

**ETNO**



EUROPEAN PUBLIC  
TELECOMMUNICATIONS  
NETWORK  
OPERATORS' ASSOCIATION



**ETNO  
ANNUAL  
REPORT**

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## Message from the 2000 General Assembly Chairman



AM Robalo de Almeida

It is a great honour for me to hold the year 2000 Chairmanship of the ETNO General Assembly on behalf of Portugal Telecom, SA. Against a background of rapidly-changing conditions in the telecoms industry, my company and I are committed to contributing effectively to the achievement of ETNO's objectives.

In particular, I am pleased to be able actively to represent the interests of ETNO Members at the highest political instances of the European Union, in particular during the first semester of the year when Portugal holds the EU Presidency.

In the present context it is vital for ETNO to enhance its well-established role as the collective voice of European telecoms operators. We must continue to address our messages not only to the European Commission, the Council of Ministers and the European Parliament, but also towards other European and international bodies such as the CEPT, ITU and WTO.

The recognition of ETNO's views by these organisations and others is important not only in the field of telecoms market regulation, but also in relation to new strategic issues arising from development of the Information Society. For example, in the Association's Year 2000 Annual Work Programme, ETNO's Members have acknowledged that a special effort has to be made on major questions such as network operators' liability for illegal content, and the new regime for the management of Internet domain names and addresses.

Finally, I would like to highlight the importance of the enlargement of the European Union and its consequences for a number of ETNO Members. Sharing the experience gained by those Members that have already undergone the liberalisation process will surely facilitate a similar transition for Members from countries which expect to be part of the future enlarged European Union.

I look forward to a close and fruitful collaboration with ETNO Members, colleagues from the Executive Board, and the ETNO Office as we aim to achieve the best possible results for our collective activities in the year 2000.

A handwritten signature in blue ink. The signature is stylized and appears to be 'R. Almeida'. It consists of a vertical line that curves to the left at the top, a horizontal line, and another vertical line that curves to the right at the bottom.

AM Robalo de Almeida

# Organisation Chart 2000

## GENERAL ASSEMBLY

*Chairman :*  
Mr AM Robalo de Almeida  
(Portugal Telecom)

*Vice-Chairman :*  
Mr H Kraaijenbrink  
(KPN)

## EXECUTIVE BOARD

*Chairman :*  
Mr D Schulz  
(Deutsche Telekom)

## ADMINISTRATIVE COMMITTEE

*Chairman :*  
Mr L Perrouin  
(France Telecom)

Mr J Lewis (BT)  
Mr H Kraaijenbrink (KPN)

Mr J Lewis (BT)  
Mr J Trpisovsky (Cesky Telecom)  
Mr P Galvin (eircom)  
Mr L Perrouin (France Telecom)  
Mr H Kraaijenbrink (KPN)  
Mr F da Silva (Portugal Telecom)  
Mr T Müller (Swisscom)  
Mr F Savi (Telecom Italia)  
Mr FJ de la Pinta (Telefonica)  
Mr J Martin-Löf (Telia)

## ETNO OFFICE

*Director ad interim:*  
Mr JL Debecker

*External Relations Manager :*  
Mr N Gibbs

## WORKING GROUPS AND RAPORTEURS

# Message from the Chairman of the Executive Board



*Dietmar Schulz*

During 1999 I was privileged to take over the Chairmanship of ETNO's Executive Board, and subsequently to be re-elected for a second term. I shall make full use of this opportunity to continue to work with ETNO Members to help shape a competitive global telecoms market.

1999 also saw the launch of the European Commission's Review of EU telecoms market legislation. An outsider might find it strange to start a debate on the need to change laws that are little more than two years old. However, we should not forget that most of the Directives in the 1998 liberalisation package are explicitly designed as temporary measures which are needed only to facilitate the transition

from monopoly markets to full competition. Furthermore, many of the Directives include a formal requirement for the Commission to review their impact within two years of their entry into force, and to propose appropriate modifications.

It is clear that the Commission does not face an easy task. Telecoms markets and technologies are evolving at an extraordinary pace. But, given the length of EU decision-making procedures, the outcome of the 1999 Review will not be implemented until after the year 2002. The Review therefore needs to take a number of trends into consideration.

The first of these trends is market and technology convergence. The bringing together of network, content and intelligent device industries is leading rapidly to the creation of new services and markets. The convergence of fixed-mobile services, and the introduction of Voice over Internet provide just two current examples of the increasing substitutability of services. The introduction of high bandwidth technologies in the local loop and mobile services will make available an increasing number of similarly substitutable services and technologies. Within such a context, the concept of "sector-specific" regulation which underpins the 1998 liberalisation measures will start to lose its meaning.

A second trend is the rise of competition, which is already proving far more wide-ranging and intense than many advocates of liberalisation had dared to hope. Increasing competition for all services will inevitably lead to considerable changes in market positions. And this will in turn create a need for regulation to be based on more subtle and sophisticated definitions of competitive strength and market power.

A third trend is globalisation. It should not be forgotten that implementation of market liberalisation within the EU coincided with implementation of the WTO

Telecoms Agreement. Market opening at the world level is stimulating large investment flows, which are already helping to make country-based market definitions increasingly irrelevant.

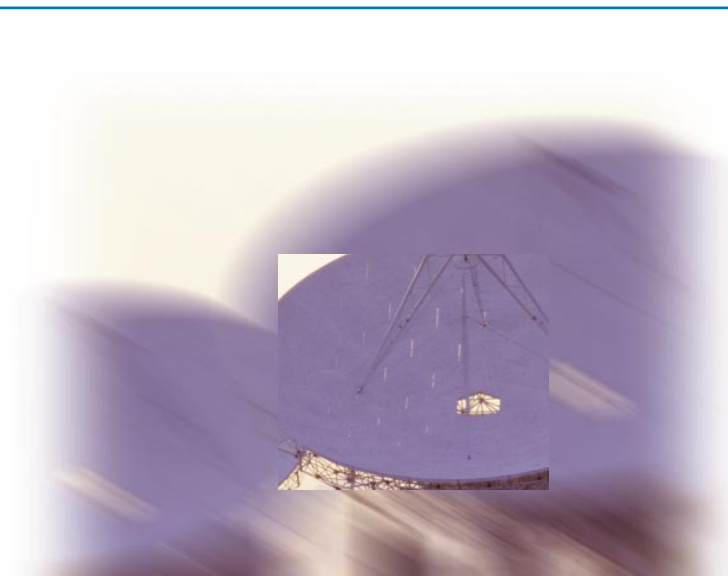
ETNO will of course work hard to ensure that EU decision-makers are properly briefed on the implications of these trends so that their reflections take industrial realities properly into account. The Association itself also needs to remain attentive to sector developments so that its activities continue to meet Members' needs.

As the following pages illustrate, ETNO's work in the field of telecoms market regulation represents just one element in a broad spectrum of public policy activities covering subjects which range from numbering to data protection, and from frequency management to telecoms taxation. And, in addition to its public policy role, the Association provides a valued framework for exchange of industry best practice covering such topics as fraud control, environmental management and quality of service.

I would like to thank all ETNO Members for their cooperation in the competitive environment, and for their valuable contributions to our common efforts. I wish you all the best for the continuation of the cooperation for the benefit of the Association, its Members and our customers.



Dietmar Schulz



# 1999 Highlights

- Substantial progress is achieved towards the establishment of a harmonised EU regime covering on-line intermediaries' responsibility for illegal Internet content which will limit the exposure of ETNO Members to expensive liability claims.
  - An EU framework for the legal recognition of electronic signatures is adopted in line with ETNO objectives, facilitating the take-off of electronic commerce and opening new markets to ETNO Members.
  - Close collaboration is maintained with the European Commission with a view to identifying telecoms-sector priorities for new WTO negotiations on liberalisation of trade in services.
  - Major input is provided to the European Radiocommunications Committee's long-term review of Europe-wide frequency harmonisation and planning, and the preparation of European common positions for the 2000 World Radiocommunications Conference. European WRC priorities reflect ETNO's emphasis on additional spectrum for third generation mobile services.
  - The ITU implements ETNO-backed reforms which promise a more prominent role for non-government members. ETNO representatives nevertheless underline the need for further change in a meeting with Secretary General Utsumi.
  - Frequent inputs to wide-ranging studies on numbering issues by the European Telecommunications Office ensures that continent-wide planning in this field takes proper account of technical realities, and compliance costs for ETNO Members and their customers.
  - ETNO representation is organised in newly-established structures for the management of Internet addresses, protocols and domain names.
  - An ETNO-managed, EU-funded training programme for middle and senior managers from telecoms operators in Central and Eastern Europe concludes, having welcomed 122 participants and received top marks from independent auditors. The positive audit leads to a new contract with the European Commission for the launch of a second programme.
  - A European Commission Decision to exclude telecoms operators from the scope of EU public procurement legislation marks the conclusion of a long ETNO campaign, and eliminates a major competitive handicap for ETNO Members.
  - ETNO concerns regarding potential distortions of competition are reflected in revised plans for EU funding of high capacity interconnections between national research and education networks.
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- ETNO participation in discussions regarding practical implementation of the EU's new Radio and Telecommunications Terminal Equipment Directive ensures that ETNO Members can continue to protect their networks from sub-standard or problem devices.
- New EU legislation is adopted to ensure that Value Added Tax does not distort competition between operators located inside the EU and those outside. ETNO concerns regarding the original proposal are reflected in revised provisions which also guarantee a level playing field for competition between operators within the EU.
- ETNO welcomes many elements in the European Commission's outline proposals for revision of EU telecoms market regulation. Commission positions in favour of lighter licensing requirements, a strict separation between regulation of content and transmission services, and an early shift to regulation on the basis of competition law are all in line with ETNO viewpoints. Commission arguments against both establishment of a "Euroregulator" and an extended definition of universal service are also supported by ETNO.
- ETNO continues to provide a framework for exchange of information on industry best practice in the fields of fraud control, quality of service and environmental affairs.







**ETNO**



members

as at 31 December 1999

AT & T Communications Services (UK) • Belgacom • BT • Bulgarian Telecommunications Company • Cable & Wireless Communications • Cesky Telekom • Community of Yugoslav PTT • Cyprus Telecommunications Authority • Deutsche Telekom • eircom • Energis Communications • EPT Luxembourg • Estonian Telephone Co. • Facilicom International Sweden • Finnet Group • France Telecom • HPT - Croatian Post & Telecommunications • Iceland Telecom • Infostrada • KPN • Lattelekom • Lietuvos Telekomas • Makedonski telekomunikacii AD • Maltacom • MATÁV Hungarian Telecommunications Company • MCI WorldCom International • Netia Holdings • OTE • Polish Telecom • Portugal Telecom • PTT Bosnia and Herzegovina • Retevison • Rom Telecom • Slovak Telecom • Sonera • Swisscom • Tele 2 • Telecom Italia • TeleDanmark • Telefonica • Telekom Austria • Telekom Slovenije • Telenor • Telenordia • Telia • Türk Telekom • Westel 900 GSM

## Admission of New Members and Observers

Four new Full Members were admitted by the General Assembly in 1999: Netia Holdings, Lietuvos Telekomas and MCI WorldCom International (by GA 14), and Community of Yugoslav PTT (by GA 15).

In 1999 ETNO was also very pleased to welcome Saint-Petersburg National/International Telephone JSC (MMT) to the association as an Observer.

## MAIN ETNO ACTIVITIES DURING 1999

### Content Liability

In the European Parliament and elsewhere, a large effort was devoted to explaining ETNO's viewpoint on two key proposals: the draft Directive on Copyright in the Information Society and the draft E-Commerce Directive.

When the EP completed its First Reading of the copyright proposal in March, the results were mixed. On the one hand, an ETNO-backed amendment was adopted clarifying the scope of rights relating to communication to the public. On the other hand, MEPs voted to limit the reproduction right exemption which the Commission's original proposal foresaw for technical copies made during the transmission of material across the Internet.

The Commission subsequently declined to accept this second EP amendment when it issued its revised proposal in May. ETNO expressed strong support for this stand in a July position paper (RD101).

The draft E-Commerce Directive - more specifically, provisions defining the liability of on-line intermediaries for illegal content - also promised to limit the negative impact of the EP's changes to the copyright proposal. The relevant articles were broadly welcomed in the ETNO position issued in January (RD92). Although many draft amendments threatened to undermine these provisions, they emerged largely intact when the European Parliament completed its First Reading of the E-Commerce Directive in May. ETNO's comments on the EP's position were subsequently outlined in RD102.

In order to ensure that Member States' consideration of the e-commerce proposal was underpinned by a proper understanding of the Internet's topology and functioning, ETNO organised a presentation on this subject for negotiators

in the relevant Council Working Group in July. This well-received event was attended by more than 70 persons.

In line with ETNO's insistence on the urgency of the E-Commerce Directive, the Council succeeded in adopting a Common Position in December (ie, before a Common Position on the draft Copyright Directive). Potentially damaging amendments to the liability provisions were rejected at the last minute, leaving a text which largely reflected ETNO's views on the solution which best serves the public interest. The Common Position represented a step closer to the establishment of a predictable legal regime which will protect ETNO Members from expensive liability claims arising from the actions of their customers.

New issues were raised during 1999 by Member States' plans to update the Brussels and Rome Conventions which define procedures governing cross-border legal disputes within the EU. ETNO wrote to the Commission in June highlighting the contradiction between these proposals and the "country of origin" approach to jurisdiction embodied in the draft E-Commerce Directive. The Association underlined its view that "country of origin" is the only approach which will allow e-commerce to fulfil its "borderless" potential, and the only approach which can provide a reliable basis for assessing the liability of on-line intermediaries in relation to the material they transport and store.

Plans to move ahead with implementation of the revised Conventions were subsequently suspended pending public consultations. A further ETNO submission was made as part of the formal consultation process (RD100).

## Data Protection and Information Security

The EU Directive on Electronic Signatures was adopted in November. It establishes a harmonised framework for the legal recognition of electronic signatures, thereby lifting a major barrier to the take-off of electronic commerce in Europe.

The final text incorporates several ETNO-backed amendments which were adopted by the European Parliament during the year. For example, clarification that the Directive will not apply within closed user groups will widen the opportunities available to ETNO Members who enter the exploding market for certification services. In addition, a modification of the original proposal's data protection provisions should provide these Members with greater flexibility and lower compliance costs.

New issues were presented by a draft Council Resolution on the interception of telecoms traffic. The Resolution aimed to update an existing text on the same subject in order to cover new technologies (Internet and satellite). It outlined common technical definitions and requirements without addressing the

circumstances in which interception can be legally authorised.

During the European Parliament's consideration of the proposal, ETNO expressed concerns about the high cost of interception technologies, and the risk that mis-reporting of the initiative in the press might damage customer confidence in Members' services.

Discussions of the draft Resolution in the Council of Ministers were subsequently suspended in order to allow consultation with telecoms and data protection experts.

With regard to data protection issues, the focus was on implementation of the EU's Telecoms Data Protection Directive by the Member States. ETNO provided a forum for exchange of experience on this subject, and many Members found information from other countries to be valuable in discussions with their own national authorities.



## Employment, Health and Safety

Intensive discussions were held with the European Commission and relevant trade unions with a view to the establishment of an EU sectoral dialogue committee. Following the example of many other sectors, the aim was to establish a structure for exchange of views between management and unions on EU policies with social implications in the telecoms industry. By the close of the year, agreement on the establishment of such a body was close to being reached.

## Environmental Affairs

A draft EU Recommendation on the exposure of the public to electromagnetic fields became a major cause for concern when the European Parliament began its consideration of the text in January. Although the Commission's original draft had been non-controversial, the EP's Rapporteur proposed a radical reduction of emission limits. ETNO wrote to MEPs pointing out that the revised limits would necessitate extensive re-engineering of network equipment and terminals in return for no demonstrable benefits to human health. The EP's Opinion was subsequently approved without these amendments, and the definitive Recommendation finally adopted by Ministers in June was in line with ETNO's viewpoint.

The European Commission's preparatory work on legislation relating to the recall of end-of-life electrical and electronic equipment was also kept under review. ETNO had earlier expressed concern about the application of a future Directive to telecoms network equipment and professional items such as PABXs. Available indications suggested that these concerns had been taken into account.



*David Bowe MEP and Ignacio Campino, Head of Deutsche Telekom Environmental Affairs Office, at ETNO Environmental Workshop, Bischoffsheim*



Regarding follow-up work on the ETNO Environment Charter, the Association continued to provide a framework for the exchange of experience and best practice between Members. A particular highlight in this context was the Environmental Communications Workshop hosted by France Telecom in October. The event provided an opportunity for wide-ranging discussion of how best to present company policies to audiences such as employees, investors and the general public.

Inspired by the ETNO Environment Charter, the United Nations Environment Programme began to consider elaboration of an environment charter for telecoms operators at the global level. UNEP plans were launched during ETNO's October workshop and several discussions were held with UNEP officials on this subject during the course of the year. ETNO's work in the field of environmental affairs was also recognised in February with a UNEP "special achievement" award.

## External Trade Issues

Preparations for a new Round of WTO trade liberalisation talks occupied centre stage during 1999. In a position paper finalised in January (RD93), ETNO identified the countries where the Association sees scope for further liberalisation of telecoms markets, or better implementation of existing commitments. A further position adopted in November (RD109) outlined ETNO's views on a number of the issues that had been raised in preparatory talks between WTO member government representatives. Questions addressed included the application of existing WTO rules to the Internet, the extension of WTO disciplines to electronic commerce, and the possible establishment of competition law provisions at WTO level. Both papers were extensively discussed with relevant European Commission officials.

Numerous visits to the ETNO Office by regulators and government representatives from non-EU countries also provided an opportunity to explain ETNO views on the benefits of market liberalisation, and investors' need for a stable and predictable regulatory environment. A similar objective was served by the Executive Board Chairman's keynote speech to the EU/Latin America Information Society Forum held in São Paulo in June.

In addition, ETNO played an active role in the European Services Forum – a grouping of trade associations and companies which was launched at the beginning of the year in order to provide the European Commission with a sounding-board for trade policy issues affecting all services sectors. The ETNO Director was elected Chairman of the ESF Policy Committee, and the ESF was able to play a valuable role in building support for the EU goals in the services field.

When WTO Ministers met in Seattle in November they failed to agree on the launch of a comprehensive Round of new negotiations. However, this did not

*FCC Commissioner  
Susan Ness with  
Jerker Torngren*



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mean that ETNO's earlier work had been in vain. The Marrakech Agreement, which concluded the earlier Uruguay Round, includes a formal commitment to begin further negotiations on services (including telecoms) in January 2000 and, at the end of the year, it was clear that the outcome of the Seattle meeting would not interfere with this "built-in" agenda.

## Fraud Control

ETNO continued to provide a framework for exchange of ideas and experience in this domain. Highlights included publication of Guidelines on Efficient Fraud Control Design. The paper provides a comprehensive overview of current best practice in the industry, and will be updated on a yearly basis. Other work included a study of card-based frauds, and the scope for inter-carrier exchange of information on frauds within the parameters defined by EU data protection legislation.

The Fraud Control Workshop, hosted by Portugal Telecom in November, was attended by over sixty persons. Lessons that might be drawn from EU legislation on fraud in the financial sector was among the questions addressed.



*ETNO Fraud Control Workshop, Lisbon*

## Frequency Management and Mobile Matters

ETNO contributed to the work of the European Radiocommunications Committee on a variety of issues during the year.

Particular emphasis was given to Phase III of the ERC's Detailed Spectrum Investigation covering the band 862 –3400 MHz. The DSI process is intended to provide the main basis for forward planning and harmonisation of spectrum allocation in Europe. An ETNO position submitted in April (RD98) provided answers to ERC questions regarding the market evolution of services ranging from DECT communications, to in-flight telephones. Comments on the preliminary conclusions of the Phase III investigation were submitted in August (RD105). In addition to detailed comments relating to specific technologies, this second paper underlined the need to develop clear guidelines on spectrum reforming.

Regarding third generation mobile services, an ETNO position issued in October (RD107) expressed general support for the draft ERC decision on harmonisation of frequencies for terrestrial UMTS services. A November position paper (RD110) also endorsed the ERC's approach to identification of additional frequencies for UMTS services within the context of preparations for the 2000 World Radio Conference.

Another issue addressed in the context of WRC preparations was the coexistence of the terrestrial fixed services and fixed satellite systems. While admitting the value of satellite systems in sparsely-populated areas, an ETNO paper on this question (RD91) pointed to Europe's relatively high population density, and the frequency efficiency of the fixed service. Against this background, it argued that the fixed service should receive priority in European positions.

In all of the above cases, ETNO participation in ERC committees and workshops provided an opportunity to present the Association's viewpoints directly to relevant decision-makers.

At the EU level, the focus was on a European Commission Green Paper on Spectrum Management Issues. ETNO's reply (RD97) endorsed the need for EU institutions to play a more active role, particularly with a view to ensuring greater transparency and impartiality in spectrum allocations. At the same time, ETNO underlined the need for the ERC to maintain a strong role so that frequency coordination continues to be assured across the whole continent.

The November Communication in which the Commission outlined its future plans followed a broadly similar line. It emphasised the need to ensure that harmonisation measures – whether agreed by the ERC or by the EU – are properly implemented by all Member States, and the importance of guaranteeing common procedures for radio spectrum availability. The Communication also advocated a more active role for the EU in the preparation of forthcoming World Radio Conferences.

With respect to UMTS technology development, ETNO was active in discussions relating to the management of related intellectual property rights. Taking into account operators' need for early availability of low-cost equipment, a position paper issued in March (RD95) expressed the Association's support for creation of a platform which would allow manufacturers efficient access to relevant patents. By the end of the year such a platform was close to being established.

## **International Telecommunications Union**

Implementation of resolutions adopted at the Minneapolis Plenipotentiary Conference in November 1998 occupied most attention during 1999.

Having long campaigned in favour of a greater role for Sector Members



(ie, companies and other non-government actors), ETNO welcomed the decisions taken in June by the ITU Council and the Secretary General to enact a number of these resolutions. Examples included the introduction of greater transparency in the 2000/2001 budget, and the transfer of financial resources from the General Secretariat towards the individual Sectors (notably ITU-T).

ETNO's support for these reforms was one of the messages conveyed when a senior ETNO delegation met the new Secretary General, Mr Utsumi, in September. At the same time, it was emphasised that much work remained to be done.

The June Council meeting had agreed to establish a Working Group to examine further reforms and, when the Group held its first meeting in December, ETNO circulated a position paper (RD114) to all participants outlining its vision of the ITU's medium to long-term future. An ETNO-nominated participant, Mr Probst of Swisscom, was elected as Vice Chairman of the group's Bureau.

1999 also saw the launch of discussions on revision of the ITU's International Telecoms Regulations. This process was kept under review in order to ensure that it does not result in additional constraints on the commercial freedom of ETNO Members.

Finally, the latest of the ITU's mammoth four-yearly TELECOM events was organised in October. The ETNO Executive Board Chairman was one of the senior industry figures invited to speak at the associated "Regulatory Summit".

## Numbering, Naming and Addressing

Issues studied by the European Telecommunications Office during 1999 – mostly on the basis of work orders from the European Commission or the European Committee of Telecommunications Regulatory authorities (ECTRA) – included harmonisation of national conventions for naming and addressing; numbering requirements of corporate networks and their impact on public network numbering; and number portability for mobile networks.

ETNO provided detailed comments (RD96, RD104, RD112) on successive iterations of the ETO's draft reports which were largely incorporated into subsequent versions. The same issues were discussed with regulators in the European Numbering Forum where operator interests were represented by ETNO delegates. As a general rule, ETNO aimed to ensure that European policy development in this field takes technical realities into account, and does not impose unnecessary compliance costs on European operators and their customers.

In a similar spirit, an ETNO Common Position issued in November (CP62) outlined ETNO's comments on an ECTRA Recommendation on "Guidelines for Fundamental Changes to National Numbering and Dialling Plans".



*INTUG Chairman Diane Sharpe speaking at the ETNO Annual Reception*





*AM Robalo de Almeida and  
Angelos Donas, ETNO GA  
Chairman 1999*

Extensive work was also undertaken in collaboration with EURESCOM with a view to the presentation of a Common Position on number pooling early in 2000. The aim in this case was to prepare a solid piece of research which might be fed into the growing debate on the possible application of this American number management methodology in Europe.

Finally, 1999 saw the finalisation of new arrangements for the management of Internet addresses, protocols and domain names. Having noted the strategic importance of these issues in an environment of technology convergence, ETNO played an active role in the worldwide discussion. In particular, a paper was submitted to ICANN (Internet Corporation for Assigned Numbers and Names) expressing support for the model Domain Names Supporting Organisation that was ultimately selected to take on this role. As soon as all the ICANN Supporting Organisations were in place, mechanisms were agreed to ensure the proper representation of ETNO interests in each of these bodies.

## PHARE Project

January saw the delivery of a highly positive external audit on the ETNO-managed training programme for staff from telecoms operators in Central and Eastern Europe launched in 1997. The project used funding from the European Commission's PHARE programme in order to promote the participation of managers from the region in a series of high quality management development and training workshops organised by EUROTEAM (a training consortium of West European telecoms operators).

ETNO submitted its final report on the project to the Commission in August. Overall, the project allowed 122 individuals to take part in EUROTEAM training, with total spending close to 435,000 EUR.

The positive audit of this first project led to the conclusion of a second contract with the Commission which was signed in April. The new project will run until 30 June 2000 and has a 200,000 EUR budget. The number of participating operators has increased from 10 to 11.

## Procurement

In a Decision published in the EU Official Journal of 8 May, the European Commission formally announced that European telecoms operators would no longer be obliged to apply the tendering procedures defined in EU public procurement legislation.

The Decision represented a successful conclusion to a long ETNO campaign which had argued that market liberalisation had removed any rationale for intervention in operators' purchasing activities. As a result, ETNO Members

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will no longer have to shoulder the heavy costs arising from compliance with EU procedures. And they will enjoy greater flexibility in their relations with potential suppliers, allowing purchasing strategy to be used as a tool for competitive advantage in ways that have not previously been possible in the telecoms sector.

## Quality of Service

ETNO continued to provide a framework for exchange of best practice and experience in this domain between its Members. Particular attention was given to the development of a methodology which will allow customers' subjective perceptions of service quality to be measured on a comparable basis across Europe. The possibilities of linking measurements of subjective perceptions with surveys of objective performance were also examined.

A workshop which was organised in February together with INTUG (International Telecommunications Users' Group) provided an opportunity to obtain a better understanding of major customers' requirements with regard to comparable performance measurements. The exportability of the scheme already established in the UK provided one of the major topics for discussion at this event, which was attended by over 40 persons.

At the regulatory level, further input was provided to the revision of ETSI document ETR 138 which is referenced in the quality of service chapter of the ONP Voice Directive, and ETNO representation was ensured in all relevant meetings.

A major contribution was also provided to a consultants' study on Quality of Service matters ordered by the European Commission as part of its preparations for the 99 Review of EU telecoms legislation. The ETNO paper (RD113) argued that, in a competitive market, quality of service matters should largely be allowed to take care of themselves. Rather than intervening to mandate minimum quality standards in a way that risks creating market distortions, regulators should concentrate simply on ensuring that customers are provided with the data they need to make informed choices regarding suppliers and services.


## Research and Development

Attention during 1999 was focused on discussions surrounding the content of the year 2000 work programme for the Information Society Technologies (IST) section of the EU's Fifth R&D Framework Programme. Close liaison was maintained with European equipment manufacturers and the European Commission on this subject.

ETNO identified the areas where, in its view, EU funding might most benefit European competitiveness in a letter sent to the Chairman of the IST Advisory Group in May. A similar letter was sent to the Information Society Director



*EURESCOM Director Claudio Carrelli with Dietmar Schulz*



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General in October, and many of the Association's comments were reflected in subsequent drafts of the work programme.

Some cause for concern was provided by Commission plans to fund high capacity interconnections between national research and education networks. A Common Position submitted to the Commission in July (CP61) explained the need to avoid a situation where such funding provides an indirect subsidy to services that are otherwise available under normal commercial conditions. The issue was intensively discussed with the European Commission, and wording reflecting ETNO's concerns was incorporated into the year 2000 IST work programme. In addition, ETNO was subsequently invited to participate in the committee responsible for defining the tender specification for the future pan-European network.

## **Standardisation and Technical Regulation**

A new Directive on the type approval of Radio and Telecommunications Terminal Equipment entered into force at the beginning of 1999. The Directive established an advisory body of national regulators under Commission chairmanship – the Telecommunications Conformity Assessment and Market Assessment Committee (TCAM) – where ETNO successfully obtained observer status.

Since the Directive establishes only high-level principles, TCAM was required to settle a wide variety of questions relating to practical implementation of the new legislation. Issues under consideration included the publication of interface specifications, and the definition of circumstances in which problem equipment can be disconnected from the network. Against this background, ETNO's participation in the Committee ensured that a proper balance was maintained between the interests of manufacturers and network operators. The Association's interventions consistently defended the right of operators to exploit their networks with a minimum of regulatory interference, while remaining able to protect these networks from sub-standard or problem terminals.

## **Taxation**

A Directive revising arrangements for the application of Value Added Tax to telecoms services was formally adopted by EU Member States on 17 June.

The final text differed radically from the Commission's original proposal which had been strongly criticised by ETNO for its failure to achieve neutral treatment of operators in different Member States. Citing these concerns, the European Parliament had refused to deliver an Opinion on the Commission proposal in 1998, thereby blocking further progress. However, when the proposal returned to the Parliament in 1999 following substantial revision by the Member States,

ETNO maintained close contact with MEPs in order to ensure its rapid processing.

In contrast to the Commission's original proposal, the final version of the Directive corresponds exactly with ETNO's objectives. It establishes a regime which avoids distortions of competition between operators located within the EU and those located outside the EU. It also guarantees a level playing field for competition between operators within the EU.

Another issue which received significant attention in 1999 was the application of VAT to E-Commerce. ETNO was represented in a business consultative group formed by the European Commission to discuss this subject and, at the end of the year, the Association submitted a position paper (RD111) expressing its support for the solution outlined by the Commission in an earlier Working Document on this subject. The ETNO paper argued that the Commission's approach – centred on the VAT registration of e-commerce operators located outside the EU – was an option which would avoid distortions of competition, and impose few obstacles to the take-off of cyberspace transactions.

## Telecoms Market Regulation

1999 saw intensive work on the European Commission's Review of the package of telecoms market liberalisation measures which had been implemented by most Member States in January 1998.

As part of the Review process, the Commission had ordered consultants' studies on a variety of issues, and ETNO prepared comments on several of the resulting reports. Reflection Documents were issued on studies relating to the regulation of access networks, a review of the existing Interconnection Directive, and the implications of fixed/mobile convergence (RD94, RD100, and RD103 respectively). ETNO's views were also represented in the various workshops organised by the Commission to discuss these studies.

In a more general paper issued in June (RD99), the Association outlined its views on the themes considered as most important to the Review. The paper argued in favour of greater legal harmonisation on the basis of a light regulatory regime – particularly with respect to licensing. Improved collaboration between national regulators rather than establishment of a "Euroregulator" was advocated as the best way help ensure such harmonisation. With respect to sector-specific legislation, the paper acknowledged its role in facilitating the transition from monopoly markets to an environment of full competition, but argued in favour of its replacement by general competition law at the earliest possible date. Finally, the paper opposed any extension in the scope of universal service obligations, arguing that would introduce unnecessary market distortions and impose unfair burdens on consumers.

A subsequent paper (RD106) commenting on the Commission's Fifth Report on the Implementation of EU Telecoms Legislation provided an opportunity to reiterate very similar messages.



*ETNO Competitive Market Issues Working Group Chairman Allan Bartroff discusses 1999 Review*

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When the Commission finally issued its Review Communication in November, it presented a mixed picture. On the one hand, ETNO could find much to agree with in comments on licensing, the Euroregulator issue, the need for an early shift to regulation on the basis of competition law, and the scope of universal service. Earlier ETNO comments on the convergence issue were also reflected in the Commission's determination to achieve a strict separation between the regulation of transmission services, and the regulation of content. On the other hand, plans for multi-level regulation of interconnection and access issues seemed to promise a continuation of heavy-handed market intervention.

The one item of legislation actually adopted during the year was the Commission's Directive introducing a requirement for structural separation between CATV operations and the core activities of "dominant" telecoms operators. During 1998 ETNO had criticised the Commission's draft text for a lack of clarity and a failure to take account of widely differing national circumstances. The European Parliament subsequently voted in favour of less ambiguous wording for key provisions, and the insertion of a "sunset clause" allowing the Directive's obligations to be lifted once its underlying objectives have been met. These elements were incorporated into the Commission's final text.

## Conferences and Workshops

Conferences and workshops organised by the Association during 1999 included events relating to fraud control, communication with company stakeholders on environmental management issues, and comparative methodologies for quality of service measurement. Each of these events is mentioned above under the relevant section heading. In addition, in cooperation with the EU Committee of the American Chamber of Commerce in Belgium, ETNO co-hosted a series of open lunches for Members of the European Parliament on topical telecoms themes.



## ETNO Executive Board Members



Standing, left to right:

*Mr John Lewis • Mr Jindrich Trpisovsky • Mr Thomas Müller • Mr Francisco Javier de la Pinta  
Mr Patrick Galvin • Mr Fabrizio Savi • Mr Luc Perrouin*

Seated, left to right:

*Mr Francisco da Silva • Mr Johan Martin-Löf • Mr Dietmar Schulz, Chairman • Mr Hans Kraaijenbrink*

## ETNO Positions adopted in 1999

*The full text of ETNO Positions may be consulted at <http://www.etno.be/>*

### Common Positions adopted in 1999

- CP62 on the ECTRA Recommendation on "Guidelines for fundamental changes to national numbering and dialling plans" (12/99)
- CP61 on research networking in the IST programme (07/99)
- CP60 on the proposal for a European Directive on the taking up, the pursuit and prudential supervision of the business of electronic money institutions (06/99)

### Reflection Documents adopted in 1999

- RD114 on the strategic development of ITU 2005+ (adopted 04/98, published 12/99)
- RD113 on the SagaTel study on "The regulation of Quality of Service in voice telephony and related consumer protection issues" (11/99)
- RD112 on comments on the ETO 2nd interim report on "Number portability for mobile networks" (11/99)
- RD111 on the application of VAT to e-commerce (11/99)
- RD110 on candidate bands for UMTS/IMT-2000 extension (11/99)
- RD109 on aims and perspectives of the telecommunications sector with regard to the WTO Millennium Round (11/99)
- RD108 on jurisdiction and applicable law in e-commerce (revision of Brussels and Rome Conventions) (11/99)
- RD107 on the harmonised utilisation of spectrum for terrestrial UMTS. Comments on ERC Decision ERC/DEC/(99) (10/99)
- RD106 on the Fifth Report on implementation of the telecommunications regulatory package (09/99)
- RD105 on ERO's preliminary conclusions on the Detailed Spectrum Investigation Phase III (08/99)
- RD104 Part II on "Comments on the ETO 1st interim report on number portability for mobile networks" (07/99)
- RD104 Part I on "Comments on the ETO 1st interim report on number portability for mobile networks" (07/99)
- RD103 on the study "Consumer demand for telecommunications services and the implications of the convergence of fixed and mobile networks for the regulatory framework for a liberalised EU market" (07/99)
- RD102 on the European Parliament's amendments to the draft E-Commerce Directive (07/99)
- RD101 on the European Commission's revised proposals for a Directive on Copyright in the Information Society (07/99)
- RD100 on the Ovum study on "Assessment of the situation of interconnection in telecommunications in the European Union and the need to review the ONP Interconnection Directive 97/33/EC" (06/99)
- RD99 on main themes in the 1999 Review of the EU telecommunications regulatory framework (06/99)
- RD98 on DSI Phase III - Key issues for consultation (2) (04/99)
- RD97 on the EC Green Paper on Radio Spectrum Policy (04/99)
- RD96 regarding the ETO second interim report on "Harmonised national conventions for naming and addressing." (03/99)
- RD95 on the work of the UMTS IPR WG on the concept of a UMTS IPR regime (03/99)
- RD94 on "Access networks and regulatory measures" – a final report for DGXIII, November 1998, Ovum (01/99)
- RD93 on the implementation of the WTO Basic Telecommunications Agreement (01/99)
- RD92 on the draft Directive on Certain legal aspects of electronic commerce in the Internal Market (01/99)
- RD91 on the importance of the FS in the bands shared with satellite services related to the agenda of WRC 2000 (01/99)

## ETNO Administrative Committee



Standing, left to right:

*Mr Michel Gony, Honorary Advisor • Mr John Lewis*

Seated, left to right:

*Mr Hans Kraaijenbrink • Mr Luc Perrouin, Chairman*



## ETNO Office Staff



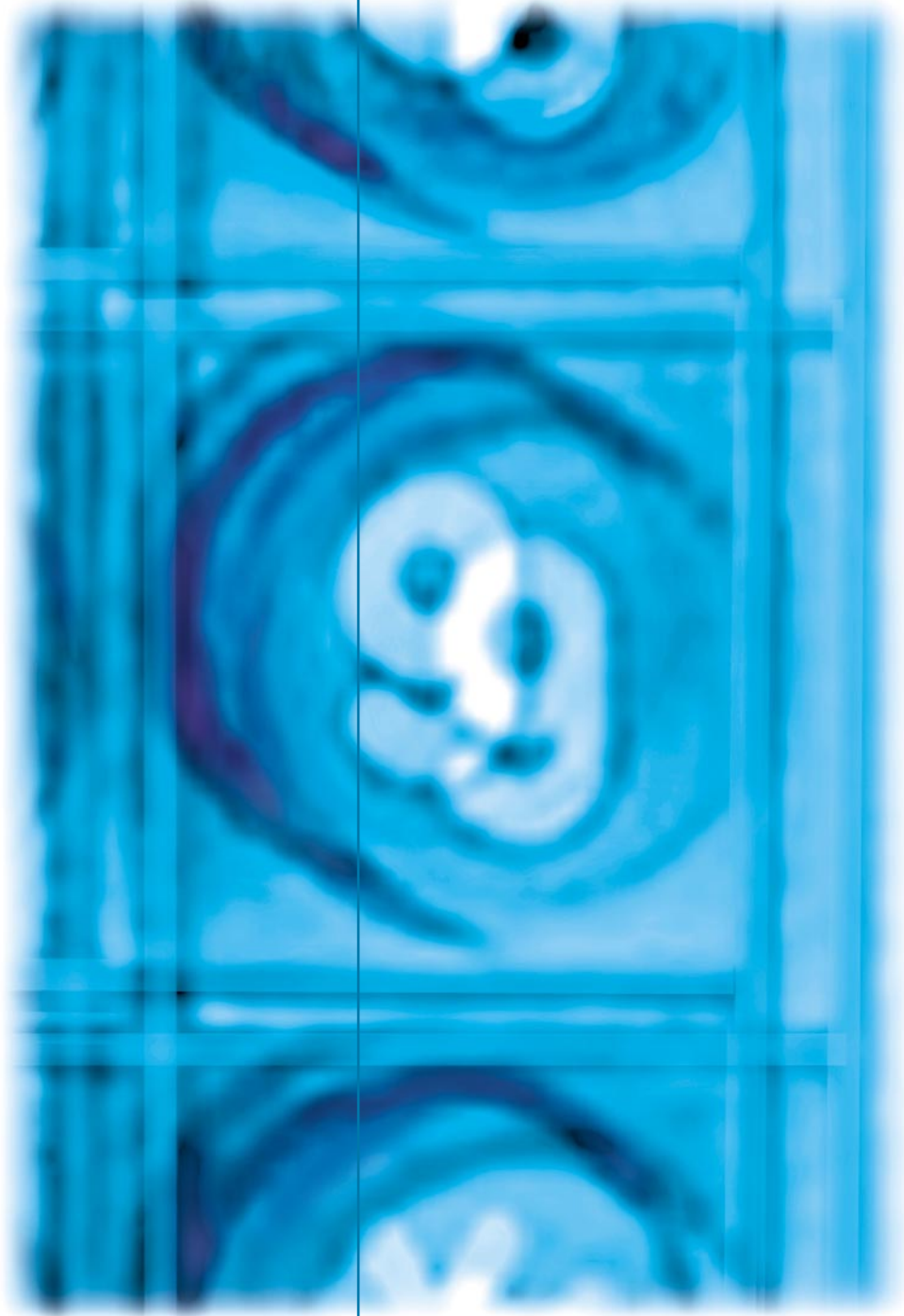
Standing, left to right:

*Ms Eirini Zafeiratou • Mr Neil Gibbs • Ms Anne Vallès*

Seated, left to right:

*Ms Caroline van de Calseyde • Mr Josef Leonard Debecker • Ms Patricia Keery • Ms Fiona Taylor*

photos p. 2, 4, 21, 23, 24 : Serge Anton - photos p. 15, 17 : Bénédicte Maindiaux



**ETNO**

EUROPEAN PUBLIC  
TELECOMMUNICATIONS  
NETWORK  
OPERATORS' ASSOCIATION

Bd Bischoffsheim, 33 - B-1000 Brussels - Belgium  
Tel : + 32 2/ 219 32 42 - Fax : + 32 2/ 219 64 12  
E-mail : etno@etno.be - <http://www.etno.be/>