

## **ITU Workshop**

### **The Future of Voice**

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#### **Intervention by Michael Bartholomew, ETNO Director**

- ETNO is the largest trade association of telecoms operators in Europe, representing Europe's main e-communications providers since 15 years. ETNO is also sector member of the ITU and in this capacity closely follows on going efforts by the Union to adapt to market realities and involve all stakeholders.
- I would like to thank the ITU for organising this workshop on the future of voice. It is very important to have a forward looking and open debate on how tomorrow's technological challenges will impact on policy.
- Instruments that may have been successful in one environment will not necessarily apply to new realities. When the ingredients are changed, a good recipe does not necessarily provide the same results.
- The recent and highly profiled launch of Apple's new iPhone is another illustration of the convergence revolution which continues shaking our sector.
- Convergence is taking place at all levels: between networks, services, devices, etc. Convergence also brings significant changes to market realities and to the way services are offered to consumers.
- In this environment, what is the future of voice, if any? Revenues and traffic generated from traditional fixed-line PSTN voice services are

declining. But it would be wrong to say that voice services are disappearing or that they have no future.

- Voice services are now offered through several technologies, platforms and networks (mobile, cable, adsl, fiber, radio signals, satellites, etc.). No one can ignore the ongoing substitution between those technologies and networks.
- In an all-IP environment, voice will be data like the others and increasingly offered as a package, given that distance becomes less important.
- Traditional operators are facing increased competition from global players from once totally separated industries (Skype, Yahoo, Google).
- Voice services are increasingly bundled with other new innovative services and technologies, not only data transmission or video and music services, but also in the future with security or healthcare applications, to name but a few.
- Voice can be perceived as a trigger for innovation as operators are generally considering packaging voice with new services to ease the take up and user acceptance of those new services/technologies. In this sense, voice has a great future as a key driver for the roll out of new innovative services.
- Customers should be allowed to benefit from these bundles and from new services. Regulation must enable all operators to integrate services into bundled offerings.
- Bundled packages of services represent however a first challenge to the existing regulatory environment.

- Bundling voice, which remains a highly regulated product, with other innovative services should not lead to the inclusion of the whole bundle into the scope of regulation.
- Some reassurance is needed at the earliest stages that rules developed for fixed-line PSTN voice services will not be extended to new innovative services. Such a signal would in turn encourage further the roll out of the new and more performing fixed, wireless or mobile networks that are needed to carry out the new services to consumers.
- Another important issue for the transition towards all-IP networks is interconnection. Interconnection between public telecommunications networks has been heavily regulated while IP interconnection has not.
- In the world of next generation networks, current models and price levels for interconnection will become less relevant as the importance of distance will decrease.
- Upgrading to the next generation networks has the potential to remove existing bottlenecks. The development and implementation of IP-based next generation networks is still at its embryo phase and the final network architecture remains largely unknown. Attempts to regulate interconnection or to extend the current PSTN regime to NGNs would therefore be counterproductive.
- The transition towards all-IP next generation networks also raises significant issues for universal service obligations. The high level of competition and the rapid technological changes allow consumers to benefit from an unrivalled choice of services and products adapted to all needs. Against this background, a complete rethinking of the scope of

universal service obligations as well as their financing should also be undertaken.

- Finally the transition towards all-IP networks raises challenges for access regulation.
- Regulation has played a significant role in opening up the markets and creating more choice for consumers. Nobody contests that. Cost-based access obligations were designed for old legacy networks. These rules are not adapted to next generation access networks that require highly risky investments.
- Even the Commission recognises the difficulty of capturing the true cost of risk. Ex-ante cost-based access obligations are not adapted to highly risky next generation networks. Furthermore, the systematic extension of the regulated access regime to new networks may in the long term discourage incumbents to make the necessary investments and reduce incentives for new entrants to further invest in alternative infrastructure. 2005 figures show that investments by new entrants in the main EU markets are decreasing.
- The deployment of alternative access networks, such as fibre to the home, also tends to remain slow. Those issues really need to be addressed.
- Today, as we already discussed earlier, wireless, cable, fibre, powerline technologies offer viable alternatives to traditional access technologies. With the transition towards all-IP networks, market entry barriers will continue to lower. New players from once totally separated industries are

already directly offering services to consumers without relying on incumbents' networks. By the time the revised EU rules will enter into force, in 2010 or 2011 at the earliest, these trends will have increased further.

- The existence of a sustainable competition between competing infrastructures is the main driver of broadband penetration and growth, as recently referred to by Viviane Reding, EU Commissioner for Information Society and Media:
- *“If we look at the situation in the different Member States, the first conclusion we can draw is that the most significant factor enabling broadband growth is the existence of alternative infrastructure, in particular cable. End of the quote.*
- New technological developments driven by convergence represent a unique opportunity to create in Europe a healthy and sustainable facilities-based competition, in which ETNO strongly believes.
- The debate on the review should focus on how to encourage the deployment of new and alternative infrastructures by all operators, including new entrants, and not on whether existing access rules should be extended to new networks or not.
- Those who think that current rules should not be changed to adapt to the next generation networks are isolated.
- The vast majority of market players, beyond traditional telecoms operators, call for a more balanced approach to encourage investments in

NGNs. If we do not address NGNs now, the risk is that the revised rules are already obsolete by the time they enter into force.

- Against this background, access obligations should not be systematically extended to new networks and services. In the NGN world, operators should be able to negotiate access to their networks with their competitors on commercial terms and develop new innovative business models.
- The Commission says that “we need to regulate in order to deregulate”. While presenting the initial proposal for the review, it also said that the next review could be the end of sector-specific regulation. To make this possible, the review must include a clear mechanism for the phasing out of regulation when competition is effective.
- The possible introduction of additional mandatory structural remedies, such as functional or structural separation, is not the right answer to promoting the deployment of new networks.
- Such a remedy is not adapted to highly competitive markets and rapid technological changes. No one will invest in a company under the threat of such a structural remedy.
- Furthermore, as competition is increasingly emerging from alternative infrastructures and platforms, it would put certain players at a competitive disadvantage. We should not forget that the few companies who are implementing or envisaging a functional or operational separation model did it largely on a voluntary basis as part of their business strategy.
- To come back to the future of voice, it is clear that voice still has a future. Voice cannot be disconnected from the rest of the services. But by

applying a policy initially developed to traditional fixed-lined voice to new services and networks, regulators risks slowing down the development of new ICT products.

- To conclude, I would like to insist that the main challenge for the roll out of the next generation networks and services is how to accelerate the take up of these technologies by citizens and businesses.
- Digital divide – both social and geographical – remains a major issue. Regulation should not be seen as the panacea. Bridging the digital divide requires a collective effort.
- ETNO members are playing their part and intend to continue doing so. They invest more than 35 billion Euros a year in the roll out of new products and services, accounting for more than 70% of total investment. They also devote important resources to develop products to help more vulnerable people. Europe needs all policy efforts to focus on giving people the right skills to live and work in the information society. Enterprises need strong incentives to integrate more rapidly ICT in their business practices.
- The creation of a true ICT culture in Europe and the increase of demand will in turn further stimulate competition and growth in the sector.
- Thank you.