Developments in employment and working conditions in the EU postal sector 2006-2008
EUROFEDOP 2008 Trade Council Post and Telecom, Martigny (Switzerland), 9 May 2008
Patrick de Bas

Question for the audience (1)

How many people are employed in USPs in the EU postal sector?
A. 1.2 mln
B. 1.6 mln
C. 2.1 mln

Question for the audience (2)

Which Member State (MS) employs the largest postal sector USP workforce?
A. France
B. Germany
C. United Kingdom

Contents

• Employment and social aspects- topics
• Information sources
• State of play
• Developments in employment aspects
• Key findings and challenges

Employment and social aspects: topics

• Employment developments (direct, indirect)
• Share and evolution of civil servant’s in employment (within USP, in postal sector)
• Share of flexible employment
• Labour productivity
• Employment conditions (USP, competitors)
• Role of social partners, incl. trade unions

Information sources

• EU postal sector studies
• Other available public sources (e.g. PostEurop, UPU, ILO, Eurostat, EUROFEDOP, Eurofound)
• ECORYS questionnaire for NRAs on expected impact of liberalisation on employment
• Interviews with social partners and representative organisations (EUROFEDOP, PostEurop, UNI-Europa, CNV)
• Workshop results
State of play: elements in the Community regulatory framework

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Community and MS have interest in the accomplishment of the internal market and potential for delivering growth and employment.

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Both positive and negative impact on employment.

State of play: influence of restructuring, technology and consumer demand

- Liberalisation: increased competition and market pressure for efficiency gains + market development, innovation and new (value added) services
- Large-scale processes of corporate restructuring and reorganisation of service delivery by traditional postal operators; new employment with CPOs
- Automation processes (replacement by machines, hybrid mail)

Development in employment levels (1)

Total number of people employed in the domestic postal sector as % of total employment (1997 - 2005)

| Year | BE | BG | CZ | DK | DE | EE | IE | GR | ES | FR | IT | CY | LV | LT | LU | HU | MT | NL | AT | PL | PT | RO | SI | SK | FI | SE | UK |
|------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
|      | 0.002 | 0.004 | 0.006 | 0.008 | 0.01 | 0.012 | 0.014 | 0.016 | 0.018 | 0.02 | 0.022 | 0.024 | 0.026 | 0.028 | 0.030 | 0.032 | 0.034 | 0.036 | 0.038 | 0.040 | 0.042 | 0.044 | 0.046 | 0.048 | 0.050 | 0.052 | 0.054 | 0.056 |
| 1997 | 0.002 | 0.004 | 0.006 | 0.008 | 0.01 | 0.012 | 0.014 | 0.016 | 0.018 | 0.02 | 0.022 | 0.024 | 0.026 | 0.028 | 0.030 | 0.032 | 0.034 | 0.036 | 0.038 | 0.040 | 0.042 | 0.044 | 0.046 | 0.048 | 0.050 | 0.052 | 0.054 | 0.056 |
| 2000 | 0.002 | 0.004 | 0.006 | 0.008 | 0.01 | 0.012 | 0.014 | 0.016 | 0.018 | 0.02 | 0.022 | 0.024 | 0.026 | 0.028 | 0.030 | 0.032 | 0.034 | 0.036 | 0.038 | 0.040 | 0.042 | 0.044 | 0.046 | 0.048 | 0.050 | 0.052 | 0.054 | 0.056 |
| 2002 | 0.002 | 0.004 | 0.006 | 0.008 | 0.01 | 0.012 | 0.014 | 0.016 | 0.018 | 0.02 | 0.022 | 0.024 | 0.026 | 0.028 | 0.030 | 0.032 | 0.034 | 0.036 | 0.038 | 0.040 | 0.042 | 0.044 | 0.046 | 0.048 | 0.050 | 0.052 | 0.054 | 0.056 |
| 2004 | 0.002 | 0.004 | 0.006 | 0.008 | 0.01 | 0.012 | 0.014 | 0.016 | 0.018 | 0.02 | 0.022 | 0.024 | 0.026 | 0.028 | 0.030 | 0.032 | 0.034 | 0.036 | 0.038 | 0.040 | 0.042 | 0.044 | 0.046 | 0.048 | 0.050 | 0.052 | 0.054 | 0.056 |
| 2005 | 0.002 | 0.004 | 0.006 | 0.008 | 0.01 | 0.012 | 0.014 | 0.016 | 0.018 | 0.02 | 0.022 | 0.024 | 0.026 | 0.028 | 0.030 | 0.032 | 0.034 | 0.036 | 0.038 | 0.040 | 0.042 | 0.044 | 0.046 | 0.048 | 0.050 | 0.052 | 0.054 | 0.056 |

Source: Eurostat. Employment in the domestic postal sector: number of employees concerning postal and courier activities.

Development in employment levels (2)

- Since 2002, USP employment (headcount) has slightly decreased (by 0.7%). Employment trends differ from MS to MS reflecting the different reorganisation and modernisation activities of USPs.
- Civil servant employment decreased at a considerable higher rate than total employment by about 10% since 2002. This decrease is partially offset by employment growth in CPOs.

<table>
<thead>
<tr>
<th>Year</th>
<th>NPD</th>
<th>NPO</th>
<th>CPO</th>
<th>EU-27</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1,298,730</td>
<td>1,426,715</td>
<td>2,375,299</td>
<td>5,154,744</td>
</tr>
<tr>
<td>2006</td>
<td>1,298,726</td>
<td>1,426,715</td>
<td>2,375,299</td>
<td>5,154,744</td>
</tr>
</tbody>
</table>

Development in employment levels (3)

- USP employment in the postal sector as a percentage of total domestic employment is stabilising or decreasing in the majority of the MS.
- Main distinguishing factors:
  - Countries with mature mail markets that have undergone restructuring already (CPO employment compensate reductions in reduced USP employment);
  - Countries with mature mail markets that are undergoing major restructuring at the moment (impact on employment to be felt the coming years)
  - Countries with potential for developing the mail market
- Move towards flexible working practices such as part-time work
- General reduction in the number of civil servants

Source: Bundesnetzagentur (BNetzA)

Development in employment levels (4)

Employment German postal sector (headcount) for letter mail (1999-2006)

Source: Bundesnetzagentur (BNetzA)
Development in employment levels (5)

Ratio flexible employment (part-time, temporary staff) as percentage of total fulltime employment in the EU postal sector (1995, 2001, 2006)

Source: UPU

Development in employment levels (6)

- Share of part-time staff is increasing due to restructuring and labour market developments
- Largest share of part-time staff observed in postal markets that are relatively open to competition
- New value added services and business development create new and often higher quality jobs (in particular indirect, e.g. upstream)

Development in labour productivity (in physical terms)

Number of letter post items (in 1000) distributed in USP per employee (2004, 2005)

Source: Eurostat, Inquiry on Postal Services 2006, ECORYS questionnaire

Development in remuneration, contracts and working conditions (1)

- Indicators relevant to wage development:
  - Market dynamics (pressure on cost savings, technological development)
  - Situation on the labour market
  - Nature of the NPO and CPO
  - National (e.g. BE, ES, HU, NL) or sector-based (e.g. DE) minimum wages
  - Collective agreements (mostly within NPO)
  - Company agreements (mostly within NPO)
  - Type of contract (fixed versus flexible)
  - Civil servant versus contractual staff
  - Changes in job levels and according changes in wages
  - Age, education, experience employee

Development in remuneration, contracts and working conditions (2)

- Remuneration developments differ by MS depending on the development stage of the postal market
- Postal sector is relatively labour intensive (labour costs >80% of total cost in 1960-1980. In 2006 the average level lies between 50% and 70%)

Development in remuneration, contracts and working conditions (3)

Social dialogue and industrial relations

- Growing attention for the social and human aspects of postal sector development
- ‘Contractualisation’ of employment relationships at the expense of civil servant contracts
- In the majority of the MS, formalised industrial relations almost exclusively concern the NPO, while they are absent, or at most insignificant, among the CPOs. Trade union presence is particularly strong NPOs (in terms of union density; Eurofound, 2007)
Development in remuneration, contracts and working conditions (4)

Case study minimum wages in Germany

- Minimum wage agreement on sector level between trade union ver.di and Postal Services Employer’s Association (dominated by DPAG) and applicable to all companies delivering (predominantly) addressed mail
- To some: a deliberate action to distort competition
- Lower minimum wages applied by TNT and PIN AG based on agreement between own employer’s association and trade union Gewerkschaft Neue Brief und Zustelldienste

Development in remuneration, contracts and working conditions (5)

Case study minimum wages in Germany

- TNT filed a law suit questioning the validity of the minimum wage law for their operations (direct cost effect)
- TNT launched an official complaint on DPAG distorting competition in the German postal market to the EC
- Minimum wage agreement came on top of flaws in business model PIN AG. Main shareholder Axel Springer Verlag ultimately decided to pull the plug, resulting in some 40 out of 90 companies forming the PIN Group to have filed for insolvency
- Effect on average unit costs ca. 10% - impact on competition?!

Trends in working conditions

- Increased provision of continuing training schemes
- Tendency to hire employees with higher educational qualifications due to introduction of higher value added services
- Rising number of postal operators develop policies for professional health and safety at work

Key findings and challenges

- Mitigating effects between USP and CPO employment: decline in USP employed is partially offset by increase in CPO employment
- Postal sector has always been relatively labour intensive with labour costs well above 80% of total cost in the period 1960-1980. In 2006 the average level lies between 50% and 70%
- Conflicting demands between de-regulation and social protection
- Trade union presence is generally low for alternative providers and high for traditional providers
- Tendency for workloads to increase, greater functional and temporal flexibility (e.g. use of shift work, part-time arrangements)
- Increase in the provision of training schemes
- Dispersed views from MS NRAs on the impact of liberalisation on employment and working conditions
REPORT OF THE NAIROBI POSTAL STRATEGY (NPS) TEAM

Matigny, 9 May 2008

Presentation by Marc Pouw on behalf of Jean-Luc Dutordoit, Coordinator of the NPS Team and BIPT administrator

Important remarks:
1. Involves governments and authorities on a political level

Nairobi Postal Strategy (NPS) – key drafting principles

1. Reflects the mission of the UPU as the UN agency representing the sector
2. Develops a single strategy for all stakeholders
3. Contains limited number of key objectives
4. States goals in quantifiable terms
5. Deals with processes, not with products

Four cornerstones of the world postal strategy...

EFFICIENT NETWORK

MARKET DEVELOPMENT

UNIVERSAL SERVICE

POSTAL ECONOMY

How to translate into objectives – to create a strategic tool?

UNIVERSAL SERVICE

MARKET DEVELOPMENT

POSTAL ECONOMY

EFFICIENT NETWORK

Objective 1...

...Improve interoperability, quality and efficiency of the three-dimensional postal network

1. Enhance quality of service and efficiency of the postal network
2. Increase postal integrity, reliability and security
3. Develop interoperability and interconnection of national postal networks by adequate standards and procedures
4. Stimulate use of ICT to improve development of the postal network

Objective 2...

...Stimulate a universal postal service adapted to the social, economic and technological environment

1. Stimulate the provision of good quality, affordable and innovative universal postal service, adapted to technological change
2. Develop the universal postal service regulation and criteria
3. Understand the options for financing the universal postal service
4. Improve access to universal postal service
5. Understand the economic and social benefits of a sustainable universal postal service

Strategic Plan for the NPS drafting

Step 1 Elaboration of agreement on general principles
Step 2 Elaboration of agreement on general framework
Step 3 Drafting of Nairobi Postal Strategy

How has the work been organized?

Nairobi Postal Strategy Team (Belgium)
Communication Team (Russia)
Scenarios Team (USA)
Result-based Management Team (USA)

SPG members
Chairman: Russian Federation (Mr. Sytsev)
CA Members: Belgium, Cameroon, China (People’s Rep.), Costa Rica, Namibia
POC Members: Australia, Egypt, France, Russian Federation, United States of America

SPG structure

Done

1. Strategic Plan for the NPS drafting
2. Nairobi Postal Strategy (Belgium)
3. Postal Strategy Team (Belgium)
4. Communication Team (Russia)
5. Scenarios Team (USA)
6. Result-based Management Team (USA)

UNIVERSAL SERVICE

MARKET DEVELOPMENT
New times require new approaches...

What makes us think that we do it differently?

- Focused approach: number of objectives and programmes reduced
- Strong link with Union’s budget
- Deeper regionalization: feedback from regions gathered and incorporated into strategic objectives and programmes
- Attempt to prioritize objectives and programmes at first planning level
- Goals defined in quantifiable terms (Result-based management principle respected)
- Comprehensive implementation plan included
Now the challenge is yours!

Thank you!

Please send your comments to BIPT:
Mr. J.-L. Dutordoit, coordinator of the NPS Team
By e-mail: jean.luc.dutordoit@bipt.be
By letter: BIPT – IBPT
to Mr. Jean-Luc Dutordoit, Administrator
Av. de l’Astronomie, 14 boîte 21
1210 Brussels
BELGIUM
By phone: +32 2 226 88 96
By fax: +32 2 226 89 99

With a copy to Mr. J. Pawsey IB/UPU (Jeremy.PAWSEY@upu.int)
Postliberalisierung in der Schweiz

„Der wahrscheinlich grösste Unterschied zwischen Telecom und Postmarkt ist, dass Kupferleitungen nicht gewerkschaftlich organisiert sind.“

(Prof. Dr. Martin Hellwig)

EUROFEDOP 2008

Urs Trinkner, Head of regulatory strategy
Generalsekretariat, International and Regulatory Affairs

Liberalisierung oder Monopol?
Haltung der Schweizerischen Post

– Keine eigentliche Meinung.
– Restmonopol als bestes Finanzierungsinstrument für einen hohen Universaldienst.
– Aber: Realistisches Szenario ist Liberalisierung.
– Unternehmerische Aufgabe also die Vorbereitung auf die Liberalisierung.
– Sowie: Einstehen für faire Wettbewerbsbedingungen, in denen die Post bestehen kann. Das heisst…
  – Level Playing Field
  – Unternehmerische Freiheiten
  – Marktkonforme, zeitgemässe Grundversorgung, tragfähige Finanzierung

Auswirkungen Marktöffnung: PWC Studie Schweiz

Universaldienstverpflichtungen stellen im Markt Probleme

Wettbewerb und Universaldienst beissen sich!

Neue Gesetzesvorlagen
Machen es allen ein wenig recht. Allen?

Universaldienst
Konsumentenschutz

Regionalpolitik
Ausgabenpolitik
Wirtschaftspolitik
Sozialpolitik

Politische Auflagen in einem liberalisierten Markt
3 tragfähige Varianten – 1 problematische Variante

Auswirkungen bezüglich der Arbeitsbedingungen
Meist unklar

Universaldienst:
+ Wenn sich sonst nichts ändert, mehr Arbeitsplätze
+/− Je nach Umsetzung weniger oder mehr Markteintritte
Regionalpolitik
+ Vorerst Erhalt von Arbeitsplätzen
+/− Je nach Umsetzung weniger oder mehr Markteintritte
Sozialpolitik
+ Höhere Löhne
+/− Je nach Umsetzung weniger oder mehr Markteintritte

Auswirkungen per saldo?
Frage der Umsetzung!
Wie die Auflagen vergeben?
Kein Patentrezept

Politische Auflage

<table>
<thead>
<tr>
<th>Universaldienst</th>
<th>Einheitspreis</th>
<th>Infrastruktur</th>
<th>Zahlungsverkehr</th>
<th>Regionalpolitik</th>
<th>Sozialpolitik</th>
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Wie die Auflagen vergeben?
Vorschlag Bundesrat

Politische Auflage

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Was sagt die UVEK Studie zum neuen Postgesetz?
Entspricht Szenario mit Kostenunterdeckung im Stammhaus!

<table>
<thead>
<tr>
<th>Hohe Kosten</th>
<th>Tiefe Kosten</th>
</tr>
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<tbody>
<tr>
<td>Szenario, welches am ehesten der Vorschlagsvorlage entspicht*</td>
<td>Szenario, welches am ehesten der Vorschlagsvorlage entspicht</td>
</tr>
<tr>
<td>Marktanteil Post: 70% Grundversorgung nicht durch Post finanziierbar (Kostenunterdeckung im Stammhaus von 4%)</td>
<td>Marktanteil Post: 47% Grundversorgung nicht durch Post finanziierbar (Kostenunterdeckung im Stammhaus von 7%)</td>
</tr>
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*Jedoch sehen die beiden Vorlagen zusätzlich einen Regionalauftrag für die Post sowie weitere Nachteile vor. Die Marktanteilsverluste und die Kostenunterdeckung im Stammhaus wären dadurch noch höher.

Zusammenfassung
Gemeinsames Interesse!

- Liberalisierung und Grundversorgung und andere politische Auflagen beissen sich meistens.
- Die Auflagen haben zwar kurzfristig einen Beschäftigungseffekt, haben aber schnell gegenläufige längerfristige Auswirkungen im Wettbewerb.
- Jedewelche politische Auflage sollte im Markt entweder
  - für alle Anbieter gelten,
  - nur für einen gelten, dieser aber hierfür abgegolten werden,
  - für keinen Anbieter gelten (Ärztlich auf Auflage).
- Für diese Grundsätze haben Gewerkschaften und Postgesellschaften ein gemeinsames Interesse.
- Die gegenwärtige Gesetzesvorlage der Schweiz stellt diese Grundsätze in wichtigen Punkten nicht sicher und muss deshalb angepasst werden.
<table>
<thead>
<tr>
<th>Post</th>
<th>Wettbewerber?</th>
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<tbody>
<tr>
<td>– Anständiger Nettolohn</td>
<td>– Stücklohn, ev. fixer Bestandteil</td>
</tr>
<tr>
<td>– AHV bezahlt</td>
<td>– (nein)</td>
</tr>
<tr>
<td>– Beitrag Pensionskasse</td>
<td>– (nein)</td>
</tr>
<tr>
<td>– 25 Ferientage</td>
<td>– (nein)</td>
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<tr>
<td>– Bezahnte Pausen</td>
<td>– (nein)</td>
</tr>
<tr>
<td>– Fringe Benefits</td>
<td>– (nein)</td>
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<tr>
<td>– usw...</td>
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<tr>
<td>– Arbeitsplatz (z.B. Sortiergestell)</td>
<td>– Sortieren im Wohnzimmer</td>
</tr>
<tr>
<td>– Arbeitsgeräte (z.B. Fahrzeug)</td>
<td>– Fahrzeug, Leasing &amp; Benzin</td>
</tr>
<tr>
<td>– Arbeitskleidung</td>
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<tr>
<td>Sache der „Vertragspartner“ (Mitarbeiter)</td>
<td></td>
</tr>
<tr>
<td>– Beteiligung an Arbeitskleidung</td>
<td></td>
</tr>
<tr>
<td>– Abzüge bei Fehlern</td>
<td></td>
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<tr>
<td>(Malussysteme)</td>
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</tbody>
</table>
A perspective on the development of the EU regulatory approach

Martigny, 9th May 2008
by Jan Vannieuwenhuyse

Disclaimer: All information or opinions expressed in this presentation are those of the author and don’t represent the views of the BIPT.

The package
With this package, the Commission is:
- Making proposals to the EP and Council for changes to the EU telecom rules
- Taking immediate action to reduce regulation in the sector
- Inviting Member States to agree a common approach for dealing with the ‘digital dividend’

Main Proposals for Change
- Strengthening consumer rights
- Reinforcing national regulators
- Promoting the wireless economy
- Completing the Single Market - A new European Authority

Strengthening consumers’ rights
- Pricing & supply conditions
- Number portability
- Network and information security
- Emergency access via «112»
- eAccessibility

Reinforcing national regulators
- A new remedy - functional separation
- Stronger safeguards for NRA independence
- More powers & resources

Separation
- Gas, electricity or telecommunications market are characterized by the presence of vertically integrated, (ex)-state owned monopolies
- Problem of "vertical leveraging"
  - Dominant undertaking attempts to extend its dominance from a wholesale upstream market in which it has the ownership of some bottlenecks to the retail downstream markets where it faces competition
- Categories of separation:
  - Accounting (separate financial accounts)
  - Functional (network in different business unit)
  - Structural (network as daughter company)
  - Ownership (network has different "owners")
Separation

- Vertical leveraging strategies:
  - Refusal of access
  - Price discrimination
  - Quality discrimination
  - Delaying tactics
  - Cross-subsidisation
  - …

Market analyses

- According to the following consecutive steps:
  - Commission Recommendation – List of markets
  - NRA defines market
  - NRA designates the SMP operators
  - Remedies

  - The current EU access directive does not include vertical separation remedies going beyond accounting separation
  - In some countries is functional separation available as a remedy following a competition law proceeding

Functional Separation: a new remedy

- Aim is to ensure fair and equal access to bottleneck network assets
- Entails separate management of an operator’s infrastructure and retail operations; does not imply ‘ownership unbundling’
- To be used where justified; not appropriate in all Member States

Functional Separation: an new remedy

Prior to imposing functional separation, an NRA must:

- Identify persisting competition problems/market failures in several relevant markets
- Analyse the impact of the proposed separation (dynamic character)
- Receive Commission approval

Pro’s and contra’s of functional separation

- Pro’s
  - Equivalences of inputs ensured
- Contra’s
  - Loss of efficiencies as a result of vertical de-integration
  - Impact on NGN -> no coordinated investments
  - Weaker incentives to invest in alternative infrastructures (cable, wireless, ..)
  - Lack of incentives for network part to invest, loss of quality
  - Technology is changing very fast in telecom
  - With existing rules in the access directive when correctly applied the equivalence of inputs can be ensured

ERG Opinion

- ERG has expressed its concerns about the non discrimination by equivalence of inputs introduced by British Functional Separation model by stating:

  • “…this is an especially intrusive form of remedy as it constitutes an instruction to the SMP player not only what is to be achieved but also the means by which it should be achieved. Further, by denying to the SMP player the benefits of any economies of scope it tends to raise the costs. Therefore, in circumstances where an “equivalence of input” remedy is justified, an NRA would need to safeguard against the possibility that the competition benefits may be insufficient to justify the increased costs to the SMP player” (Revised ERG common Position on the approach to Appropriate remedies, May 2006, page 93)
Spectrum management

- Apply principles of technology and service neutrality
- Designate bands where EU wide spectrum trading would apply
- Encourage licence-free spectrum use
- Harmonisation of authorisation conditions for pan-European services
- Harmonisation of authorisation common procedures for selecting suppliers

Completing the Single A new European Authority

- Working with national regulators to achieve consistent EU best practice
- Facilitating the roll-out of pan-European services
- Incorporating tasks currently undertaken by the European Regulators Group (ERG) and the European Network & Information Security Agency (ENISA)

Timeline for implementation

Any questions?
Thank you for listening.