

Committed to Europe

The Telecom Framework Review

Proposed objectives for the reviewed EU electronic communications framework

Since the Framework's adoption in 2002, electronic communication markets have drastically evolved. The scale and rapidity of change – whether technological (network shift to IP), market-based (Over The Top services) or consumer behavioral – is deeply challenging rationales that were underlying the telecom regulatory Framework.

Rules that were designed 17 years ago and are still applying today have achieved mixed results. On the one hand they enabled liberalization of the telecom services, allowed competition development and reduced consumer expenditures. On the other hand, unconditional promotion of price competition, asymmetric regulatory obligations on infrastructure operators and continuous regulatory price cuts have weakened the industry. Because it yielded reduced investment, this framework has delayed integration of technological progress into networks, at the expense of customers in the long-term.

In addition, the Framework did not sufficiently factor Europe's interests as a creator and maker of digital goods. Once a technological leader, Europe has lost this edge in market segments where Europe used to be strong such as networks. In turn, this resulted in a loss of leverage and of bargaining power when faced with other parts of the global digital value chain (Internet platforms, services, or devices), to the detriment of European innovation and European digital industries. In that sense, one can say that regulatory fragmentation also weakened European digital ecosystems.

Orange believes that the current Framework is not fit for the future. Several concerns were acknowledged in the Commission's Background Document to the public consultation on the evaluation and the review of the regulatory framework for electronic communications networks and services.

Orange considers that the revision should start by reviewing the objectives of the electronic communications framework, which are enunciated in article 8 of the Framework Directive. This article, which offers guidance for national regulatory authorities on the interpretation of all other provisions, is crucial. The current version mentions many objectives, of which three had structural impacts once implemented at national level: safeguard of competition, contribution to the development of the internal market and promotion of EU citizens' interests. It appears that the latter part has not been best served by the current "regulatory mix".

Orange suggests new objectives for the electronic communications framework:

1. Sustaining EU economic growth and social welfare through connectivity matching technological advances thanks to continuous investment

The new framework should facilitate the contribution made by electronic communications to the European economic development and social welfare. Because European consumers and businesses have demanding needs and show an ever growing appetite for digital services, the pre-requisite is about high quality connectivity and always faster broadband networks, continuously upgraded through sustained investment. All other objectives should be subsidiary to this one.

It is essential to have telecom investments at the forefront of European policy, at a time when the EU is experiencing a massive and growing deficit compared to the USA: while investment in telecommunications services has been around 94€ per EU inhabitant in recent years, it reaches around 188€ per inhabitant in the US.

2. Supporting sustainable infrastructure competition

The promotion of competition was a legitimate transitional objective when moving from an initial monopoly situation. However, one can note that sustainable competition – the one that provides actual consumer benefits - mainly developed outside of the telecom regulatory framework. By contrast, services-based competition developed only on the base of regulatory oversight has not contributed to investments into network infrastructures, and even made them more difficult. The future framework should focus on guaranteeing market openness, upholding competition and incentivising investment in order to secure widespread adoption of high-performance connectivity. In other words, the objective in terms of competition, and its implementation, should be re-balanced with more emphasis on “supporting” infrastructure-based competition.

3. Opening the digital single market to allow scale and restore the agility of European industries

The development of the internal market is and should remain an important political objective. Setting up European rules harmonising the criteria for the management of scarce resources by national authorities – on such topics as numbering, spectrum and symmetric rules to share fixed infrastructures - is very important. This objective has to be assessed together with network and market realities of providing future-proof connectivity to the EU citizens and taking into account local considerations.

Those objectives should be shared by all bodies active in the sector (national regulators, European Commission, BEREC).

About Orange

Orange is one of the world's leading telecommunications operators with sales of 40 billion euros in 2015 and 156,000 employees worldwide at 31 December 2015, including 97,000 employees in France. Present in 28 countries, the Group has a total customer base of 263 million customers worldwide at 31 December 2015, including 201 million mobile customers and 18 million fixed broadband customers. Orange is also a leading provider of global IT and telecommunication services to multinational companies, under the brand Orange Business Services. In March 2015, the Group presented its new strategic plan “Essentials2020” which places customer experience at the heart of its strategy with the aim of allowing them to benefit fully from the digital universe and the power of its new generation networks.

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