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 its recent evolution and the factors explaining it, according to the European Commission[1].

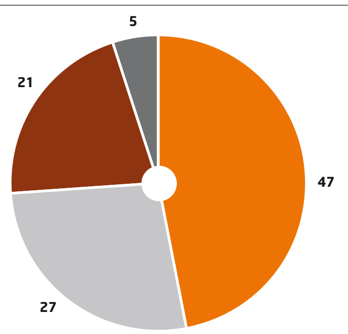
According to the European Commission, electronic communications services are the main segment of the Communications and Information Technology (ICT) sector, standing for 44 per cent of its overall revenues.

growth is below that of the previous year (in 2005, the sector's revenues had increased between 3.8 per cent and 4.7 per cent, while in 2006 they grew 2.3 per cent).

Mobile services are responsible for about 47 per cent of total revenues, followed by fixed telephony (27 per cent), broadband (21 per cent), and other revenues (including TV distribution).

Distribution of electronic communications revenues in the EU - 2007

Graph 1.



Unit: %.
Source: European Commission.

Fixed voice telephony

Fixed voice telephony continues to fall in terms of revenues. It decreased about 5 per cent, a figure that is similar to the previous year. Commission estimates indicate that these services reached around 79 billion Euros in the EU in 2007. Fixed voice telephony now stands for 27 per cent of all electronic communications, 3 per cent less than a year before.

The Commission also mentions that traffic is dropping. Factors explaining this evolution could relate to the growing use of VoIP, with a rising popularity in some countries, and the development of mobile telephony.
In 2007, the electronic communications sector generated a 293 billion Euros profit and grew some 1.9 per cent. This

Regarding the offer's structure, incumbent operator's shares stabilized (87 per cent on average, in terms of accesses). International traffic is the exception, with incumbent operators registering a decreasing trend. However, the Commission reckons an increasing amount of direct accesses from alternative operators, and an increase in the amount of ported numbers. Around 12 million consumers switched operator in 2007.

Given this segment's decreasing revenues, operators launched multiple play offerings, in some cases promoting migration to broadband and speeding up convergence between services. About 29 per cent of European households already use package offers.

1 European Commission, Progress report on the European electronic communications single market in 2007 (13th report).

Mobile services

MTS penetration in the EU reached 111.8 per 100 inhabitants, 8.6 per cent more than a year before.

Revenues of the mobile sector – 137 billion Euros in 2007 – are the main share of electronic communications revenues in the EU, standing for 47 per cent of the overall figure.

Revenues generated by mobile services in the EU increased about 3.8 per cent, a figure below that of the previous years.

According to the European Commission, the mobile sector's slowing revenues reflect the increase in competition (even if the main operators' shares haven't had major changes, and only 8.3 per cent of mobile customers have ported numbers); the reduction in retail prices (retail prices decreased 14 per cent on average, due to regulatory interventions regarding call terminations); the service's current life cycle stage; and the reduction of call termination prices.

In this stage of the traditional mobile services' life cycle, operators have been promoting data services, namely those based on 3rd generation (3G) mobile technologies. 3G penetration is now 20 per cent, 11 per cent more than in 2006. Data services now stand for 7 per cent of revenues, half the figure identified for SMS.

Lastly, it should be mentioned that the roaming Regulation entered into force on June 30th 2007, fostering 60 per cent savings on this type of call.

Broadband

Broadband revenues increased around 6 per cent in 2007, reaching 62 billion Euros – about 21 per cent of the overall electronic communications.

In terms of accesses, broadband increased around 24 per cent, 14 per cent less than a year before. The Commission now reckons 99 million fixed broadband accesses, which corresponds to an average penetration of 20 accesses per 100 inhabitants, 4 per cent more than in 2006. This average, however, hides important disparities between urban and rural areas.

The growth in DSL lines in the EU (+22.4 per cent) was similar to the growth in cable modem accesses (+21.7 per cent). The Commission mentions that optical fibre and wireless access start to show a potential to compete with DSL and cable platforms.

In the EU, the share of incumbent operators decreased 2.5 per cent in 2007, reaching 46.8 per cent. However, offerings from the competition are still largely based on resale (11.6 million lines). In spite of that, unbundled loops have been achieving a greater importance, already standing for 12.8 per cent of the public switched telephone network lines (23.5 million lines), as well as bitstream access (6 million lines). The regulated offers should be the main responsible for this evolution, while at the same time making it possible for operators to reach higher levels in the so-called '*investment ladder*'.