



cerre

Centre on Regulation in Europe



ISSUE PAPER

January 2019

Richard Feasey

**NEW EUROPEAN ELECTRONIC
COMMUNICATIONS CODE
INTERPRETATION &
IMPLEMENTATION**



NEW EUROPEAN ELECTRONIC COMMUNICATIONS CODE: INTERPRETATION & IMPLEMENTATION
Richard Feasey

January 2019

© Copyright 2019, Centre on Regulation in Europe (CERRE)

info@cerre.eu

www.cerre.eu

NEW EUROPEAN ELECTRONIC COMMUNICATIONS CODE

INTERPRETATION & IMPLEMENTATION

I. INTRODUCTION

Throughout the past 20 years, the European Commission has been required to undertake a periodic review of the legislative framework which governs the functioning of telecommunications infrastructure and services markets to ensure that they reflect changing market conditions and incorporate new political objectives. The review undertaken between 2016 and 2018, and the European Electronic Communications Code (EECC) which is its result, represent the most significant review since 1998.

The EECC includes many changes which are likely to have little impact on the functioning of markets, and other areas remain largely unchanged. The CERRE Executive Seminar, for which this Issue Paper has been prepared, will consider three topics where changes in the EECC are expected to make a significant difference¹:

- a. The provision and consumption of digital services provided over communications infrastructures has changed significantly since the previous review, with the rapid growth of new digital messaging platforms displacing traditional means of communication such as voice telephony and SMS. This has led to concerns that consumers may not receive the same or an appropriate level of regulatory protection when they use new services, as well as complaints from providers of traditional services that the difference in regulatory treatment, or the 'uneven playing field', places them at an unfair competitive disadvantage. The EECC includes a number of provisions which are intended to address these concerns and to ensure that the legislative framework keeps up with changes in consumption patterns and market developments.
- b. The Commission hope that Europe will be well advanced on the road to becoming a Gigabit Society by 2025. Achieving this will require the very extensive deployment of very high capacity fixed communications infrastructure and widespread availability of fifth generation mobile technologies. Much of the investment required to achieve the Gigabit Society targets is expected to be provided by private investors. The EECC will require the Commission itself, Member States and national regulatory authorities to promote, for the first time, access to and take up of very high capacity (VHC) networks and introduces a number of new tools and concepts which are intended to help them do so and to provide investors and operators with the incentives to make such investments.
- c. The EECC has had to address how the institutional framework for regulating communications markets will ensure that the legislative changes that are adopted are then implemented effectively. One aspect of this concerns the extent to which detailed rules should be embedded within the legislation itself or left to another body, such as BEREC. The EECC allocates substantially greater responsibilities and workload to BEREC as the

¹ This is not an exhaustive list. The management of spectrum and Universal Service arrangements will not be explicitly addressed at this Seminar.

regulatory environment becomes ever more complex². This means that national regulatory authorities increasingly find themselves operating under detailed guidelines of which they are co-authors but of which they must take utmost account. The other, related, aspect concerns the extent to which proposals by national regulatory authorities should be subject to oversight by the Commission itself, by BEREC or by a combination of the two. The EECC introduces novel institutional arrangements such as the 'conjoint veto' (Article 33(3)) and 'peer review' (Article 35). In other instances BEREC is required to offer its opinion, to which the Commission must pay utmost regard (Article 38). How these institutional arrangements work in practice is likely to have a significant influence over the implementation of the EECC and the attainment of its objectives, not least for any residual hopes of greater harmonisation of regulation across Europe.

The CERRE Executive Seminar is intended to address these three aspects of the EECC. It will be conducted at a time when substantive changes to the legislative text itself are no longer feasible, but when we do not yet know how the changes that have been adopted will be implemented nor what effect they may have in the functioning of the market or the firms within it. It provides participants with an opportunity to reflect on the outcome of the legislative process that has been undertaken over the past 2 years and to consider what might be done better or differently in future.

The remainder of this Issue Paper provides an introduction to the three main discussion topics, together with some reflections on the legislative process itself, in order to promote thoughts and discussion.

II. THE REGULATION OF 'OVER THE TOP' COMMUNICATIONS SERVICES

The EECC has been debated during a period in which popular concerns about the conduct of global digital platforms, particularly in Europe, have continued to grow. The relevant provisions in the EECC therefore form part of a much broader debate and series of initiatives which the European Commission has been undertaking, following its 2016 Communication on Online Platforms³. These include measures relating to privacy rights, responsibility for hosted content, including illegal content and copyright infringements, the commercial terms of trade offered by online platforms and various initiatives being undertaken by the Competition Directorate, all of which are beyond the scope of the Executive Seminar⁴.


However, the EECC also includes a number of significant changes which are intended to address concerns about the regulation of digital platforms:

- a. It seeks to update existing regulation by introducing the concept of 'interpersonal communications services' (Article 2) and then further distinguishing between those services which are 'number based' and those which are 'number independent'. These provisions are intended to ensure that the EECC captures services such as WhatsApp or similar digital messaging services which represent functional substitutes for traditional

² A trend which, it could be argued, started during the previous review, when BEREC was given the difficult task of translating the 'Open Internet' or net neutrality aims of legislators into detailed guidelines.

³ <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52016DC0288&from=EN>

⁴ Some of these topics have been addressed in other CERRE research programmes, see https://www.cerre.eu/sites/cerre/files/180912_CERRE_LiabilityPlatforms_Final_0.pdf and https://www.cerre.eu/sites/cerre/files/171005_CERRE_DigitalConsumerProtection_FinalReport.pdf




telecommunications services such as voice telephony or SMS⁵, whilst also retaining a 'two tier' hierarchy of regulatory obligations, with more onerous obligations for those interpersonal services that require telephone numbers (and so appear more similar to traditional services offered by operators) and less onerous obligations for those that do not. These changes are intended to extend some existing regulatory safeguards (e.g. in relation to encryption of messages, where appropriate (Article 40), publication of information for users (Articles 102-104) to all interpersonal communications services and to ensure that those which represent close substitutes to traditional telephony and SMS services are subject to the same additional regulatory obligations (such as providing access to emergency services (Article 109), directory enquiry services (Article 112)) and thereby compete on a 'level playing field'. Other provisions allow for the possibility of greater alignment, such as the possibility that digital platform service providers might in future contribute towards the costs of meeting universal service obligations (Article 90).

- b. At the same time, the EECC makes some attempt to ensure that the regulatory burden will be proportionate. 'Micro-enterprises' providing number independent interpersonal communications services are exempted from many of the obligations (Article 98). Perhaps more significantly, the EECC requires many of the consumer measures to be subject to a 'maximum harmonisation' provision (Article 101) which means that Member States will no longer be able to exceed the European consumer protection requirements, except for a transitional period and/or in relation to pre-existing measures which can be objectively justified. The Commission may have sought to increase the level of harmonisation for other reasons, but one consequence is likely to be that the extension of regulatory obligations to digital platforms operating on a pan-European basis will be less burdensome if, as a result of the EECC, those obligations are applied and enforced in the same manner across all Member States.
- c. Attendees at the Executive Seminar are invited to reflect on whether the changes to the scope of the EECC and their extension to services provided by digital platforms, as described above, can be expected to have a significant impact on the evolution of digital services markets in future. This may depend on the effectiveness with which obligations can be enforced and cases of non-compliance sanctioned. National regulatory authorities will have the task of overseeing a range of new and unfamiliar providers of communications services, some of whom may not have any physical presence within the Member State in question. The EECC provides (Article 123) for there to be a more regular review (by BEREC) of the operation of these provisions than of the rest of the regulatory framework, perhaps reflecting a recognition that the digital services market is evolving very quickly and perhaps reflecting uncertainty about whether a distinction based upon whether a service utilises traditional telephone numbers may not prove very sustainable. There may, therefore, be opportunities for further changes.

Obligations to interconnect and ensure 'any to any' interoperability have been a feature of telecommunications regulation since AT&T was required to connect to other operators in 1913. They have not, however, generally been extended to new digital platforms, where users will instead often 'multi-home' across a number of closed, non-interoperable, platforms rather than relying upon a single provider to provide access to users on all other platforms. There was an attempt to promote the interoperability of platforms in 2000, when US competition authorities worried that the merger between AOL and TimeWarner would create a monopoly in an early

⁵ Although it appears to exclude those which are 'merely a minor ancillary feature of another service', such as a messaging feature within a gaming environment.



number-independent interpersonal communications service known as 'instant messaging'⁶. But interoperability obligations have rarely been considered since then, despite a number of very large digital platform mergers having been approved by the European Commission in the meantime⁷. It would seem significant, therefore, that Article 61(2)(c) of the EECC allows national regulatory authorities 'in justified cases' to impose interoperability obligations on providers of number-independent interpersonal communications services where those services have a 'significant level of coverage and user uptake'. The same Article further provides that this could only be done where the Commission has found a threat to interoperability between users in at least three Member States.

This begs the question as to what conditions would need to be met for the imposition of such obligations to be justified and what might constitute a 'threat'? We might assume a national regulatory authority would justify intervention on the grounds that competition amongst, and entry by, providers of interpersonal communications services was being inhibited by the absence of interoperability. What factors would national regulatory authorities have to take into account when coming to such a view? The requirement that the Commission must identify a problem in at least three Member States appears intended to guard against unilateral action by an individual national regulatory authority, but it is not clear whether this means that interoperability obligations would then extend across the European Union as a whole (and potentially further than that) and/or whether it would be feasible for a provider of such services to facilitate interoperability between users in some Member States but not in others. There is clearly a great deal we do not know here, which begs the question of whether this is a measure which could potentially have such significant but uncertain consequences that no national regulatory authority would ever, in fact, invoke it. National regulatory authorities (with the possible exception of Arcep) have otherwise shown little interest, so far at least, in actively seeking to promote competition in interpersonal communications services. These are questions which attendees at the Executive Seminar are invited to consider.

III. ACHIEVING THE GIGABIT SOCIETY TARGETS

Europe is already embarked on the road to the Gigabit Society but is proceeding at different speeds in different Member States. The Commission's targets envisage that, by 2025, every major social and economic institution in Europe will be connected to a VHC network which delivers gigabit capacity and that all European households would have access to a downlink of at least 100 Mb/s, which is capable of being upgraded to gigabit capacity. In addition, all urban areas and transport routes are expected to have 5G mobile coverage. The Commission estimates that achieving these goals would require the mobilisation of an additional €150 billion of capital, over and above that already expected to be deployed by the telecoms industry. Changes in the regulatory environment envisaged by the EECC are seen as the critical enabler of such additional investment (alongside the use of public funds under the State Aid regime⁸).

The key changes in the EECC which are aimed at unlocking private investment in VHC networks are as follows:


- a. All regulatory institutions will now have an explicit statutory duty to promote access to and take up of VHC networks (Article 3). This sits alongside the existing duty to promote

⁶ In the event, the obligations were never enforced and the merger failed

⁷ Including calls for videoconference interoperability obligations in the Microsoft/Skype merger.

⁸ The past performance and future application of the State Aid regime for broadband infrastructure was the subject of another recent CERRE study, see


https://www.cerre.eu/sites/cerre/files/CERRE_StateAidBroadband_FinalReport_0.pdf



competition, with the pursuit of the means now being accompanied by a specification of the ends. Significantly, infrastructure based competition is to be pursued only insofar as it is 'efficient', suggesting that other means might be needed to promote VHC investments and that regulators should be more concerned about the duplication of network assets than they have been in the past. Taken with other measures, such as attempts to promote 'co-investment' in a common infrastructure (Article 76) and obligations to provide 'symmetric' access to local facilities (again to avoid 'inefficient' duplication) (Article 61), this might imply a significant shift away from competition between owners of separate network assets and towards a much greater degree of sharing and co-operation between operators. Whether and how national regulatory authorities will be in a position to judge when sharing is more 'efficient' than competition and how they will ensure that such arrangements are not used to distort or inhibit competition in downstream retail markets are questions which attendees at the Executive Seminar may wish to consider.

- b. Telecoms operators are also being invited either to enter into new commercial arrangements or to make new commitments 'in the shadow' of the regulator. New commercial arrangements must be taken into account by the national regulatory authorities when undertaking their market review and may be sufficient to avoid a finding of Significant Market Power and/or to influence the form of remedy that may be adopted. The emergence of new commercial arrangements will oblige the national regulatory authority either to initiate a new market review or, at the least, to reconsider existing remedies (Article 68(6)). Perhaps even more significantly, an operator with Significant Market Power can unilaterally offer 'commitments' to provide access to its network and allow for co-investment at any time, which the national regulatory authority will then be obliged to assess (Article 79). This approach seems to borrow heavily from European competition law practices, under which merging parties or those subject to Article 102 proceedings are invited to offer undertakings or commitments to resolve the competition concerns which have been identified. Those commitments are then 'market tested' with interested third parties before a decision is made by the Commission on whether to accept them. These provisions potentially give market participants, particularly operators with Significant Market Power, a much greater opportunity to influence regulatory outcomes through their own commercial conduct, rather than relying upon the efforts of their regulatory affairs departments. In the most radical version, operators could move beyond behavioural changes and undertake a structural separation of their network assets from their retail operations in order to benefit from reduced regulatory oversight (under Articles 78 and 80). Whether operators will be interested in taking up this opportunity is an important consideration and one which is likely to contribute significantly towards whether the EECC is regarded as a 'success' in the long term. Attendees at the Executive Seminar are invited to give their views on the significance of these provisions and to consider their experiences in other jurisdictions or in relevant competition law proceedings⁹.
- c. How might these new commercial arrangements or commitments differ from the kinds of remedies which national regulatory authorities would otherwise impose? For co-investment arrangements, the conditions include both that the terms be available to any requesting party and that they be 'non-discriminatory', and that at least one counterparty has

⁹ In Australia, for example, the ACCC has in the past established 'pricing principles' for regulated services but left it to operators to agree precise terms on a commercial basis. This approach has been criticised for introducing uncertainty and delay. The EECC will, initially, start with a presumption of national regulatory authorities already having set the terms of access but, over time, these could be displaced by commercial arrangements. Similarly, the 'commitments' regime applied by DG Competition has sometimes been criticised for allowing accused firms to delay proceedings by modifying and then resubmitting commitments.



accepted them (Article 76). For unilateral commitments by an operator with Significant Market Power, the national regulatory authority is required to have regard to similar considerations and to the feedback of interested third parties but there is no requirement for any operator to have agreed to them (Article 79(2)). For commercial arrangements, there must clearly already be at least one counterparty, but the conditions are otherwise not specified and could, in theory, diverge from the terms which a national regulatory authority might impose (indeed, if they couldn't, then it is unclear what purpose these provisions are intended to serve). Does this mean we will see the emergence of new arrangements which are more restrictive (in terms of the number of firms that might be able to take advantage of them) than today's regulatory obligations (in order to confer commercial benefits to those who enter into them)? It seems likely, or at least that operators might attempt to achieve such an outcome. If so, might this mean the EECC will enable a small number of operators to agree preferential terms between themselves, perhaps to the exclusion of others, as some fear? Does this in fact need to happen in order to achieve the objective for investment in Very High Capacity networks which the EECC promotes? Again, attendees are invited to give their views on these questions.

- d. Finally, it can be argued that Article 73 of the EECC seeks to alter the 'hierarchy of remedies' by requiring national regulatory authorities to ask themselves whether obligations to provide access to civil engineering infrastructure (under Article 72) would be sufficient, in themselves, to remedy the competition concerns arising in the market review (i.e. without the imposition of further obligations)¹⁰. Access to civil engineering infrastructure, in conjunction with 'symmetric' access obligations for in-building facilities, has proven effective at promoting investment in Very High Capacity infrastructure in a number of Member States, including France, Spain and Portugal. But is this approach scalable across other Member States and will, therefore, these changes prove to be of much significance in practice? Attendees are invited to comment on the prospects for the sharing of civil engineering infrastructure in Member States where this is not already being undertaken and what, if anything, national regulatory authorities (or BEREC¹¹) should be doing to facilitate it. Related to this, most Member States now have almost 2 years' experience of implementing the Broadband Cost Reduction Directive, which also requires both telecommunications operators and other owners of civil engineering facilities to make them available for use by telecoms operators wherever it is practicable to do so. Has the Directive made any significant difference to the prospects for Very High Capacity network deployment and what, if any, are the lessons to be learned so far?


IV. THE ROLE OF BEREC

This Note has already highlighted a number of areas where BEREC is expected to assume significant new responsibilities in relation to the implementation of the EECC. Article 2 of the new BEREC Regulation identifies eight topics on which BEREC is required to issue opinions and fourteen on which it is expected to issue guidelines, reflecting at least two distinct roles for BEREC:

- a. In many instances, the legislators have delegated responsibilities for the development of detailed guidelines to address technically complex issues (such as those relating to the

¹⁰ Whilst this might appear to mean that regulatory interventions will move higher up the supply chain, this is contradicted by the new Article 83, which also appears to contemplate the reintroduction of retail price controls in downstream retail markets. Attendees at the Executive Seminar may wish to comment on the consistency of this.

¹¹ BEREC's 2018 work programme already envisages that it will produce a report on physical infrastructure sharing, at least to record what is currently being done by different national regulatory authorities.



application of symmetric access obligations (Article 61(3)), the assessment of co-investment proposals (Article 76(4)) or the criteria to be met for a network to be deemed Very High Capacity (Article 82). In such cases, there may be good reasons to ask BEREC to address detailed technical matters which would be difficult to reflect in legislation and on which the legislators themselves are ill-equipped to rule, particularly if there may be a need to revisit issues regularly rather than waiting until the next review of the framework as a whole. The questions that arise from this include whether BEREC will have sufficient resources and expertise to address the greatly expanded volume and scope of work which the EECC envisages for it and/or whether this will lead BEREC to neglect other activities which are important for the effective functioning of the European telecommunications market. Attendees are invited to consider whether BEREC is currently properly constituted and resourced to perform the tasks which the EECC expects of it and, if not, how might it need to change or who else might assist in performing those functions?

- b. In other cases, BEREC's function under the EECC seems to involve acting as a counterweight to the Commission, providing opinions on a wide variety of issues to which the Commission is required to have 'utmost regard' before it takes a decision. We might ask whether this is a particularly efficient arrangement, and to what extent it will contribute to the more effective implementation of the EECC? BEREC may provide the Commission with expert advice which the Commission could not itself gather from its own enquiries, but it is not clear that it should be required to do so in every occasion, irrespective of whether or not the Commission requires it. More likely, it appears that an opinion from BEREC (or the RSPG) has become a routine condition for the European Council to allow the Commission to extend its own decision-making powers into new policy areas. If that is so, we might ask whose interests BEREC is supposed to be protecting? Wouldn't the interests of market participants be better protected through rights to appeal Commission decisions to the European Court of Justice? If so, are other safeguards necessary if the Commission is making decisions which are not currently capable of review in the ECJ?¹² More generally, participants might wish to discuss whether BEREC's limited resources are best devoted to providing opinions on actions the Commission may be considering, or whether the demands on its time should be more focused¹³.
- c. Participants may also wish to comment on the governance of BEREC as the demands upon it increase. Will senior representatives of national regulatory authorities have sufficient time to devote to BEREC, or will its management and operations be increasingly decided by the Director and the President? Do the rotating Presidency and Vice Presidency arrangements make sense or ensure sufficient strategic continuity, or should permanent secondments be made for a longer period of time, albeit at some cost to the resources of particular national regulatory authorities?

BEREC's role in the EECC appears to be the result of compromises between the various European legislators. But there are other features of the way in which the debate over the EECC has been conducted and on which attendees might also wish to reflect and which are discussed below.

¹² The ECJ decided that a decision by the Commission not to veto a proposed national measure under the former Article 7 process does not itself represent a reviewable decision, see <http://curia.europa.eu/juris/showPdf.jsf?text=&docid=86728&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=1579303>

¹³ Other aspects of BEREC's organisation and governance are addressed in a new Regulation, at <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ:L:2018:321:FULL&from=EN>

V. REFLECTIONS ON THE LEGISLATIVE PROCESS

Recent reviews of the telecommunications regulatory framework might be caricatured as involving a conflict between regulated operators, frustrated that the original expectation from 1998 that regulation would be rolled back as competition advanced does not seem to be being realised as quickly as they expected, and regulators and other operators who are concerned that, after almost 20 years, competition is still fragile and that consumers remain unprotected. In each review the Commission undertakes a difficult balancing act between opposing forces which seem to have changed little over the past 20 years. The latest debates over the EECC revealed a lack of any consensus or common understanding in Europe about how communications markets best function or even what the objectives of the Code should be.

These tensions are then overlaid with divisions between the European institutions, who generally seek powers to promote a greater degree of harmonisation and consistency in the implementation of legislation, and Member State Governments and national regulatory authorities who seek to preserve powers for themselves for institutional reasons or because they believe it will allow them to respond more flexibly to local conditions. Again, the debates over the EECC revealed these tensions, particularly in relation to the oversight of spectrum management but in many other areas as well.

With such a configuration of forces and interests, the outcome in any review is invariably a multi-dimensional compromise in which significant change is the exception and incremental progress seems to have become the rule. The exception has, increasingly, taken the form of measures which do not appear at all in the Commission's original proposals but which are introduced by the European Parliament as a price of their agreement to the other measures. These often sit uncomfortably alongside the technical measures which comprise most of the framework and are sometimes at odds with them. The regulation of international call charges in the EECC at a time when few if any European operators have been found to hold Significant Market Power in the relevant retail market is just the most recent example.

Aside from the institutional challenges, we might also wonder whether European telecommunications regulation needs a new intellectual foundation or motivating idea, and whether the absence of one may account for some of the dissatisfaction that is felt. The EECC can still be recognised as the successor of the New European Regulatory Framework which was adopted in 1998, but the lineage is becoming less clear with each passing review. The 1998 Framework had an intellectual rigor and coherence which was largely derived from its alignment with many decades of European competition law. In each subsequent review, new provisions have been introduced which deviate, often quite significantly, from conventional competition law principles. The EECC, for example, extends access obligations to facilities which would be 'economically inefficient' to replicate (Article 61) but which would be unlikely to be found to be 'essential facilities' under European competition law. These obligations may come to substitute for, and displace, interventions that have previously been made by applying the concept of Significant Market Power, which lay at the heart of the 1998 Framework. National regulatory authorities may in future be involved in the conduct of tenders for monopoly rights to deploy Very High Capacity infrastructure in areas where nobody otherwise wishes to build (Article 22 (4)), which are far removed from their original aim of only intervening to constrain the exercise of market power where it arises. The EECC would have deviated further still if BEREC had succeeded in its attempts to introduce a novel 'tight oligopoly' threshold to better address the supposedly unique characteristics of telecommunications markets.

Is there a sense in which European telecommunications regulation now lacks a coherent intellectual basis around which everyone can rally, as may have been the case back in 1998 when the ambition was to introduce competition and then allow regulation to withdraw? In the 2011 review, the Commission attempted to justify many of its proposals with the claim that the regulatory framework needed to promote the emergence of pan-European operators to complete a 'single market' for telecommunications services and to better compete with global rivals. Very few outside the Commission seem to have understood or agreed with that aspiration, and there is little evidence to suggest that the last 5 years has advanced either objective. As discussed earlier, the EECC seems to have, as its main justification, the need for Europe to transition rapidly to a Gigabit Society in which most households and businesses have access to Very High Capacity networks and 5G coverage by 2025. However, it is not clear that a target of this kind can provide a coherent intellectual foundation for an entire regulatory framework. Apart from anything else, it tells us little or nothing about how the target is to be achieved. The 1998 Framework was founded on a widespread belief that competitive telecommunications markets would produce better outcomes for European consumers than regulated monopoly. In contrast, the claim that Europe requires Very High Capacity infrastructure would seem to have very little evidential or intellectual basis. Would we do better next time if we first sought a more compelling basis for change and, if so, how might we go about it and what should the objective be?

ABOUT THE AUTHOR




Richard Feasey is a CERRE Research Fellow and an independent consultant who advises clients in the communications industry. In October 2017, he was appointed by the UK Business Secretary of State to the panel of the UK's Competition and Markets Authority and in October 2018 by the Economic Secretary of Welsh Assembly to the National Infrastructure Commission for Wales. He lectures at University College and Kings College London. He was previously the Public Policy Director of the Vodafone Group.



cerre


Centre on Regulation in Europe

 Avenue Louise, 475 (box 10)
1050 Brussels, Belgium

 +32 2 230 83 60

 info@cerre.eu

 cerre.eu

 [@CERRE_ThinkTank](https://twitter.com/CERRE_ThinkTank)