Telecoms Single Market
Trilogue negotiations – BEUC’s key demands

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Summary of BEUC’s key demands

1: Update the Universal Service Directive
The revision of the Universal Service Directive (USD) should remain within the scope of the Telecoms Single Market Regulation. Based on the European Parliament’s Legislative Resolution of April 2014, the Regulation shall ambitiously revise the USD provisions related to transparency, contract termination and switching in order to update the framework to the digital era.

Article 36 of the European Parliament’s Resolution of April 2014 amending Directive 2002/22/EC should be maintained as it is. Additional suggestions for further improvements included below.

2: Protect Net Neutrality, Protect the Internet
The TSM Regulation must clearly define consumers’ right to enjoy an Internet Access Service that is open and free of discrimination, and protect this right by forbidding discriminatory network management unless it responds to a demonstrable need set out in a specific, well-identified set of exceptions, and is done in a traffic-agnostic manner. All types of traffic-specific discriminations, including discriminations in price (eg: paid prioritisation or zero-rating) should be clearly banned. Clear safeguards shall be put in place to prevent that the development of any “specialised services” happens at the expense or to the detriment of the available network capacity dedicated to the provision of Internet Access Services.

Articles 23 and 24 of the European Parliament’s Resolution of April 2014 should be used as the basis for negotiations, with the improvements outlined further below.

3: It’s time. Roaming must go.
A true Telecoms Single Market will only exist if all consumers can Roam Like at Home. Any limitations to these RLAH plans have to be reduced to a strict minimum, only allowed when there are unavoidable additional operating costs for operators, and used solely as a temporary measure while the market adapts to the new roaming-free reality. In order to ensure the sustainability of a roaming-free Europe and to avoid distortion of competition or undesired waterbed effects, wholesale caps shall be reduced as a matter of priority.

Article 37 of the European Parliament’s Resolution of April 2014 amending Regulation (EU) No 531/2012 should be maintained as it is and complemented with additional measures to adapt wholesale markets to the new RLAH-based reality.
Introduction

The European Union has a unique opportunity to build the grounds for a real Telecoms Single Market\(^1\) conceived and tailored for the development of its digital economy and society, where the rights and freedoms of citizens, consumers and SMEs are thoroughly protected. Without a real Telecoms Single Market (TSM) as a founding pillar, the envisaged Digital Single Market will not flourish.

The European Commission’s proposed Regulation failed to satisfactorily address the necessary measures needed to empower consumers in the digital era, safeguard the openness and neutrality of the Internet in Europe, and eliminate roaming fees once and for all. The proposal contained significant flaws and potential loopholes.

The European Parliament’s Legislative Resolution, adopted on 3 April 2014\(^2\), significantly improved the original proposal in all three areas. Nonetheless, there are important unresolved issues in the European Parliament’s Resolution that need to be tackled for the end result to be truly positive for European consumers.

Unfortunately, based on the latest publicly available texts published by the Council\(^3\), the national governments fail to have the necessary ambition to adequately protect the consumer interest in the two areas they address (roaming and the open Internet), and incomprehensibly leave out a fundamental pillar: the revision of the Universal Service Directive.

BEUC therefore urges the co-legislators to produce a final Telecoms Single Market Regulation that is ambitious in its goals and legally unequivocal in its content, thus resolving the important flaws this paper highlights.

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1. The Universal Service Directive needs an urgent revision

The regulation on the Telecoms Single Market offers a unique and timely opportunity to revise the Universal Service Directive that should not be missed. We call on the co-legislators to ensure that the update to the USD remains within the scope of TSM and, based on the Parliament’s Resolution of April 2014, ambitiously revises the USD as described below.

Using the adequate instrument

The nature of the instrument is a very important factor to consider because a Regulation is directly applicable in all Member States to citizens and organisations and entails maximum harmonisation of its provisions. While establishing a common set of rules ensures predictability and could help foster consumer trust, fully harmonising certain consumer rights could lead in time to their fossilisation. In particular in the fast evolving telecoms sector, Member States and National Regulatory Authorities (NRAs) must always have the capacity to react swiftly when new abuses arise.

Many of the consumer protection issues which are part of the proposed Regulation are regulated within the Universal Service Directive (USD)\(^4\), a legal instrument already transposed to national law in Member States. Issues such as contract information, contract termination, consumption control, switching and portability should only be addressed as part of the existing framework, and thus not arbitrarily removed from the USD and fully harmonised within a Regulation as the Commission had proposed.

The European Parliament correctly addressed this issue exactly in the aforementioned manner and it was promising to see that the Council had initially agreed with this approach\(^5\). Inexplicably, the revision of the USD fell off the work plan of the Council and is not part of the agreed mandate for trilogue negotiations.

In addition, we welcomed the fact that the European Parliament put clear minimum harmonisation clauses into 3 articles of the USD and we call on the co-legislators to include minimum harmonisation clauses in all articles of the chapter on consumer rights: articles 20, 20a, 21, 21a, 26 and 30 of the USD as amended by the EP Resolution.

Positive developments in the European Parliament’s Resolution

The European Parliament’s Resolution correctly identifies and adequately addresses a series of measures that enhance consumer protection. The following is a list of the positive measures contained in the EP’s Resolution amending the USD and which must be kept in the final version of the TSM Regulation:

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1) Article 20 USD (contractual information)

a. Carries a specific minimum harmonisation clause.

b. Updates the requirements of the USD, with positive improvements such as information for consumers to use their own equipment, and information on unlocking equipment.

c. If the contracted service includes access to the Internet, a whole list of new contractual information obligations is included, with an improved obligation on Internet speeds, both minimum and normally available (fix: main location of the end-user, mobile: Member State of residence).

d. BEREC to issue guidelines on the establishment of standard contractual information templates.

e. Clear information on any network management that is in place and how it affects the Internet access. The same applies for data caps and speed limitations.

2) Article 20a USD (contract duration and termination)

a. Carries a specific minimum harmonisation clause.

b. The maximum contract duration is still 24 months, with an obligation to provide 12 months contracts. This is still the same as in the current USD and should be improved, see below section on Arbitrary Penalty Fees (APF) for more information.

c. Now includes specific link to CRD for distance / off-premises contracts.

d. Right to terminate contract in case of unilateral change of terms and conditions unless exclusively to the benefit of the end-user. The exception “unless exclusively to the benefit of the end-user” is problematic as explained further below.

e. When consumers subscribe to additional services, the contract of the original service can only re-start if the new one is offered at a promotional price on the condition that the original one is re-started.

3) Article 21 USD (pre-contractual information, Price Comparison Tools)

a. Member States shall have the power to oblige operators to supply the necessary information for Price Comparison Tools (PCTs) to run, and can decide on the precise form of the publication.

b. National Regulatory Authorities must ensure (in 2009 it was only encourage) that consumers have access to independent PCTs.
c. NRAs shall establish voluntary certification schemes for PCTs.

d. Similar information requirements as Article 20, plus additional requirements where the service is an Internet access. On speeds, similar requirements except for the reference location: Member State of residence of the consumer for both fix and mobile.

e. BEREC to issue guidelines on the methodology to calculate speeds and Quality of Service (QoS), average Vs advertised speeds, quality as perceived by users, methods for measuring speeds over time, content form and manner of the information to be published, including possible quality certification mechanisms.

4) Article 21a USD (control of consumption)

a. Consumers have the right to access information on their consumption free of charge (pre and post-paid services).

b. Consumers have the ability to set a predefined financial cap on their usage, and request to be notified with a predefined proportion of it has been reached (only post-paid).

c. Bills must be itemised and on a durable medium.

d. BEREC to issue guidelines on how these consumption control measures.

e. In any case, once financial limits are reached, consumers shall always be able to receive calls and SMS messages and access free-phone numbers and emergency services.

5) Article 30 USD (switching and portability)

a. New principle that winning provider leads the switching and porting process. This measure is very important to facilitate and foster switching across many markets in the EU.

b. BEREC to issue guidelines on responsibilities of each provider, information to be provided to consumers, timely termination of existing contracts, refunding of pre-paid credit, and effective e-mail forwarding services.

c. In case of bundled services, these provisions apply to all the services, even if they are not a telecoms service.

6) Article 34 USD (Out of court dispute resolution)

a. Now applicable for cross-border cases.

More still needed to enhance consumer protection and eliminate switching barriers
There are still a number of very important consumer issues which have either not been addressed at all in the European Parliament’s Resolution or which have been done so in an inadequate manner.

1) **Arbitrary Penalty Fees (APF)** are inserted in contracts with the explicit objective of deterring consumers from switching operator before the contract comes to an end. While these penalties may give operators some predictability, in order to allow consumers to truly vote with their feet they need to be limited as much as possible and never be the default practice.

Therefore, Arbitrary Penalty Fees should **only be allowed when there is a specific, measurable economic advantage** for the consumer associated to the contract, such as when a contract comes with expensive equipment subsidised at a lower price or even free of charge. In such cases, the fees should only be applicable within a maximum of six months and always be correlated to the economic advantage that consumers are getting. No penalty fees should be allowed beyond the first six months of the life of the contract, and no penalties whatsoever should be allowed in cases where there is no economic advantage for the consumer.

In the particular case of **subsidised equipment**, companies normally attach **compensation plans** to recover the value of the equipment if the consumer terminates the contract before it has been fully paid. These compensation plans need to be based on customary depreciation methods and proportionate to the duration of the contract and the time elapsed, while reflecting the real market value of the equipment. National Regulatory Authorities should clarify and standardise the methodologies used to calculate these compensations.

Ideally, contracts should separate the reimbursement or compensation plan for the subsidised equipment from the price of the service. If consumers decide to terminate the service contract, it will be legally clearer what remains outstanding and has therefore still to be paid. Consumers should pay whichever amount is less: either the compensation plan for the subsidised equipment or the service until the end of the contract, but never both as it is sometimes the case.

**The European Commission’s proposal (Article 28.2)** addressed this issue. On the basis of this proposal, the co-legislators should address the issue of Arbitrary Penalty Fees and strictly limit them according to the principles highlighted above.

2) **When the contracted service quality levels are not met**, the contract must make explicit reference to the statutory rights of the end-user, including the **right to terminate the contract** free of charge, including any compensation due for an economic advantage received at the beginning of the contract.

Where there are discrepancies between the actual performance regarding quality parameters (including data speed) and the performance to which the operator is contractually bound, this should amount to **non-conformity of performance** and entitle consumers to exercise their rights. It must be clearly specified that consumers are entitled to terminate the contract without cost, including any due compensation. The legislation foresees that
the discrepancies are to be “significant and non-temporary”. These terms must be clearly defined so as to facilitate the enforcement of this provision.

Unfortunately, the relevant provisions (article 20a.5 in the European Parliament Resolution, Articles 26.1.f and 28.5 in the Commission’s proposal) do not specifically recognise consumers’ right to terminate the contract when quality levels are not met.

3) For unilateral changes to the terms and conditions, it is unacceptable that consumers’ right to terminate the contract carries an exception in case “the changes are exclusively to the benefit of the end-user”. This exception is unclear and allows operators to determine what they consider to be the consumer’s benefit. Therefore, it should not be allowed.

If there are unilateral changes to the terms and conditions regarding essential elements of the contract (e.g. price, duration or service quality) the consumer must be able to terminate the contract without any cost whatsoever, including any due compensation for any economic advantage he or she might have received at the beginning of the contract. In these cases, the consumer agreed to a product or offer with certain characteristics which no longer exist. If the changes are truly to the benefit of consumers, it is unlikely they will want to refuse them.

The exception “(...) unless the proposed changes are exclusively to the benefit of the end-user” (article 20a.4 in the Parliament’s Resolution, article 28.4 in the Commission’s proposal) should be deleted, as it is superfluous and potentially counterproductive for consumers.
2. Net Neutrality legislation is urgently needed

Developments in European telecoms markets are increasingly threatening the neutrality and openness of the Internet. These developments include changing economic flows and increased concentration of power among the telecoms operators who provide access to the Internet. The industry is continually coming up with ways to extract rents without necessarily offering new added value. In particular, they are looking for ways in which to generate two sources of revenue for the same service (delivery of on-request content): from the end-user’s subscription and from the provider of the content itself.

Additionally, the Internet access industry is coming up with new ways to become or strengthen their position as gatekeepers of content and services by adopting discriminatory pricing strategies with practices such as paid prioritisation or zero-rating of content. These practices should be clearly banned.

If the principles of openness and neutrality are not urgently protected against unintended consequences of these developments, they may put the future of the internet as we know it at risk. Allowing deviations from these principles will certainly affect the internet’s innovative character, the economic growth opportunities it offers and the enhanced access to knowledge and freedom of speech it allows citizens to enjoy.

In the public debate, many myths have been created around the idea of regulating the principle of net neutrality. It is thus crucial to look into those claims and analyse whether they are fact-based and stand a minimum logical analysis. In particular it is important to remember that:

- This legislative initiative is not regulating the Internet, but rather regulating services that gives access to the internet, precisely to help ensure that the internet can remain open and free of discrimination.

- Within the online ecosystem, there are multiple activities that can have anti-competitive effects and might require regulatory intervention as they could be detrimental to innovation and consumers. These are certainly important issues that must be analysed, but which cannot and should not be tackled via this Regulation.

- Net neutrality rules will not impede the development of separate, enhanced quality services. Businesses have been and will continue to be free to build additional infrastructure and capacity to offer them.

The European Parliament’s Resolution should be used as the basis for the new text

The European Commission’s proposed approach on net neutrality is unacceptable as it does not adequately ensure consumers’ right to access the open internet and includes a significant amount of loopholes which risk opening the door to exactly the opposite of what is theoretically intended.
The latest publicly available Council Presidency consolidated text\(^6\) is unacceptably unambitious. While it follows a principles-based approach, it fails to strongly secure sufficiently clear provisions that respond to the policy goals that should be achieved into the legislative text.

While the Parliament’s Industry, Research and Energy (ITRE) Committee improved these issues, it was not enough. Together with other stakeholders, **BEUC sent a joint statement**\(^7\) to Parliament in early April 2014, describing why the changes adopted in Plenary were important and much necessary. The European Parliament’s Resolution more accurately responds to the policy goals that are to be achieved, but the final text still left important issues such as price discrimination unaddressed.

Whether the final text follows a detailed regulatory or a principles-based approach, it is of **utmost importance that the text respects the following considerations on the basis of the highlighted articles:**

1. **Article 23.1 of the EP Resolution:** Access an open and neutral Internet should be clearly codified as a **right for end-users**, not a freedom.

   This **right shall entail connectivity to all end points of the Internet.** Any limitations to this reachability must be out of the control of the access provider and thus never purposely imposed by the provider onto its customers.

   Providers of Internet Access Services should still be able to differentiate their products, compete amongst themselves and be innovative, always in respect of net neutrality legislation. In particular, if the Regulation is to specify that providers are free to agree with end-users on the characteristics of the Internet Access Service, like the Council does, then it should clearly specify that **product differentiation shall be limited to price, data volume and data speed.**

2. **Article 23.5 of the EP Resolution:** The right for end-users will be meaningless if it does not carry accompanying measures to ensure operators respect that right. Therefore there must be a **clearly-defined and enforceable general prohibition on discrimination between different types of traffic, content or online services.**

   The default prohibition to manage traffic in a discriminatory way **shall apply to all Internet traffic,** whether it is part of a data cap or not, or delivered via any fix or mobile technology. As long as it is traffic from the Internet, it shall not be discriminated against in any manner, regardless of what has been agreed contractually.

   Article 23.5 in the European Commission’s proposal would oblige telecoms operators to comply with the non-discrimination obligation **within** contractually-agreed data caps, but would allow them to manage traffic for their own commercial interests beyond that cap, which is unacceptable and contrary to the policy objective of protecting the net neutrality principle.

**Exceptions** to this general prohibition can be foreseen, but they shall always remain traffic-agnostic, limited to what is strictly necessary and be clearly identified and listed in the regulatory instrument. Mechanisms to update this list should be foreseen.

Complying with a court order, preserving the security of the network or mitigating the effects of unplanned, exceptional network congestion are examples of exceptions that can be allowed, so long as the network management that is undertaken in these cases remains agnostic. Any network management shall be in full compliance with data protection legislation, and only entail the processing of technical data that is strictly necessary for the effectiveness of the management measure.

3. **Article 23.2 of the EP Resolution**: The development of so-called *specialised services* can never happen to the detriment or as substitutes of Internet Access Services. The nature of these special services themselves require the presence of discriminatory practices in favour of one and against another services, so in order to be compliant with the neutrality policy objective they have to be built as something truly distinct.

Therefore, *specialised services must be truly differentiated* from Internet Access Services (IAS). There is nothing impeding telecommunications providers and other businesses and organisations to come to commercial deals for the development of dedicated, high-quality connectivity products. Net neutrality legislation shall not impede that either. Yet it is of utmost importance that clear safeguards are put in place to prevent and immediately correct any undue impact that any non-IAS service may have on IAS and the best efforts Internet.

However, BEUC does not consider that defining and regulating a heterogeneous array of services under a vague concept of “specialised services” is strictly necessary for the Regulation to achieve its policy objectives. Provided strong safeguards and guarantees related to Internet Access Services are developed, this might be sufficient for NRAs to get a clear mandate to enforce the rules.

Importantly, just as the recently proposed rules by the United States Federal Communications Commission, the **net neutrality instrument shall be applicable to all layers of the internet in Europe, from the last mile to the interconnection layer.** This should prevent vertically integrated operators from taking Internet content and services and selling it separately at a premium rate from the outset.

**Furthermore, Article 19 of the Commission’s proposal on Assured-Service Quality (ASQ)** connectivity products is yet another path the industry could misuse to charge content providers for the delivery of their content and significantly impact the value-chain of the best efforts internet. Allowing the emergence of these type of products to provide internet content would be a de facto legalisation of a product designed to circumvent net neutrality rules. **The article should therefore be deleted from the final text, as done in the EP Resolution.**

4. **Important unaddressed issue**: All price discriminations that involve discriminatory network management, including paid prioritization and
zero-rating of content, must be clearly banned by the Regulation. If the co-legislators fail to address this issue, the telecoms industry will succeed in becoming gatekeepers of online content and services, acquiring the possibility to pick winners and losers online, as correctly identified by the inventor of the World Wide Web, Sir Tim Berners Lee. In addition, the Regulation should never undermine the rights acquired by consumers in countries where price discrimination is forbidden such as The Netherlands and Slovenia.

3. Roaming must be a thing of the past for all consumers

A real Single Market will not see the light of day as long as roaming charges continue to exist. In order for consumers to reap the benefits of a fully integrated Telecoms Single Market, they need to not only be able to use their services at home without caring about borders, but importantly they want and need to be able to continue using their services no matter where they are within the European Union.

The European Parliament’s Resolution should be used as the basis for the new text

The market mechanism in the European Commission’s proposal intending to create market incentives which should theoretically push operators to agree among themselves and offer Rome Like at Home (RLAH) packages to consumers is entirely unacceptable. The market mechanism does not offer a real end to roaming surcharges for all consumers, and due to its complexity, consumers will not necessarily understand it.

The approach agreed on by the Council is unacceptably unambitious. Not only does it fail to introduce RLAH for all consumers, it also creates important risks for competition levels across Europe. While reducing retail caps to the level of wholesale caps is undoubtedly a significant reduction in regulated tariffs for consumers, it is a measure that will strangle the smaller operators that cannot internalise wholesale costs and will distort competition both nationally and across borders.

Instead, BEUC supports the European Parliament’s approach (article 37 in the EP Resolution), where a clear cut-off date is set, date as of which roaming retail caps are no longer allowed. Regarding the specific date, BEUC agrees with the Parliament’s suggestion of December 2015. If this date is to be modified, it should only happen due to legal procedural reasons and not as a trade-off with the industry against other commitments.

Constructing a sustainable Roam Like at Home-based roaming market

In order for the concept of roaming to fully disappear in theory and in practice, Roam Like at Home (RLAH) must be the reality for all roaming offers for all operators across the EU. Consumers should therefore be able to replicate their domestic consumption while abroad, enjoying the same package, exactly as if they were home.

The abolition of retail roaming charges will have a certain degree of impact on operators’ revenues. Though they do not represent a significant portion of current turnover (some figures put it at 8% of total annual turnover, at most), the abolition of retail roaming charges will have a bigger impact on the smaller, less resourceful operators. In particular, it will impact those operators which do not have their own network (Mobile Virtual Network Operators or MVNOs) and are therefore obliged to rent access to another provider’s network.

In order not to strangle smaller, challenging competitors and push them out of the market, it is important that wholesale caps are reduced ideally at the same time as RLAH is introduced, and if not as soon as possible. A detailed analysis of the real costs that network operators incur when offering wholesale roaming
access should be carried out and wholesale roaming caps should be set around these costs, ensuring they are always cost-reflective and fair.

Furthermore, the adoption of a general RLAH rule should not entail increases in domestic prices. National Regulatory Authorities should be tasked to closely monitor any potential ‘waterbed effect’ the abolition of roaming might create. Operators often denounce the amount of revenue they will theoretically stop receiving with the end of roaming. Yet it is crucially important to understand that the disappearance of roaming will increase the use of telecoms services abroad, generate more demand and therefore more revenue for operators. According to estimates by the European Commission, this increased demand could mean up to 300 million new roaming customers.9

Strictly and clearly regulating any exceptions to the general RLAH rule

Where there are unavoidable and significant additional operating costs for providers offering roaming services, some limitation to the use of mobile services while roaming may be inserted and clearly disclosed to consumers according to “Fair Use Policies” (FUPs).

The criteria to use such clauses shall be developed by BEREC in coordination with all NRAs, must always be cost-reflective and strictly linked to the proven existence of these costs. In the absence of such additional costs, no limitation on the use of roaming services should exist other than what is already part of the domestic package in the contract. Where limitations are used, they shall always be based on criteria that relate to consumers’ own individual consumption patterns, and therefore never to national averages or similar alternatives.

It would be completely unacceptable if abuses of such “fair use” clauses arise in such a way that impedes consumers from “confidently replicating their consumption patterns as if they were at home”. If policy-makers fail to correctly regulate these “fair use” clauses, Europe risks failing to eradicate roaming surcharges, substituting them instead for “fair use surcharges”: the same barrier with a different name.

In any case, the use of FUPs to limit RLAH must only be a temporary measure to allow for the market to make its transition to a fully RLAH-based market. FUPs or any other type of limitation to RLAH plans should disappear entirely once wholesale caps have been reduced.

In addition, safeguard provisions to avoid ‘bill shocks’ and control consumption should also be applicable to roaming outside the EU and to all services - not only for data, but also calls and SMS. Furthermore, the data roaming safeguard limit should be applicable for all tariffs and packages - post-paid as well as pre-paid.

4. Additional considerations

A Telecoms Single Market means no discrimination across borders

Article 21 of the Commission’s proposal correctly tackles the issue of cross-border services (intra-EU international calls and SMS, for example) and the importance of forbidding any discrimination based on nationality or place of residence. For a real Single Market to see the light of day, consumers need to be able to communicate with one another without having to worry about what other Member State his or her counterpart might be in. These cross-border communications should happen at prices that are comparable to national levels.

The framework review must include key consumer protection goals as identified by the EP Resolution

Article 39 of the EP Resolution correctly identifies several important goals that must be guide the upcoming electronic communications framework review the EP Resolution. In particular:

- Ensuring a high degree of consumer protection and more informed consumer choice thorough increased transparency and access to clear and comprehensive information, including on data delivery and mobile network coverage.
- Ensuring that users of digital services are able to control their digital life and data by removing obstacles to switching operating systems without losing their applications data.
- Further promoting effective and sustainable competition.

Article 39 of the EP resolution also includes important elements that must be part of the framework review, in particular:

- The universal service obligation and the importance of including the need for an additional obligation offer broadband Internet access at a fair price.
- The impact of the Internet having become a crucial infrastructure for conducting a wide array of economic and social activities.

The Regulation must enter into force as soon as possible, and without selective delays

Article 40 of the EP Resolution is the preferred approach as it mandates that all chapters of the Resolution enter into force at once. Unacceptably, the Commission proposal had proposed to delay by two years the entry into force of the consumer protection provisions, while the rest of the Regulation would be effective immediately.

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