

Working Party Status Report

E-Commerce and Communications

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## **COMMUNICATIONS COSTS AS A BARRIER TO E-COMMERCE**

The EURIM Electronic Commerce Working Party have asked that the Communications Working Party inputs to the EU 1999 Telecommunications Review cover the need for regulators to give greater priority to addressing UK and EU Communications Costs as a barrier to the growth of electronic commerce.

This is a complex area and there are differences between Corporate members as to the relative importance of the barriers. Raw transmission costs (whether dial up or leased line) are, in any case, only one in a package of causes which have led to most EU Internet traffic (including over 80% of intra-EU Internet-based electronic commerce) to be routed via the United States. Others include the availability of intra-EU bandwidth and the scale of US government procurement support for peering, transfer and transmission facilities.

Regulatory polices are now perceived by many (but not all) members as serious barrier to UK/EU competitiveness. Regulatory regimes (including that in the UK) have not evolved with the technologies in use and the economic and organisational structures of the communications industries. For example basing price regulation for a dominant supplier on the "cost" of a 64kbs line is said to distort price and availability for a whole range of services because a new 64kbs line is actually a 2mbps line stepped down. Another example is the way barriers to bulk discounts and long term contracts are said to distort the ability to invest in new infrastructure.

A majority of those active in the working parties appears to agree on the urgent need to review the objectives of regulation and the measures used to assess the performance of the regulators. The plan is to discuss the draft of a joint Briefing before the summer recess. The recommended objectives for communications regulation are expected to be, in order of priority:

- 1) to stimulate the global competitiveness (local/ international) of UK/EU communications facilities (including price, availability, quality and response to customer needs).
- 2) to stimulate investment in world-class facilities to meet the needs of the whole of society (commercial, industrial, social and geographic) as these grow and evolve over time.
- 3) to provide a framework for the more rapid identification of areas where action is needed to prevent abuse by dominant players.
- 4) to be technology, economically and fiscally neutral (i.e. not based on any implicit or explicit assumptions as to how services will be provided, funded or taxed).
- 5) to ensure open and public debate on proposals for action to achieve other objectives (social, law enforcement etc.).

The overall recommendation is expected to be that the terms of reference of OFTEL in the UK be amended accordingly and that the 1999 Commission review pay more attention to regulatory and economic models other than those of the UK and US (e.g. Canada, Finland and Sweden).