

## **Speech - Dániel Pataki, ERG Chairman**

### **ITRE hearing**

**27 February 2008**

Ladies and Gentlemen,

It is a pleasure to be here and to speak to you about some of the opportunities and challenges facing a key sector of the European economy.

Europe's telecoms market has undergone fundamental change in the last decade. We have seen a spectacular series of mergers and start-ups. Technologies are evolving very rapidly. Today, users enjoy an unprecedented choice of telecoms products and services. Competition is fiercer and consumer prices are lower than ever.

The Framework is a European success story and you, MEPs together with the Commission and the Council, made it happen.

European regulators have also played a crucial role in enabling these changes. At times, they also find themselves having to catch up and bring their instruments in line with ever changing market realities.

The ERG is precisely such a new instrument. As businesses and consumers rightly insist on fully exploiting the benefits of the EU

market, national regulators are forced to look beyond their borders to adequately perform their role.

That is why, for 5 years now, NRAs have worked together in the ERG to respond to transnational opportunities and challenges.

The 2004 enlargement round hasn't made the ERG's job easier – coming from Hungary, I could easily spend the rest of my speech on the impressive transformation our regulatory regime has gone through. The exchange with and guidance from other regulators through the ERG has been crucial for us in Hungary – and I am sure elsewhere.

Today, only a couple of years later, 27 regulators sit around the same table speaking the same language.

That does not mean that we always agree. But we have come a long way. There is no doubt amongst all the regulators that the ERG is more than the sum of its parts. We have a European agenda and will continue to deliver for businesses and consumers. They are our ultimate priority.

When I say that we do not always agree, I am in no way discouraged. Take Hungary as an example. Our telecoms market and our regulatory experience naturally differ from those of some other countries.

As NRAs, what we bring to the table at the ERG is our in-depth market expertise, our own strengths and, at times, our weaknesses. But we also bring a firm commitment to address transnational challenges and work towards common solutions and positions.

I am fully convinced that this is what makes the ERG a success.

Of course, we need to do better. The point is that we will do best if we build upon the ERG's five years of practical experience and the NRAs' decades of experiences in regulating national markets.

Out of that experience we have identified 5 key criteria which any European regulatory system – whatever its institutional form and shape – should fulfill:

1. **Efficient and timely regulatory decision-making** on transnational issues
2. **Consistent regulatory action** among NRAs
3. **Capacity to express an independent view** on regulatory issues at the European level
4. **Political viability**
5. **Political accountability and transparency**, suitable for an organisation embedded in European law.

I believe these 5 principles are fundamental to ensure that we have an effective regulatory and institutional framework for the European telecoms sector. And I will shed some more light on each of these in a minute.

But let me briefly pause to say why I believe it is so crucial that we agree on principles. There is a danger that we get bogged down – here today, and more generally in discussions on the telecoms package - in abstract institutional discussions which are often politically charged and, in the end, remain far removed from what we are actually trying to achieve for operators and consumers on the ground.

In Brussels we often tend to get excited about the differences between “constitutions” and “reform treaties” or similar debates. It’s indeed fascinating stuff! But in the end the real question is what does it mean in practice for citizens and businesses?

So let me briefly share my thoughts with you on the 5 principles I mentioned:

### 1. **Efficient regulatory decision-making**

As transnational issues gain in importance for the work of regulators, we need to have a system in place that ensures fast and efficient regulatory decision-making. The ERG is currently

planning a further round of changes to its internal structure and procedures to adapt to this need. There is consensus that we should make more use of majority voting, for example. As the ERG matures, we also need to equip our organization with the necessary professional support.

These are changes that we are currently working on. In this respect, 2008 will be a milestone for the ERG and we will deliver. Users and the industry demand more efficient regulatory decision-making on cross-border issues and we are taking this extremely seriously.

## **2. Consistent regulatory action**

To ensure consistent regulation on EU-wide issues – whether roaming or mobile termination rates, NRAs will increasingly have to rely on common positions. This means making genuine commitments under the ERG and equipping it to apply effective pressure when necessary.

We are working on proposals to that effect. Monitoring and benchmarking activities and techniques are the ways to best scrutinize and then find the viable solution for better coordination. We have ongoing activities within the Group in both.

### **3. Capacity to express an independent view**

Regulatory independence – both at national level and European level – is vital. So is the preservation of an appropriate balance of powers between the relevant players. While we need to continue strengthening the independence of national regulators, as the Commission proposes, we must not forget that regulatory decisions at European level also need to be taken independently. That means independence of decision taking for regulators, within the framework of law set by the political authorities.

### **4. Political viability**

Whatever the institutional set-up, it needs to be capable of winning support from you, the Parliament, as well as national governments, the Commission, NRAs and industry stakeholders.

This means that this institutional set-up should be embedded in European law. This also means avoiding unnecessary bureaucracy, applying the principles of subsidiarity and proportionality, in line with the demands of the Better Regulation Agenda.

Though we are regulators, our spontaneous instinct at the ERG is not always to regulate! We have to allow market forces to play where they do work. Where they don't work we have to assess the role of competition policy. Within the ERG, there is exceptionally strong agreement on having to tread carefully as regulators. But there is equally strong agreement to act when necessary.

We can do good for the sector and for consumers – but we have to be careful not to do harm. NRAs have established themselves as competent and respected actors vis-à-vis operators and governments. This has to be replicated at European level.

## 5. **Political accountability and transparency**

As a former deputy state secretary myself, I am aware of the need to ensure political accountability for all regulators – whatever the sector. This ensures, ultimately, accountability to our citizens.

Our business has to be at the same time transparent. Without clear visibility, stakeholders and consumers are not able to either contribute or best benefit from what we do on a daily basis.

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Ladies and Gentlemen,

The ERG is still a young organization. But it has already achieved a lot. I am proud to be its Chairman as we move to the next stage of its development. The regulatory system needs to evolve to keep in step with the evolving needs of the European market. *Evolve* is the key word. We need evolution and not revolution.

Which brings me to the Commission's proposal to create a new European Electronic Communications Market Authority, with 130 staff.

I ask the Parliament to consider whether this EECMA meets the criteria I have set out to you today.

I am afraid that the answer is clear. EECMA, as proposed, does not score well in terms of:

- efficiency – it is too heavy and too centralized as an instrument, not well suited to the Better Regulation agenda
- consistency – we don't doubt the Commission's intentions here, but we believe that a more evolutionary approach will work better
- independence – I'm afraid that EECMA shifts the balance of power in a damaging way towards the Commission and creates a regulatory body governed by the Commission and Member States
- political viability – others in the room can judge better than me
- and accountability, we would like to see a strengthened ERG, embedded in European law and with appropriate accountability to Parliament.

Before the Commission published its ideas for the new framework, ERG had already begun to make the changes I have spoken about today.

The opportunity now is to embed a strengthened and accountable ERG in European law, which will build on that achievement, not knock the house down and start again.

The ERG is in a position to think European and act local; and to think local and act European. This is our fundamental strength.

To take one quick example, before I finish.

As I've said we need to take into account any new developments in the sector. One key area for 2008 is spectrum management. This is part of the telecom package the Commission proposed. The ERG has taken upon itself to try to ensure that the different bodies which regulate and oversee this area cooperate with each other. This is why the ERG and the RSPG are holding later today a joint meeting to work together.

It is crucial that we do this, so that we can give the best advice we can to our political masters and to deliver the services our citizens demand.

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Ladies and Gentlemen,

Thank you for inviting me today to share my thoughts on the regulatory system for telecoms in Europe. I look forward to discussing with you my vision and ideas – today and in the coming months.

2008 will be a busy year for me and for the ERG. We want to deliver for European operators and users and make quick progress on implementing what is a very ambitious work program. But we are also committed to being present, proactive and constructive in the debate on the Telecoms Review, which we consider of fundamental importance for the sector.

I look forward to making progress on all fronts.

Thank you.