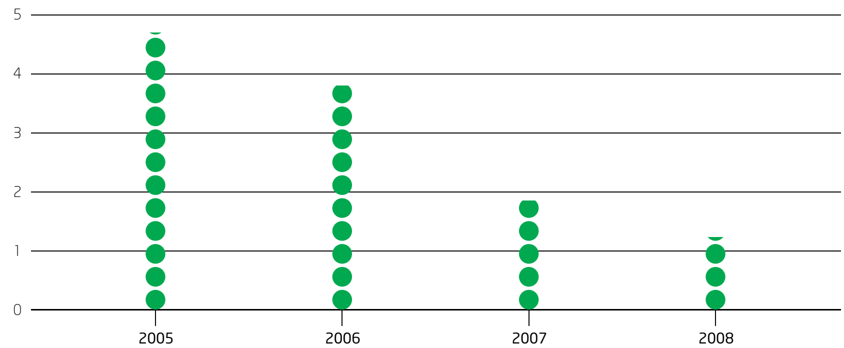
1. Framework: Electronic Communications in the European Union (EU)

This chapter contains the evolution of the electronic communications sector in the EU. It identifies the main aspects of the sector's recent evolution and the factors explaining this, according to the European Commission[1].

According to the European Commission, electronic communications services are the main segment of the Information and Communication Technologies (ICT) sector, accounting for approximately 52 per cent of the overall revenues from the ICT, up 8 per cent on the previous year. Revenue from electronic communications in the EU now corresponds to around 3 per cent of EU GDP.

In 2008, the electronic communications sector generated 361 billion Euros in revenue and grew by around 1.3 per cent – at a faster rate than growth in GDP. This growth is, however, below that recorded in previous years, confirming the trend in the deceleration of revenue from electronic communications which began in 2002. The Commission believes that this evolution is due to the high levels of penetration of the various services that have already been achieved in the EU and also due to the effects of the economic and financial crisis.

Growth rate of revenue from electronic communications in the European Union
Graph 1.1



Unit:
Source: European Commission progress reports on the single European electronic communications market.

Mobile services are responsible for 51 per cent of the total revenue, while fixed services (including internet access) represent 49 per cent of the total amount.

Despite the relative weight of the traditional fixed and mobile services, the growth in revenue is largely driven by:

- Mobile broadband, which billed around 4 billion Euros in 2008 – an amount greater than that recorded in the USA;
- Multiple play offers which include broadband.

Fixed voice telephony

Traditional fixed voice telephony continues to fall as a result of the replacement of this service by mobile services and now also by Voice over Broadband (VOB). VOB, which is responsible for around 8.1 per cent of traffic at EU level, is normally included in multiple play offers. Multiple play offers already represent 12.3 per cent of total offers.

These markets continue to present a high level of concentration, with the traditional operator recording a high share in terms of access (81 per cent).

[1] European Commission, Progress report on the single European electronic communications market in 2008 (14th Report).

Regarding the telephone calls market, the shares of the incumbent operators have stabilized. On average, the share of the incumbent operators at the end of 2007 was 65 per cent in terms of revenue and 63 per cent in terms of traffic. The Commission also identified increases in the shares of these operators in specific segments of the market, such as national calls and fixed-to-mobile calls. The international calls segment is the most competitive, with the share of the traditional operators reaching 52 per cent.

On the other hand, there is some dynamism in terms of the offers created by regulatory initiative. This is the case, for example, of number portability, which increased 26 per cent in relation to the previous year, or the indirect accesses on which the existing competition is still largely based (despite the increase seen in local loop unbundling).

There are also some signs of additional competition at the level of direct accesses. The percentage of direct accesses of alternative operators grew by 5 per cent, rising to around 19.6 per cent, on average. It should be pointed out that the investment made by alternative fixed operators represented 26 per cent of the total investment in electronic communications.

In view of the potential competition from the mobile services, Voice Over Internet Protocol, VoIP or the traditional alternative operators, it has been noted that the prices of these services have been reduced in average terms, with the exception of the price of local calls which have increased.

Mobile services

The penetration of the mobile telephone service (MTS) in the EU reached 119 per 100 inhabitants, 7 per cent more than in the previous year. There was also a reduction in the proportion of pre-paid clients (52 per cent).

Around 15.5 per cent of mobile subscribers are now subscribers of 3G services.

Despite the stabilizing of the number of operators, there was a 3 per cent reduction in the average share of the market leader (38 per cent), and a reduction in the prices of services. The Commission attributed this evolution to the regulatory measures and to the activity of competitors.

Voice services continue to be the main source of operators' revenue, despite the reduction in prices which occurred in 2008. However, Short Message Service, SMS continues to grow as a result of the specific offers launched by the operators, and it now represents 11 per cent of revenue. Mobile broadband, which benefited from the launch of flat-rate offers and from the development of the networks, contributed to operators' revenues by 3 per cent.

Broadband

Fixed broadband penetration in the EU reached 22.9 accesses per 100 inhabitants by the end of 2008, 2.8 per cent more than in the previous year. However, there was a deceleration in the rate of growth of this service in relation to the previous year (from 24 per cent to 14 per cent).

XDSL technology is the dominant technology, representing around 79 per cent of the total accesses, although its weight has decreased in favour of optical fibre and Fixed Wireless Systems FWA solutions.

Optical fibre accesses (FTTx) increased around 26 per cent, while FWA grew 12 per cent. However, the weight of these two alternative access technologies is still only 2.5 per cent of the total accesses.

The share of the traditional operators continued to decrease, and had reached 45.6 per cent by the end of 2008.

The increase in competition has been accompanied by a decrease in the prices of the services and an increase in the maximum speed offered (around 75 per cent of accesses used in the EU had theoretical maximum speeds of 2Mbps or more by the end of the year).

Regarding mobile broadband, and although the transmission speeds are lower than fixed broadband, the Commission considers that this is becoming an alternative due to the significant penetration it has already achieved – 13 accesses per 100 inhabitants.

If we only consider mobile broadband accesses associated with the PC, the penetration is 2.8 per 100 habitants.