

EUROPEAN REGULATORS GROUP

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Chapter 1 : Introduction by the Chairman

As Chair for the European Regulators Group (ERG)¹ for 2007, I am honoured to present the ERG Annual Report 2007.

In line with 2006 trends, 2007 has been a year of consolidated growth in the telecommunication markets (+2,3%). The broadband market grew strongly, with broadband penetration increasing to an EU average of 18,2% in July 2007 bringing 10 EU Member States into the top 15 by world ranking.

DSL lines remained the primary broadband access technology accounting for approximately 80% of total lines. The remaining 20% was provided using other transmission means, predominately cable modem. The convergence trend strengthened with about 20% of households subscribing to at least one bundled offer.

While retail and wholesale price levels progressively lowered, the sector investment rate remained highly satisfying (5%). Specifically, investment in Next Generation Networks (NGN) roll out plans has developed exponentially shifting the issue of regulation for the access segment from a forward-looking issue into a crucially current task for Regulators.

During 2007, the ERG focused on three major lines of activity which corresponded to the three pillars of the 2007 Work Programme: Regulation, Harmonisation and Innovation.

The review of the Regulatory Framework has undoubtedly constituted a major part of 2007 ERG work. This work included the exchange of views with the Commission in February resulting in the European Regulators Group submitting a number of official documents. These included comments on the current regulatory framework's areas of improvement as well as punctual, detailed and expert Opinions on single review-related issues, such as the introduction of the remedy of Functional Separation and the Regulatory Principles governing NGNs.

Another area of significant focus and activity for the ERG during 2007 was the commitment to the implementation of the International Roaming Regulation and the monitoring of compliance to the Regulation.

During 2007, VoIP (Voice over Internet Protocol) was identified as a key area for harmonization (pan-European scope potential prevented by non-alignment

¹ The ERG consists of Heads of the National Regulatory Authorities (NRAs) of the 27 EU Member States. Four EFTA and three candidate countries participate as observers.



of national regulations). An ERG Common Position on VoIP was approved in December 2007. The aim of this Common Position is to ensure harmonised conditions in the regulatory treatment of VoIP across Europe, with specific attention paid to numbering, number portability and access to emergency services.

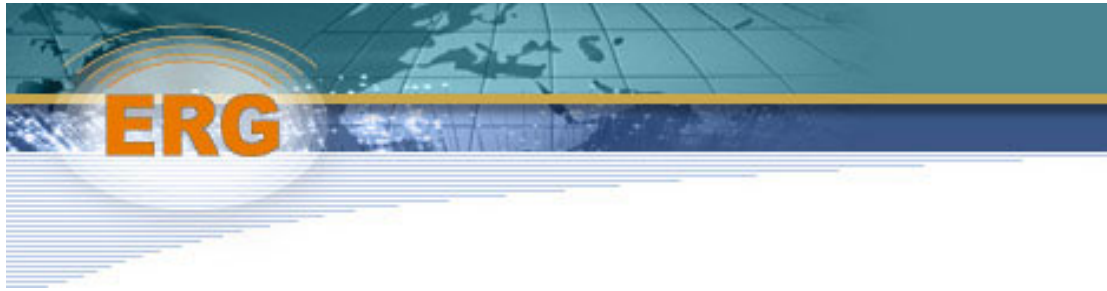
Other relevant works during 2007 included submissions related to IP interconnection, NGNs, WBA (Wholesale Broadband Access) and WLA (Wholesale Local Access) and FTR/MTR (fixed termination rates / mobile termination rates).

During 2007, the ERG strengthened its international cooperation strategy through multilateral networks of international Regulators with a view to widen the debate on a great range of important inter-related regulatory challenges. Specifically, the ERG developed international cooperation by means of bilateral relationships with Regulatel (the group of Latin American Telecommunication Regulators), over two Joint meetings in Barcelona during July 2007, and MEDA (the group of Regulators of the Mediterranean countries) with a joint ERG/MEDA meeting in Rome on the 5th of December. Relationships were also fostered between the ERG and relevant parties in China with the EU-China Information Society Project Delegation on November the 8th in Brussels. This meeting focused on the key issues related to regulation and on the development of suitable regulation in the presence of convergence.

Improvements of ERG internal operations during 2007 included the establishment of a Permanent Secretariat acting in support of the activities of the ERG Chair. The Chair's Secretariat is based in Brussels and supports measures which improve efficiency and cooperation among the members. It also coordinates project teams and the implementation of the work plan, acting as a central, stable and continuous resource for the ERG.

The improvement of ERG transparency has been an issue of consideration for the ERG. In line with the aim to become more transparent, the ERG has involved stakeholders by means of regular meetings (Plenary preparation; debriefings), public consultations, workshops on all major topics of discussion, and bilateral meetings requested from time to time by interested Associations.

In 2007, for the first time, the ERG took the opportunity to organise two special events. These events were hosted by AGCOM in its capacity of chairing NRA on specific topics of interest; Next Generation Access (NGA), addressed in a conference in Turin, and Convergence (co-chaired by ERG and EPRA, the group of Regulators in audiovisual) held in Capri. These events were a key forum of communication between the ERG members and stakeholders.



Finally, I would like to thank Mr. Kip Meek (OFCOM) and Mr. Ian Hargreaves (OFCOM) and Mr. Daniel Pataki (NCAH) for their substantial help as ERG vice chairmen. Furthermore, we all wish our next ERG Chair, Mr. Daniel Pataki, the very best for the year 2008.

Roberto Viola, Chair of the ERG, 2007



Chapter 2 : Overview

The 2007 ERG work was developed according to the set Work Programme along three pillars; Regulation, Harmonisation and Innovation. Major results have been achieved in these three activities.

Regulation

As in year 2006, the ERG continued interacting with the European Commission (the Commission) in compliance with its advisory duties, as well as, whenever requested, other institutional actors in order to provide its addresses and suggestions based on the day-by-day experience of member NRAs. The review of the Regulatory Framework has constituted a major part of 2007 ERG work, commencing with the February exchange of views with the Commission. These resulted in the European Regulators Group submitting a number of official documents regarding the current regulatory framework's areas of improvement as well as punctual, detailed and expert Opinions on single review-related issues such as the introduction of the remedy of Functional Separation or the Regulatory Principles governing NGA.

Also of major importance during 2007 was the ERG work on the definition of the International Roaming Regulation together with the Commission. The ERG also worked towards the implementation of the Regulation through the adoption of a first and a second set of Guidelines and through the monitoring of operators' compliance based on specific traffic data models.

Harmonisation

In conformity with the Madeira Declaration of October 2006, which is centred on the ERG commitment to the realisation of a harmonised and consistent regulatory discipline across Europe, harmonisation has constituted a pillar of the ERG Work programme in 2007.

Three Common Positions (CP) have been adopted during the year: [Best Practice in Bitstream Access Remedies](#), [Best Practice in Wholesale Unbundled Access Remedies](#) and on [Voice over IP \(VoIP\)](#). Furthermore, two draft Common Positions have been put to public consultation on Wholesale Leased Lines and on Symmetry of Mobile Call Termination Rates and Symmetry of Fixed Call Termination Rates. The completion of this work is expected to occur at the beginning of 2008.



During 2007, the first project to monitor NRAs compliance with Common Positions took place (developed with reference to the Common Positions on best practices in Wholesale Unbundled Access and Bitstream Access Remedies; the draft ERG Report on best practices on regulatory regimes in Wholesale Unbundled Access and Bitstream Access was put under consultation at the end of the year). This work to monitor compliance is an example of the ERG's commitment to the improved harmonisation of regulatory practices across Europe.

Innovation

Following 2006 investigations, the ERG continued analysing Next Generation Networks (NGN) developments and their regulatory impacts as part of the ERG commitment to monitor innovation issues. The dramatic increase in NGN roll out plans has shifted NGN analyses from a forward looking topic to a current regulatory issue. Following Commissioner Reding's letter of request of April the 30th 2007 for an ERG formal statement regarding regulatory principles governing Next Generation Networks and Access, the ERG issued an official statement in September 2007, the ERG Opinion on regulatory principles on NGA. This statement provided the Commission with some regulatory suggestions to be incorporated in its upcoming proposal for a Review of the Regulatory Framework while also providing NRAs with practical tools to be implemented under the current Framework.

Other areas of work on innovation topics included the publication of a report on the IP Interconnection consultation and work on the subject of convergence. The work on convergence includes the implications for regulators in the context of converged markets, market definitions, and retail and wholesale issues. A report on convergence will be published during 2008.



Chapter 3 : Main Activities

As in previous years, the ERG carried out its work in year 2007 with the contribution of expert Working Groups and *ad hoc* Project Teams. Positions are reached at a Project Team level through the contribution of technical and professional teams of experts. Assessment and provisional approval is then conducted by the Contact Network² with the resulting work submitted to the Plenary, which comprises the Heads of all member NRAs. The Plenary reaches final approval on the work in its quarterly meetings.

In 2007, there were four regular Plenary meetings that took place respectively in Brussels, Oslo, Athens and Rome. There were also two informal Plenary meetings (so called mini-Plenary), organised on *ad-hoc* agenda points. These took place respectively in Rome (on institutional developments) and in Brussels (on NGA Opinion).

The main issues dealt with by the ERG in 2007 are summarised below.

Framework Review

After the Commission's consultation at the end of 2006, and the I/ERG Response to the proposed Review of the Regulatory Framework of 27th October 2006, the ERG's engagement regarding the definition of the new Regulatory Framework continued.

After Commissioner Viviane Reding's letter of 30th November 2006, with a view to contribute to the development of the internal market for electronic communications, the ERG provided its overall view and expert opinion with reference to the institutional assets and to the ERG's role in the new regulatory context and submitted its viewpoint on the main themes that were then under consultation by means of a letter of advice (dated 27th February 2007). It resulted in a joint statement between the ERG and Commissioner Reding on the forthcoming reform of the EU's Regulatory Framework for electronic communications.

Further inputs to the regulatory review included the [ERG Opinion on Regulatory Principles for Next Generation Access](#) delivered in October 2007 which also constituted the ERG Common Position on NGA. The aim of this document is the suitable application of the regulatory framework to the new challenges faced NGNs.

² The Contact Network (CN) is the group made up by senior representatives of the NRAs that mirrors the Plenary group of Heads, and that is responsible for the preparatory work of Plenary meetings.



In October, the ERG also delivered an [Opinion on Functional Separation](#) which was based on the proposal supplied to the Commission in reference to the consultation launched by the Commission in June 2006. This Opinion provides a definition of Functional Separation and supports the introduction of this new remedy as a complementary remedy aimed at guaranteeing equal access to key wholesale services.

An ERG Opinion on the draft second edition of the Recommendation on Relevant Markets was finalised in November 2007. This Opinion is still to be recalled. A further letter was sent to Commissioner Viviane Reding in November 2007.

Harmonisation

One year after the Madeira commitment to the harmonisation of regulatory approaches across Europe, the ERG developed some important Common Positions.

The Common Positions (CP) on [Bitstream Access](#) and the [Wholesale Unbundled Access](#) Remedies were approved for publication in May 2007 by the Plenary in Oslo, after a public consultation at the end of 2006. Each CP sets out a methodology for dealing with remedies in respect to key wholesale access products in markets where a position of SMP has been identified. It complements the general guidance on choice of SMP remedies given in the revised ERG Common Position on Remedies¹ and provides illustrative remedies.

It was also agreed to carry out a monitoring exercise of NRAs compliance with CPs. As the draft report shows, a generally high level of conformity was found to exist between the member NRAs. The report on monitoring of compliance of the relevant CPs is scheduled to be published at the beginning of 2008.

The Plenary in Rome approved for public consultation a draft report on best practices in regulatory regimes for WBA and WLA. After a period of public consultation the final document is expected to be published early in 2008. The aim of this report is to provide practical examples of regulatory practices developing guidance for the choice of remedies. The draft Report identifies three main topics relating to wholesale offers: Operational (Quality of Service), Functional (Migration and Richness of Reference Offers) and Economic (Pricing issues). The report analyses different regulatory models currently in place for the various markets, identifying those which best achieve the aim of effective and proportionate regulation (according to national specificities) and suggests them as best practice across ERG members.



A CP on VoIP was approved by the Plenary in Rome in December 2007. For details see the Section on VoIP and IP interconnection.

A draft CP on Wholesale Leased Lines was approved by the Plenary in Athens (October 2007) for public consultation and is expected to be finalised early in 2008. The Wholesale Leased Lines markets are among those markets where the desire for greater harmonisation is expressed by market players and stakeholders. The CP, once finalised, should be taken into the utmost account by NRAs instances where SMP is found in the relevant Wholesale Leased Line markets (trunk and terminating segments of leased lines) or a separately identified “backhaul” market.

Draft CPs on Fixed and Mobile Termination Rates have been approved by the Plenary in Rome for public consultation. These are combined together to form a single document which includes an economic introduction on principles regarding termination rates regulation. The key content of the draft CP is the path towards symmetry. Finalisation of this document is expected in early 2008.

In addition to the CPs already discussed, additional documents have been adopted as instruments for harmonising regulation across Europe. The [Report on regulatory accounting](#) in practice has been approved by the Plenary in Oslo in May 2007 as well as a periodical benchmark update on Mobile Termination Rates (one update refers to data starting from January, while the other one to July-data).

The ERG believes that the described process for CPs has been a successful one and that positive dynamics have been established between the ERG and the Commission, especially with reference to the timing of the market analyses notifications.

International roaming

The ERG worked very closely with the Commission in order to finalise (by means of a significant participation to the public consultation launched by the Commission) and later to consistently implement the EU Regulation on International Roaming in Member States which is aimed at lowering the retail charges of voice roaming calls for the benefit of EU consumers.

Before the Regulation was finally adopted by the European Parliament and Council in June 2007, the ERG was also present in the international debate, offering, when requested, expert advice to the relevant EU Parliament Committees and briefings to the national Ministries.



Soon after the Regulation came into force, the ERG issued two sets of Guidelines, the first in July and the second in August, for use by NRAs regarding the implementation of the provisions of the Regulation during the first transitory period. In particular, the July guidelines concerned the offers to customers and the so called special tariffs while the August guideline principally concerned, *inter alia*, charges and the welcome SMS. These Guidelines offer greater certainty to all market players in the EU and have helped to drive the market to consistently implement the Regulation across Europe. Interested parties also had the possibility to comment on the Guidelines and the final guidelines are due to be published in January 2008.

In parallel, the ERG led two subsequent compliance verification exercises in August and October 2007. These projects were conducted by NRAs and focused on two important aspects of Regulation during the first implementation period, namely the availability of Eurotariff and the extent implementation of the Info SMS. The results of these verifications, which showed broadly satisfactory compliance with the Regulation, have been presented by the ERG. The first was presented in October 2007 at a joint press conference with the Commission and the second in November 2007 during a workshop organized by the IMCO Committee of the EU Parliament.

In parallel to the work outlined above, in August the ERG published for consultation the first detailed data model specification aimed at a comprehensive data collection work for NRAs in order to monitor compliance of tariffs in real life traffic data. The final version of the model was published in October, together with an Explanatory Memorandum designed to aid operators in supplying the specific data requested and also acting as a consultation summary. NRAs adopted this common model for the national formal compliance verification duty and a comprehensive EU data collection commenced. The scope of the data model covered voice calls, SMS and other data. The time periods of this first data collection request were Q2 and Q3 2007.

The provisional outcome of this first wide scope compliance monitoring activity was presented in Rome in December 2007 and showed some early signs of tariff reduction trends. The extent of the tariff reduction trend must still be assessed and consolidated in the next monitoring activity due to be carried out in April 2008. This second round of monitoring will focus on the time period when the Regulation came fully into force (Q4 2007 and Q1 2008). Subsequent periodic monitorings have also been planned spanning the full period of validity of the Regulation. Initial problems providing data with the required consistency and quality were experienced by mobile operators during the first data collection. Such problems are to be expected in such a data collection due to the need that some operators have to adapt their information



systems. These problems have now been addressed and should not be duplicated in the next data collection.

The first Final Report on roaming voice calls prices is due to be published in January 2008.

The leading role that the ERG played in all of these compliance verification exercises allowed NRAs to focus resources and save efforts as well as providing a harmonized and consistent assessment of the Regulation across Europe. With the first and the second roaming implementation report, the latter of which the ERG is committed to publish in June 2008, it should be possible to have a sound picture of the effects of the International Roaming Regulation in practice. This future work will include voice services as well as SMS and other data services, so as to adequately inform the expected decisions of the Commission regarding the need to extend the scope of Regulation.

VoIP and IP Interconnection

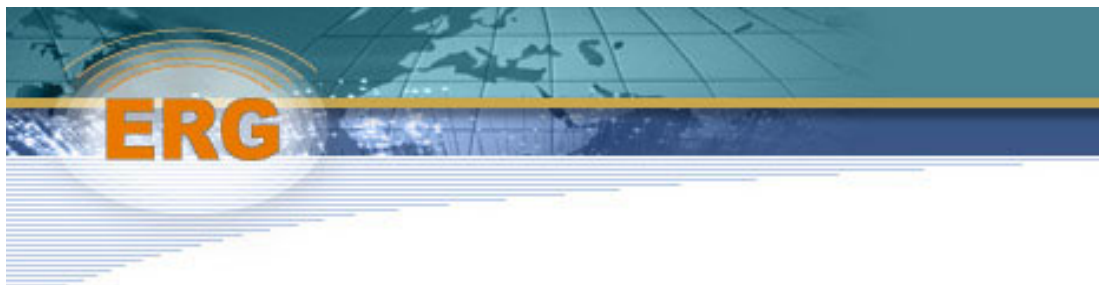
The ERG work on Internet Protocol Interconnection carried out by an *ad hoc* Project Team culminated with the [IP Interconnection Report](#) documenting the evolutionary trends of European telecommunication networks towards IP technology. The focus of this work continues into 2008 with additional work on NGN access being conducted as part of the NGN PT and a report scheduled for the end of 2008.

The finding that national regulations on VoIP are not currently sufficiently harmonised has led to VoIP being identified as a key area of focus for regulation by the ERG in 2007. During the first Plenary in Brussels in 2007, it was agreed to establish a high level Task Force charged outlining a draft CP on this matter covering several issues, including nomadic use of VoIP for geographic numbers, number portability and access to emergency services. The Task Force submitted the draft VoIP CP at the Athens Plenary in October during which the document was approved for consultation with the consultation period lasting until the 6th of November 2007. The final [Common Position](#) was then approved in December by the Plenary in Rome.



PIBs on WACC

In line with the ERG focus on harmonisation of regulatory accounting practices, the ERG approved for the publication of a document on [Principles of Implementation and Best Practice on Weighted Average Cost of Capital \(WACC\) calculation](#) during the February Plenary meeting in Brussels. The paper details the methodologies used by different NRAs for estimating the cost of capital.



Chapter 4 : Organisational developments

New members

Starting from January 2007, the new EU Member States of Romania and Bulgaria entered the ERG extending the Regulators' Group membership to 27 Members in total.

The ERG Chair's Secretariat

Following the launch of the idea by the Plenary held in Bratislava during the previous 2006 Chairmanship, the Plenary of Brussels agreed to establish a Permanent Secretariat in order to provide the ERG with a stable expert staff in support of the Chair.









A well articulated proposal was approved in order to meet the members' needs of a more structured body, characterised by improved organisation of resources and effectiveness of action. The Commission was very supportive in its assistance to accomplish this scope, providing the Secretary members the status of Seconded National Experts, offices in Brussels and mission and office expenses.

The staff for the Secretariat was chosen by an ERG panel comprised of appointed Heads and paid for by the ERG. The permanent Secretariat is fully functioning starting from September 2007, replacing and augmenting many functions of the previous ERG Secretariat. The permanent entity is constituted by national experts from member NRAs.



Annex A : Meetings

The Group held four Plenary Meetings in 2007. The agendas and conclusions are available on the ERG's website (the table below provides links to the agendas and conclusions of the meetings).

DATE	LOCATION	AGENDA	CONCLUSIONS
February	Brussels		
May	Oslo		
October	Athens		
December	Rome		



Annex B

Information from the Chair and the Secretariat on their activities in 2007

January			
9 January	ERG Chair/ Secretariat	Meeting PT leaders	Rome
12 January	ERG Chair/Troika	Meeting with Commissioner Redings Cabinet	Brussels
15-16 January	ERG Secretariat	ITU conference – The future of voice	Geneva
22 January	ERG Chair	Meeting with InfoNXX inc.	Brussels
23 January	ERG Chair	Hearing at ITRE	Brussels
23 January	ERG Chair/ERG delegation	Brainstorming with the EC	Brussels
24 January	ERG Secretariat	Meeting with the EPRA Chair	Barcelona
25-26 January	ERG Secretariat	Contact Network	Barcelona
February			
2 February	ERG Chair/ Secretariat	EC meeting in preparation of Plenary	Brussels
2 February	ERG Chair	Meeting with Vodafone Europe	Brussels
2 February	ERG Chair/ Secretariat	Stakeholders meeting	Brussels
2 February	ERG Chair	Meeting with School of Public Policy - UCL	Brussels
8 February	ERG Secretariat	Cable Europe conference	Amsterdam
13 February	ERG Chair	GSM Association World Forum	Barcelona
15-16 February	ERG Chair/ Secretariat	ERG Plenary	Brussels
16 February	ERG Chair	Meeting with ETNO	Brussels
23 February	ERG Chair/Secretariat	Debriefing meeting	Brussels
23 February	ERG Chair	ECTA Regulatory forum	Brussels
27 February	ERG Chair/Troika	Meeting with Commissioner Reding	Brussels
28 February	ERG Chair	NGN Conference (NITA)	Copenhagen
March			
8 March	ERG Secretariat	Remedies PT meeting	Brussels
12 March	ERG Chair	Meeting with NPT to organise Oslo Plenary	Rome



20 March	ERG Chair	Meeting with Vonage	Rome
25-26 March	ERG Secretariat	Convergence PT meeting	Barcelona
27 March	ERG Secretariat	Remedies PT Meeting	Brussels
26 March	ERG Chair	Mobile economic Conference (ARCEP)	Paris
28-29 March	ERG Secretariat	NGA PT meeting	London
April			
16-17 April	ERG Chair/Secretariat	NGN: regulation and investment conference	Turin
18 April	ERG Chair/ Troika	Meeting with Commissioner Reding	Brussels
25 April	ERG Chair	IIC Telecommunications and media forum	Brussels
May			
4-5 May	ERG Secretariat	WBA/WLA PT meeting	Paris
10-11 May	ERG Secretariat	Contact Network	Riga
21 May	ERG Chair/Secretariat	Preparatory meeting	Brussels
30-31 May / 1 June	ERG Chair/Secretariat	Plenary and VOIP Seminar	Oslo
June			
2 June	ERG Chair	International Conference organized by EETT	Athens
15 June	ERG Chair/Secretariat	Debriefing meeting	Brussels
15 June	ERG Chair	Meeting with GSM Europe	Brussels
19 June	ERG Chair	IIC Telecommunications and media forum	Rome
26 June	ERG Chair	Meeting with ECTA	Brussels
26 June	ERG Chair	Conference organized by ETNO	Brussels
July			
4-6 July	ERG Chair/Secretariat	Regulatel	Barcelona
September			
3 September	ERG Chair/Secretariat	Mini Plenary	Brussels
4 September	ERG Chair/Secretariat	Meeting with PT Chairs	Brussels
20-21	Chair's	Contact Network	The Hague



September	Secretariat		
24 September	ERG Chair/Secretariat	Preparatory meeting	Brussels
28 September	ERG Chair	High level conference organized by ANACOM	Lisbon
October			
4 October	ERG Chair / Troika	Meeting with Commissioner Reding	Brussels
11-12 October	ERG Chair/Secretariat	Plenary	Athens
18-19 October	ERG Chair/Secretariat	Workshop on Convergence	Capri
23 October	ERG Chair/Secretariat	Debriefing meeting	Brussels
26 October	ERG Chair	Conference organized By MCA	Malta
November			
8 November	Chair's Secretariat		Brussels
15-16 November	Chair's Secretariat	EU-China Information Society Project Delegation Contact Network	Budapest
20 November	ERG Chair	Workshop on IR implementation	Brussels
20 November	Chair's Secretariat	Public hearing on the Work Programme 2008	Brussels
22 November	ERG Chair	Annual Conference ETNO	Brussels
27 November	ERG Chair	Conference organized by NHH	Budapest
29 November	ERG Chair	Annual Conference ECTA	Brussels
December			
5-7 December	ERG Chair/Secretariat	I/ERG Plenary and Meeting with MEDA country	Rome
7 December	ERG Chair	Meeting with Mobile Challengers Group	Rome
17 December	ERG Chair	Meeting on Regulation of network industries	Brussels
17 December	ERG Chair/Secretariat	Debriefing meeting	Brussels