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TELECOMS

Annual Report 2001

etno

EUROPEAN TELECOMMUNICATIONS
NETWORK OPERATORS' ASSOCIATION

CONTENTS

Message from the 2002 General Assembly Chair Guntars Jansons

Holding the General Assembly chairmanship this year is a real pleasure and a challenge at the same time. Among other tasks for Lattelekom SIA, it means hosting ETNO's two assemblies in Latvia.

In June ETNO will celebrate its 10th anniversary and thus find itself at the threshold of a second decade of operation. Therefore, this year is the appropriate time for ETNO to evaluate its experiences so far, draw conclusions and highlight priorities to adapt and further strengthen the Association's development in tandem with a rapidly changing environment.

I am pleased to note that the recent improvements ETNO undertook in 2001 are a step towards increasing and strengthening its role in promoting the interests of its members and voicing the needs of industry as a whole.

The efforts and achievements made so far have been remarkable and they enforce our belief that the road we have taken will lead us in the right direction.

The Association has intensified its collaboration with the European institutions, organisations and other actors involved in the development of the European market. Many of the position papers produced by ETNO's working groups have been taken into account by Europe's decision-makers. The organisation now has a user-friendlier Web page and has boosted its name and contacts with the mass media. Finally, our Association's internal reform, based on the recent conclusions of its Review Task Force, should lead to even more fruitful results.

ETNO's prominent role as a forum for sharing experiences and exchanging information among its members can only increase, particularly in view of its decision to extend membership to those who invest in electronic communications networks in Europe. Indeed, the EU's forthcoming enlargement calls for close collaboration between ETNO's West European member companies and those from accession countries.

But it falls to each and every ETNO member to ensure the development of an efficient and fair regulatory regime, while enhancing competition in the European communications market. Only a stable and predictable marketplace will encourage operators to invest in developing the European Information Society.

In the end, I would like to express my gratitude to the work done by the ETNO office, its Executive Board and Director. And I look forward to a continuation of the great teamwork we've had to date, as we all tackle the goals set forth in ETNO's work programme for 2002.

Guntars Jansons

Message from the Executive Board Chair Dorothy Smith

As a few examples will illustrate, reciprocal links between the telecoms industry and the public policy sphere have never been closer.

Governments across Europe are currently sitting on the proceeds of one of the biggest resource transfers in fiscal history. The telecoms industry, which provided these funds in the form of 3G licence payments, is still adjusting to the consequences.

The same governments have now placed mass deployment of broadband access technologies at the centre of their strategies to boost competitiveness, growth and employment. The e-Europe initiative, endorsed by EU leaders, is a primary example.

And after the terrible events of 11 September 2001, the authorities tasked to find those responsible were quick to turn to network operators with requirements for interception and storage of customer information.

Against such a background, it is vitally important for Europe's telecoms firms to speak with a strong common voice. When company concerns are well articulated, there is a better chance that policy frameworks will take industrial realities properly into account. This in turn can help telecoms operators to play an effective role as good corporate citizens. On the other hand, poorly conceived regulation can easily damage both the telecoms industry and the interests of society as whole.

ETNO is well-placed to confront this challenge. It has mechanisms in place to guarantee that the organisation's positions represent a genuine consensus of members' views. And it has hard-working and competent staff available to broker compromises and to ensure that collective viewpoints are effectively presented. The activities reported in these pages provide many examples of the Association's potential to add value to the individual efforts of its members.

However, it is important to avoid complacency. We are operating in a rapidly changing environment and our Association must be sufficiently flexible and innovative to adapt to the ever-changing needs of its members. With due attention to this requirement, I am confident that ETNO can further develop its reputation as a key interlocutor of policy makers in European and global institutions.

Dorothy Smith

ORGANISATION CHART 2002

General Assembly

Chair
Mr. Guntars Jansons – Lattelekom

Vice-Chair
Mr. Anthony de Bono – Maltacom

Executive Board

Chair
Ms. Dorothy Smith – BT

Belgacom	Mr. Paul Maertens
Cesky Telecom	Mr. Jindrich Trpisovsky
Deutsche Telekom	Mr. Andreas Tegge
Eircom	Mr. Pat Galvin
France Telecom	Mr. Michel Huet
Koninklijke KPN	Mr. Hans Kraaijenbrink
Portugal Telecom	Mr. Francisco da Silva
Swisscom	Mr. Thomas Müller
Telefonica	Mr. Manuel Avendaño
Telia	Mr. Johan Martin-Löf

Administrative Committee

Chair
Koninklijke KPN   Mr. Hans Kraaijenbrink

Members
Deutsche Telekom   Mr. Dietmar Schulz
France Telecom   Mr. Michel Huet

ETNO Office

Director
Mr. Michael Bartholomew

Executive Manager, Operations	Mr. Josef Leonard Debecker
Press & Communications Officer	Mr. Brooks Tigner
Senior Adviser, External Relations	Ms. Fiona Taylor
Legal & Public Affairs Adviser	Ms. Eirini Zafeiratou
Executive Assistant to the Director	Ms. Anne Vallès-Meunier
Assistant, Internal Relations	Ms. Isabelle Claeys
Secretary	Ms. Jenny Walker

ETNO MEMBERS AS OF 31 DECEMBER 2001:

Belgacom
BT (British Telecom)
Bulgarian Telecommunications Company - BTC
Cesky Telecom
Community of Yugoslav PTT
Croatian Telecom
Cyprus Telecommunications Authority
Deutsche Telekom
Entreprise des Postes et Télécommunications Luxembourg
Elisa Communications Corporation
Eircom
Estonian Telephone
Finnet Group
France Telecom
Iceland Telecom
Infostrada
Koninklijke KPN
Lattelekom
Makedonski telekomunikacii.
Maltacom
Matav Hungarian Telecommunications Company
Netia Holdings
OTE
Portugal Telecom
PTT Bosnia and Herzegovina
Retevision
Rom Telecom
Slovak Telecom
Societatea Nationala de Radiocomunicatii (SNR)
Swisscom
TDC
Tele 2
Telecom Italia
Telefonica
Telekom Austria
Telekom Slovenije
Telekommunikacja Polska
Telenor
Telenordia
Telia
Türk Telekomünikasyon
Viatel UK

HIGHLIGHTS OF THE YEAR

EU TELECOMS PACKAGE DRAWS TO AN END

ETNO appealed to EU's Swedish and Belgian Presidencies to avoid over-regulation of the telecoms sector in order to revive the flagging e-Europe objectives. MEPs and national officials were targeted throughout the year with the message that industry needs a light and predictable regulatory framework across the single market.

As the EU's Communications Review package approached its final legislative stage, ETNO organised a meeting on 19 October with Belgian Telecoms Minister Rik Daems, who chaired the Telecoms Council during Belgium's Presidency. The meeting was attended by high-level representatives from many member companies.

Prior to its meeting with the minister, ETNO organised a dinner on 18 October with high-level Commission officials in charge of the telecoms package. The well-attended event provided a timely opportunity to explore in detail ETNO's concerns about the telecoms package.

ETNO reiterated to Mr. Daems that European operators must be able to compete on equal terms across Europe and stressed the importance of stimulating investment by avoiding over-regulation and by the need to roll-back sector-specific regulation. ETNO companies also insisted on the importance of giving the European Commission veto powers over decisions by national regulatory authorities to assure a harmonised marketplace for telecoms.

In line with ETNO's recommendations, member states agree that the definition of significant market power will be based on competition-law principles and that the Commission will be granted specific veto powers over national regulatory decisions.

ETNO SCORES VICTORY ON VAT & ELECTRONIC INVOICING

As 2001 drew to a close, the EU's 15 member states adopted a directive to harmonise invoicing rules regarding value-added taxes (VAT). Thanks to ETNO's vigorous dialogue with policymakers in Brussels and its steady flow of position papers to key officials, the final draft proposal largely reflected the needs of industry.

Starting with a position paper early in the year, ETNO strongly lobbied for pan-EU e-invoicing, but warned against unwieldy rules such as advanced electronic signatures. Though the directive's final rules on invoicing procedures were not as simple as industry hoped, ETNO gained its objective elsewhere in ensuring that secure electronic invoicing is possible across the EU.

SENIOR ETNO EXECUTIVES DEBATE LLU IMPLICATIONS

The EU's local loop unbundling (LLU) regulation entered force in January, prompting ETNO at mid-year to structure its fifth Senior Executive Conference around the law's implementation and impact on Europe's e-communications industry.

Held in Milan on 7-8 June, the executives confirmed their support for the measure but were skeptical about its presumed efficacy. In its press release ETNO warned against exaggerated expectations regarding LLU's impact in view of the complex technical, economic and social factors (i.e., cost of PCs, varying computer literacy rates, etc.) at play from one market to the next.

ETNO's consistent message to the outside world—that local loop unbundling is not a "magic wand" to instantly expand Internet penetration in Europe—had it's effect by year-end, as certain policymakers began to question the long-term viability of this approach.

3G CEOS TO LIIKANEN: "WE NEED REGULATORY PREDICTABILITY"

In April ETNO organised a first-ever meeting between 23 leaders of Europe's major mobile companies and EU Information Society Commissioner Erkki Liikanen to discuss the introduction of third generation (3G) mobile telecommunications. ETNO sponsored the meeting to emphasise the chaotic and expensive impact of 3G auctions and beauty contests that cost the industry some 165 billion euros.

The message from senior executives was frank and direct: European operators support development of 3G but warned that a hands-off regulatory approach was needed. They said incentives for further investment and development of new services should be market-driven and saw no need for a specific regulatory framework beyond competition law.

After the meeting, the companies sent a strong letter drafted by ETNO to all telecoms ministers meeting in Luxembourg, expressing serious concerns about attempts to regulate the mobile industry and new emerging technologies. As a result, the letter was published by many newspapers and wires services across Europe and elsewhere.

MOBILE TELEPHONY & HEALTH: INFORMING THE PUBLIC

With rising public inquiries about the health aspects of mobile phones, ETNO was very active throughout 2001 to furnish policymakers and the public with facts on the subject based on scientific evidence.

Aside from working closely with mobile operators and manufacturers groups on technical issues, ETNO stepped up cooperation with EU and scientific authorities to ensure the flow of objective health and environmental information to the public. For instance, it formed a communications task force early in 2001 to provide information about wireless technologies. In July it joined discussions on electromagnetic fields held by the European Parliament's Industry Committee. In September it joined the European Commission's COST 281 health and research action as an observer.

And ETNO will keep the facts flowing with an eye to 2004 when the EU is expected to begin reviewing the EMF situation in each member state.

TIGHTENING THE SCREWS ON E-FRAUD

As e-communications send deeper roots into society and the global economy, combating fraud grows evermore urgent. ETNO's working group on fraud control launched initiatives throughout 2001 in all directions, ranging from closer analysis of intrusion detection to risk-management to assessment of weaknesses in PABX technology.

In July, for instance, it organised a fraud workshop in Crete with more than 60 participants. The working group also put together a pan-European survey of national legal systems about telecommunications fraud, followed by an analysis of the penalties in each country and the legal limits on operator-led investigations.

A best-practices model developed during the year by ETNO member companies' anti-fraud experts will help the industry implement tighter network security procedures and better evaluate losses due to telecom fraud.

Combating **cyber-crime** grows in importance in Europe throughout 2001. The Association liaises closely with the Council of Europe, Europol and European Commission, providing in-put to latter's June communication on computer-related crime. ETNO participates in the EU's newly created Cyber-crime Forum where ETNO's Director delivers keynote speech to its plenary in November.

Working closely with the European Commission, ETNO provides steady stream of expertise in 2001 to shape the **new WTO/GATS round**, before and after its formal launch in Doha in November. In addition to several position papers, ETNO draws up a list identifying market-access barriers in selected WTO countries.

The **Global e-Sustainability Initiative** (GeSI) is launched in June in Torino, with ETNO and four member companies among the founding signatories. Supported by the ITU and UN Environment Programme, GeSI draws together services providers and suppliers in information and communications technology to support sustainable economic development.

ETNO sponsors high-level cocktail in March at occasion of the **EU/Mercosur dialogue** between European and South American regulatory authorities. Mercosur officials express interest in having European private-sector representatives participate in their home-based meetings.

ETNO organises meetings throughout the year with key Commission and European Parliament officials to help shape EU's 6th **multi-year research programme** to fit telecom industry's needs. The Association forwards two position papers outlining these needs to the Commission. Result: the programme gives high priority to Europe's ICT sector.

The International Telecommunications Union's policies and self-reform are a major focus of ETNO's work during the year. At a critical **ITU forum** in March in Geneva on Internet Protocol telephony, ETNO coordinates closely and successfully with European Commission officials to keep the forum's IP conclusions based on open markets and competition.

ETNO members assemble new guidelines in 2001 to promote best practices for environmentally-responsible management of operations such as eco-rating of equipment and "green" procurement. The Association prepares to broaden the 25 signatories to its unique **Environmental Charter** to include non-ETNO operators.

Keeping up the pressure for flexibility in operational long-term planning, ETNO publishes a position paper in April favouring an **IP address allocation** to local registries that allows maximum aggregation. The Association stays in close contact with the European Numbering Forum, ICANN and other strategic groups to ensure the fair use and management of numbering and addressing resources.

ETNO's Director travels to Washington in May to **ward off market-barrier sentiments**, meeting key new US administration officials and members of Congress. He also steps up contacts with US trade associations for future information exchanges.

ETNO mounts steady lobbying campaign during European Parliament's first reading of **EU data protection proposal** to ensure a balanced approach between privacy rights and industry's legitimate business needs.

EU's proposed regulatory framework for **radio spectrum policy** is a focal point for ETNO, which supports the creation of a high-level group to deal with spectrum cost and policy across the EU. ETNO coordinates closely with CEPT for common stance regarding the next World Radio Conference in 2003.

ETNO promotes **employee training and skills development** in the telecoms sector at key events in 2001. In February Union Network International officials and 14 ETNO companies adopt new guidelines to organise telework in their sector. In June the two sides hold a major conference in Brussels on the emerging skills gap in Europe's telecoms sector. Anna Diamantopoulou, European Commissioner for employment, and ETNO's Director address the gathering.

ETNO's public profile and credibility rises in 2001 as its name, position papers and press releases appear with increasing frequency in the press. The Association issues policy statements before and after each important meeting of EU policymakers, and hosts topic-specific dinners and social events with key officials.

A COMPETITIVE FRAMEWORK FOR COMMUNICATIONS AND E-COMMERCE

EU COMMUNICATIONS REVIEW

As in the previous year, the centrepiece of ETNO's lobbying effort in 2001 was the EU's Communications Review for which the Association scored major victories. Originally launched in 1999, the EP adopted the package in December.

ETNO's primary concern was excessive regulatory detail in the package, which still goes far beyond the EU's original aim of creating a light regulatory framework. ETNO took an aggressive stance during all stages of the EU decision-making process with position papers, statements to the Council, press releases and proposed amendments and voting recommendations.

The office maintained close contacts with the European Parliament (EP), the European Commission and especially the Council of Ministers, which culminated in a strategic meeting between ETNO companies and Belgium's Minister of Telecommunications, Rik Daems.

ETNO's policy campaign paid off in terms of the following benefit for its members:

* The EP adopted amendments to the Framework directive's Articles 4 (right of appeal) and 6 (consultation and transparency mechanism). These guarantee an effective appeal mechanism and veto powers for the Commission regarding competition-related issues, thus providing more legal certainty and harmonisation for operators.

* The definition of significant market power (SMP) followed ETNO's SMP position, i.e. that it will be based on competition law principles.

* Although provisions relating to international roaming were dropped from the Access and Interconnection directive, international roaming was added to the list of markets to be included in the Commission's initial Recommendation on Relevant Product and Service Markets (Annex I of the Framework Directive).

* The scope of must-carry obligations in the Communication Review's Universal Service Obligation directive has been limited.

The Review is over but ETNO's monitoring duties are just beginning. Provisions in the Access and Interconnection directive will give national regulatory authorities (NRAs) unprecedented autonomy and more powers to intervene in the marketplace. The Electronic Communications Framework directive calls for Commission guidelines to be used by NRAs to determine which operators in certain markets have significant market power.

ETNO produced two position papers in 2001 focusing on the concept of dominance and effective competition, transparency and reporting, essential facilities, market leverage and new services. It also took part in an open hearing organised by the Commission in June.

A major challenge for ETNO in 2002 and beyond will be to carefully monitor implementation of the directives and their interpretation by NRAs.

LOCAL LOOP UNBUNDLING (LLU)

The Commission's Regulation on local loop unbundling entered force in January and established open access to the copper wires linking homes and businesses to the core telecoms network.

ETNO broadly supported the regulation, which if implemented in a fair and reasonable manner, will make a major contribution to the liberalised telecommunications market. However, LLU has certainly not been the most popular option to address the mass market for high-speed Internet access.

ETNO organised its fifth Senior Executive Conference in Milan on 7-8 June to evaluate progress at member state level regarding the law's implementation. In its press release, ETNO warned of exaggerated expectations about the regulation's impact, noting that local loop unbundling could not be seen as a "magic wand" to instantly increase Internet penetration in Europe. Other factors—the cost of PCs, computer literacy and local language content— influence penetration rates, while a number of alternatives offer high-speed Internet access such as cable networks and wireless means.

Above all ETNO stressed that that incentives to invest in existing and new infrastructure are absolutely necessary.

eEUROPE

The eEurope initiative is a broad initiative to transform the EU into a "knowledge economy". Launched at Lisbon in early 2000, it was a focus of discussion at the European Council summit in Stockholm in March.

ETNO submitted a statement to the Swedish Presidency and the press prior to the summit, highlighting the need to avoid over-regulation of the telecoms sector. Indeed, ETNO argued consistently through the year that a light, stable and predictable regulatory framework was the necessary precondition to achieve the Information Society, particularly for the deployment of high-speed fixed and mobile networks.
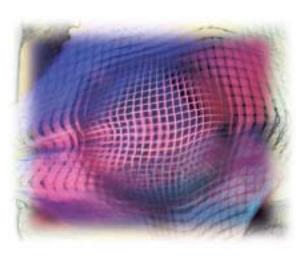
DATA PROTECTION

The EU's proposal on data protection aims to adapt an existing directive to make it technology-neutral. ETNO conducted an intensive lobbying campaign regarding directory services, unsolicited commercial communications and traffic data/data retention. The Office made a special effort to convey these views to the European Parliament prior to its first reading, and in statements to national telecoms ministers.

MEPs completed their first reading of the proposal in December, followed by the Council's adoption of its common position. Reflecting ETNO's position, the Euro-Parliament adopted a so-called "opt-out" system for unsolicited commercial communications and for directory entries. It also adopted a balanced approach to traffic data retention.

In the end, however, ETNO's efforts were only partially successful. The Council's view went in the opposite direction. Its common position backed the opt-in system for directories, included the EP's new amendment on "cookies" and spy-software, and introduced the notion of data retention in the body of the proposed directive. The second reading is due to be completed in June 2002.

CYBER-CRIME

Cyber-crime was high on the political agenda of EU leaders in 2001. ETNO provided input to the Commission's June communication on computer-related crime via a position paper and participation in hearings.

The communication established an open Cyber-crime Forum to discuss sensitive issues, including traffic data retention, with all interested parties. ETNO was active in the forum's working groups, and Director Michael Bartholomew delivered a keynote speech on data retention at the forum's first plenary session in November.

ETNO also presented its views on the Council of Europe's draft cyber-crime convention. It sponsored a joint letter with the World ISPA Forum (a global alliance of Internet Service Provider associations) in support of the convention's goals, though concerns were raised about its data retention provisions and its inadequate industry consultations.

A COMPETITIVE FRAMEWORK FOR COMMUNICATIONS AND E-COMMERCE

Following the terrorist attacks on the United States in September, discussions related to data retention intensified. ETNO expressed concerns in a press release about proposals from certain EU member states to re-open the debate on traffic data retention.

Because network operators can only store store traffic data for a limited period for billing purposes, ETNO made clear at each public opportunity that any extension in storage requirements to meet the needs of law enforcement authorities must be carefully justified in terms of the costs and benefits for society as a whole.

Finally, ETNO took part in Europol expert meetings on cyber-crime. These meetings aim to identify areas where law enforcement and industry can collaborate at the operational level.

NETWORK AND INFORMATION SECURITY

The Commission has identified network security as a priority focus regarding eEurope and the Information Society. Its communication, "Network and Information Security: Proposal for a European Policy Approach", was unveiled in June and ETNO produced a position paper on it in September. The December European Council adopted a roadmap of actions to raise public awareness, establish a European warning and information system, boost standardisation and certification and strengthen the EU's legal framework.

The European Parliament is expected to finalise its report on the communication during the first half of 2002.

COPYRIGHT

Following five years of intense lobbying, the EU Copyright directive was finally adopted in February. The focus of ETNO's concerns prior to the vote was the status of so-called "cache" copies which are made within the network when material is transmitted across the Internet. Since these copies do not equate to lost sales for right holders, the Commission's original proposal provided that they should be exempted from the scope of the reproduction right. In other words, the Commission did not envisage that these copies should be subject to authorisation and payment.

The final version of the Directive is largely consistent with ETNO's objectives. ETNO members are provided with solid protection against copyright liability claims by relevant provisions of the E-Commerce Directive, which is entering into force earlier than the Copyright directive. It should be noted that when the directive was originally proposed, the Commission had no plans to deal with the question of online liability.
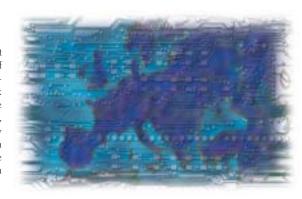
TAXATION

ETNO's members pursued further comparative studies in 2001 with the aim of defining VAT and legal treatment of various telecoms services in EU and several non-EU countries. These studies focused on VAT treatment of ducts and fibres, Web-hosting services, mobile services and share issues and financing transactions. They facilitated the cross-border transactions of the members and their operations in other countries.

VAT & Electronic Commerce

Political agreement was finally reached among EU member states in late 2001 on the Commission's proposed directive for VAT on services supplied by electronic means.

Political closure on the proposal, first unveiled in 1999, was an important victory for many ETNO members because it is a step toward eliminating competitive distortion between EU and non-EU operators. It will also restore a level playing field among EU firms. The directive will require businesses located outside the EU to register in a member state for VAT purposes when they supply private customers inside the EU. And they will have to include VAT in the prices they charge.

VAT & Electronic Invoicing

The 15 EU countries adopted in December the Commission's proposed directive on harmonisation of invoicing requirements and electronic invoicing regarding VAT.

ETNO took a keen interest in the subject from the very start. In its Reflection Document issued in early 2001, the Association threw its support behind pan-EU e-invoicing, noting that the practice was already operational in a number of countries without fraud problems. But it spoke out against unneeded extra requirements such as advanced electronic signatures, arguing that these would burden business and complicate VAT rules.

ETNO's arguments were largely successful. In line with its recommendations, the directive makes electronic invoicing possible for businesses in all EU countries, but leaves it to each member state to opt for additional signature systems.

On the other hand, the directive's wording failed to simplify the requirements for invoices. ETNO members, therefore, will need to monitor carefully the text's implementation into national law in the immediate future.

WTO/GATS

ETNO has been actively involved in shaping the new WTO/GATS round. In addition to contributing to the overall debate, ETNO provided input on GATS implementation issue through bi-lateral contacts with relevant Commission officials. These have included the Hollings Bill in the US and interconnection charges and the independence of the regulatory authority in Japan.

Following the new round's launch in Doha in November, the Commission organised a hearing on market access barriers in the telecoms market. After presenting a position paper on existing offers, ETNO also drafted input listing identified market access barriers in selected countries.

ETNO is also a member of the European Services Forum (ESF), a group of European trade associations and companies that represent the interest of the services industry on horizontal issues such as the movement of personnel. ESF organises valuable bi-annual meetings with the European Council 133 Committee of EU member state representatives, who are responsible for trade in services.

MARKET ACCESS IN THE UNITED STATES

ETNO's Director returned to the United States in May to address market-access issues and meet officials of President George W. Bush's administration and new members of Congress. During his visit, the balance of power in Congress shifted from Republican to Democrat due to the defection of one US Senator.

He met with senior officials from key US government agencies such as the Federal Communications Commission, the United States Trade Representative Office, and the Departments of Justice and Commerce. He also met with other US trade associations in an attempt to forge new alliances and to exchange information.

A main goal was to meet key members of Congress dealing with telecoms issues to ensure that the US market remains open to foreign investment such as Deutsche Telekom's successful acquisition of Voicestream. Other ETNO member companies are also seeking approval from US authorities to acquire companies.

Elsewhere, the director participated in a major conference in Washington called "Trust in the Internet" hosted by Richard Clarke, Bush's chairman of the Critical Infrastructure Protection Board.

He also spoke at an executive workshop called "EU-US Telecoms Policy: Future Harmony or Conflict?" sponsored by the European Union Centre of the University of Georgia in Atlanta. He addressed issues dealing with spectrum cost, convergence and EU regulatory policy for the telecoms sector.

IMPROVING EUROPEAN COMPETITIVENESS

R&D

ETNO helped define the EU's 6th draft framework research programme and its European Research Area policy document. It forwarded two position papers to DG Research and Information Society officials and to members of the European Parliament, with whom it organised several meetings during the year.

ETNO's key messages focused on the importance of the ICT sector in the framework's draft budget; the need for EU-funded research to support long-term goals; a greater role for industry in identifying future priorities; and the structure and content of the Information Society Technologies programme.

Most of ETNO's objectives were reflected in the final draft document, with the ICT sector recognised as among the framework's main priorities.

INTERNATIONAL TELECOMMUNICATIONS UNION

ITU-related activities were an important focus of ETNO's work in 2001. In early March, for instance, it participated in the ITU's World Telecommunications Policy Forum on Internet Protocol Telephony in Geneva where discussion focused on the implications of IP telephony for ITU members and especially for developing countries.

As expected, debate centred on development issues, with many developing nations expressing concern that IP telephony might replace conventional voice telephone services, therefore eroding their revenue from settlement payments and financing of universal services, and threatening the transition from PSTN networks to IP networks. ETNO presented two position papers, arguing against regulation of the Internet and for the positive aspects that IP telephony offers.

The forum's general conclusions were satisfactory. Due to close coordination between European Commission officials and ETNO member companies, formal opinions adopted at the forum were balanced, inviting ITU members to open their markets via competition-oriented methods.

ETNO also participated as an observer in CEPT's ITU working group and in its project teams preparing for the ITU's March 2002 World Telecommunications Development Conference in Istanbul and its September 2002 Plenipotentiary in Morocco.

ETNO participated in ITU's working group on ITU reform (WGR) and presented a number of position papers to the WGR, one of which supported the idea of new forum to better cover the market's needs for technical specifications. This concept was included in WGR's 40 final recommendations as a possible step in the ITU's reform process. Though the concept failed to get final agreement due to lack of consensus in ITU's Telecommunication Standardisation Advisory Group, ETNO considers it a viable solution that warrants continued support.

On a more progressive note, ETNO members saw the implementation of several WTSA 2000 resolutions, e.g. the new Alternative Approval Process, and ways of introducing new study groups and questions. These are yielding improvements in performance of the standardisation sector regarding approval of standards, flexibility in work methods, marketing and so on.

FAIR MANAGEMENT OF RESOURCES

NUMBERING, INTERNET NAMING AND ADDRESSING

For the first time ever, ETNO's naming, addressing and numbering expert group dealt more with IP-related matters than telephone numbering.

Forecasted demand for IP addresses in the coming years is a source of concern for operators and the whole Internet community. In April ETNO published its position paper favouring an address structure permitting maximum aggregation. This would allow operators and ISPs to do long-term address planning. The paper strongly supports allocating from now on the so-called "subset /29" to all local Internet registries.

A new and important topic that emerged during 2001 was ENUM. In September ETNO presented its position paper on a corresponding ETSI draft paper, "ENUM Administration in Europe", which favours a registry/registrar model similar to the generic top-level domain registration model.

ETNO's view was that this model was inappropriate for the specific demands of ENUM. Its paper argues that the delegation model for ENUM domain names should follow the distribution model of E.164 numbers. The same argument was put forward when ETNO addressed in December the European Commission's ONP Committee Expert Group on ENUM.

Throughout the year ETNO represented members in RIPE, ICANN's domain name supporting organisations, the European Numbering Forum and the European Telecommunication Numbering Space steering committee.

MOBILE NETWORK CODES

ETNO furnished a stream of detailed comments in 2001 to clarify issues studied by CEPT's European Committee of Telecommunications Regulatory Affairs (ECTRA).

One telling example was ECTRA's view that a shortage of Mobile Network Codes (MNC) would hit Europe's mobile industry in the near future. As a result, the European Commission began investigating whether to migrate the current 2-digit MNC structure to a new one based on 3 digits.

ETNO found there was no evidence of MNC exhaustion since in most European countries hardly half a dozen MNCs are assigned. It also concluded that no shortage of MNCs will be caused by the arrival of UMTS operators on the marketplace.

In alliance with GSM Europe, ETNO argued that the technical, organisational and financial effort to implement 3-digit MNCs could not be justified. This debate will continue to evolve.

FREQUENCY MANAGEMENT

ETNO contributed steadily to the work of CEPT's European Radiocommunications Committee throughout the year 2001.

A major concern arose late in the year about the compatibility between UWB-SRR applications and the current fixed services applications in the 23 and 26 GHz bands. ETNO's view was that no harmful interference from UWB-SRR was acceptable. The Association also expressed its reserves regarding the ERC proposal for 4 watts Radio Frequency Identification in the 2.45 GHz band, arguing that such an allocation could hamper future use of 2.45 GHz band in Bluetooth, RLANS and other applications.

Elsewhere, regarding Earth stations located on vessels (ESV), ETNO insisted that for all areas in Europe covered by Ku-band satellite capacity, there should be a preference for using the Ku-band and not the C-band for ESV operations. Along the same lines, substantial attention was devoted to UMTS this year, particularly regarding UMTS border coordination linked to different national UMTS channel plans and operators' spectrum packages. ETNO stressed that ERC decision (99)25 should not be changed since it forms the basis for several European UMTS/IMT-2000 licenses.

Finally, at the EU level, ETNO commented on the Commission's proposed decision—COM(2000)407—for a regulatory framework for radio spectrum policy. It supported the idea of creating a high-level group to deal with spectrum cost and provide guidance to policymakers regarding use of radio spectrum across the EU. The Association also maintained close contacts with CEPT to draft European common viewpoints for the next World Radio Conference in 2003.

COOPERATION THAT BENEFITS BOTH PROVIDERS AND CUSTOMERS

FRAUD CONTROL

ETNO's working group on fraud control handled a heavy workload in 2001, including the organisation of a successful fraud workshop in July in Crete hosted by member OTE at which more than 60 participants attended.

With work split among five sub-committees, ETNO's fraud working group made substantial progress toward analysing intrusion detection and operator reactions in an IP environment, risk management and revenue assurance and e-fraud. Its anti-fraud experts also developed a best-practices model for implementing network security and general principles for evaluating losses due to telecom fraud.

The group also surveyed ETNO members to produce a chart of the legal aspects of telecommunications fraud control across Europe. A subsequent report described the punishable malpractice situation in each country and the legal limitations on operator investigations.

Another important focus of work was PABX abuse fraud, with ETNO addressing the weakness of certain PABX's technology in liaison with the manufacturers. ETNO operators worked with manufacturers to expand customer awareness and promote the spread of technical information about possible remedies. Further action in this direction will take place with the Forum for International Irregular Network Access (FIINA).

QUALITY OF SERVICE (QoS)

The Office continued its role in 2001 as the neutral third-party for the exchange of confidential QoS information among participating member companies. Regarding standardisation, it interacted closely with ETSI STQ, providing comments on draft ETSI guides on QoS parameters for LLU, narrow-band interconnection and voice/data/fax communications.

ETNO also commented on the ONP Committee's draft "2000 Report on Performance in the Supply of Leased Lines Pursuant to Directive 92/44/EC". And it paid close attention to quality of service issues in IP networks. This involved discussions with ETSI Tiphon and efforts to bring QoS concepts for IP and switched circuit networks closer together.

SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE MANAGEMENT

ENVIRONMENT AND SUSTAINABILITY

Building on its past success in sharing experience in the environmental field, ETNO members put together new guidelines in 2001 to promote best practices among operators and environmentally responsible management of operations. The guidelines offer ways to raise environmental awareness and promote eco-rating and green procurement, while minimising the impact of climate change via ICT applications.

ETNO also contributed to the European Commission's policy document, the EU Strategy for Sustainable Development, which stresses the potential of ICT to deliver sustainable growth in all industrial sectors across Europe and the EU accession candidate countries.

ELECTROMAGNETIC FIELDS (EMF) AND MOBILE TELEPHONY

Public inquiries and press reports about the health aspects of mobile telephony have been on the rise in recent years, and ETNO initiatives launched throughout the year to keep policymakers and the public furnished with scientific-based facts about the subject. This involved, among other things, working closely with its member companies and with GSM Europe and the Mobile Manufacturers Forum.

Early in the year ETNO formed a communications task force to provide accurate information in a timely manner about wireless technologies. Part of this effort saw ETNO become an observer to the ICT health and research action (COST 281), launched in September by the Commission.

For instance, the Association issued policy position papers and a statement on environmental labelling of handsets proposed by TCO, the Swedish Confederation of Professional Employees. It supported the ban on hazardous production materials but insisted that EMF exposure limits be consistent with recommendations from widely recognised bodies such as WHO and ICNIRP. Another important step in its information campaign was ETNO's involvement in deliberations of the European Parliament's Industry Committee in July about scientific research results regarding EMF.

The scientific evidence in support of mobile phone safety was reinforced in early November when the EU's Scientific Committee of epidemiologists and toxicologists released its report on research results demonstrating that no adverse health effects were linked to use of mobile phones.

ETNO members debated the subject during a special session organised for their autumn general assembly. Afterwards, ETNO appealed to EU health ministers, who met in mid-November, and called on their governments to base EMF policies on scientific fact.

Based on the EU's 1999 recommendation, a further review of the EMF situation in member state is expected around 2004.

WASTE FROM ELECTRICAL AND ELECTRONIC EQUIPMENT (WEEE) DIRECTIVE

ETNO's positions were well received at the European Parliament's first reading in April of the EU's draft directive for the collection, or take-back, and recycling of electrical and electronic equipment. The Association's proposals for individual financing system of recycling were largely shared by MEPs. Moreover, the latter accommodated ETNO's concern that operators should not be confused with producers when equipment is resold with their brand and the manufacturers' brand.

SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE MANAGEMENT

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate social responsibility as policy has gained prominence in Europe and 2001 was no exception. With publication in July of the European Commission's CSR green paper, the private sector was invited to submit comments on the subject. ETNO's November General Assembly in Amsterdam debated the issue and outlined a response.

ETNO's remarks were then submitted to the European Commission as a reflection document. The paper advocated that CSR should remain a "scheme voluntarily established" by businesses. Its main thrust is that business and industry should be encouraged to develop individual company approaches to CSR, thus determining their own level of stakeholder engagement.

EU SECTORAL DIALOGUE COMMITTEE

ETNO and UNI, the Union Network International, came together early in 2001 as interlocutors in the telecommunications Social Dialogue Committee at European level. This partnership has proved very effective in addressing skill shortages, work organisation and other key issues in the sector.

Telecommunications operators have been involved in a number of joint projects stemming from a commitment made by UNI and 15 ETNO member companies at the EU's March 2000 Lisbon summit. The commitment pledged ETNO companies to become "learning organisations" by the end of 2001, in which each employee will have the opportunity to acquire essential information, communication and technology training.

ETNO and UNI-Telecom also co-organised a major conference in Brussels on 28-29 June, "Connecting With Your Future: Delivering Skills for the Communications Sector". Anna Diamantopoulou, European Commission for employment and social affairs, spoke about efforts to combat Europe's shortage of ICT skills. ETNO's Director also presented an overview of the Association's activities in this field. Other topics debated included social exclusion, the role of education, recognition of qualifications and the promotion of mobility, and immigration.

TELEWORK AGREEMENT

Under Diamantopoulou's auspices, UNI representatives and 14 ETNO companies adopted on 7 February a set of guidelines for the organisation of telework in the sector. The guidelines were subsequently adopted by all ETNO members.

The guidelines provide a Europe-wide framework for the implementation of telework, a form of work organisation whose increasing use clearly points towards a more flexible and mobile workforce in Europe. By reducing commuter traffic, it also offers environmental benefits.

LULEA MINISTERIAL MEETING

Europe's ICT skills gap is one of the most significant challenges of the e-economy and a potential drag on the expansion of new telecom services and products. ETNO member companies worked closely during the year with the European Commission and UNI to help boost the supply of skilled labour and to invest more in the training and retention of employees.

To highlight this problem, ETNO sent a strong message to the informal meeting on 15-17 February of EU Ministers of Employment and Telecommunications in Lulea, Sweden, stating that the telecommunications sector is a major driver in Europe's shift to a digital, knowledge-based economy.

DEVELOPING TELECOMS' EMPLOYMENT POTENTIAL

In cooperation with Germany's Institut Arbeit und Technik a number of ETNO members investigated the mobile and Internet services areas to identify obstacles to employment and possible solutions. Their resulting study argued that highly qualified specialists with the requisite skills are not available in the numbers demanded by industry. The study examined the ways companies are dealing with their skill shortages, and offered a number of recommendations to address the issue.

ETNO members also agreed it is essential to attract more women and other under-represented groups to their industry. Many of our members identified this challenge early on and have already launched creative initiatives to make their organisations more attractive to these groups.

ETNO'S PUBLIC PROFILE

ETNO's name was in the news throughout 2001 and especially in the last half of the year in the run-up to final approval in December of the EU's new telecoms regulatory package.
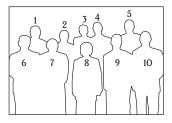
ETNO's policy statements and press releases issued before and after key meetings of EU policymakers were diffused widely across Europe's media landscape and played a significant role in drawing public attention to the dangers of over-regulation in the telecommunications sector. In defending ETNO's interests Mr. Bartholomew was interviewed on CNN, and he and other ETNO staff members were quoted repeatedly in Europe's major business and general interest newspapers.

ETNO's EXECUTIVE BOARD

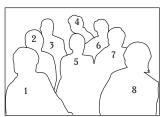|		
1	Cesky Telecom	Mr. Jindrich Trpisovsky
2	Telia	Mr. Johan Martin-Löf
3	Eircom	Mr. Pat Galvin
4	Belgacom	Mr. Frederic Donck (for Paul Maertens)
5	Swisscom	Mr. Thomas Müller
6	Telefonica	Mr. Manuel Avendaño
7	France Telecom	Mr. Michel Huet
8	BT	Ms. Dorothy Smith
9	Deutsche Telekom	Mr. Andreas Tegge
10	Portugal Telecom	Mr. Francisco da Silva
	Koninklijke KPN	Mr. Hans Kraaijenbrink (Absent from photo)

ETNO's GENERAL ASSEMBLY

ETNO's Spring 2002 General Assembly, which took place in Riga, Latvia on 25-26 April.

ETNO's
OFFICE STAFF

1 Jenny Walker
2 Eirini Zafeiratou
3 Brooks Tigner
4 Michael Bartholomew
5 Anne Vallès-Meunier
6 Isabelle Claeys
7 Leo Debecker
8 Fiona Taylor

ETNO
POSITION PAPERS
ISSUED IN 2001

COMMON POSITIONS

CP064 on "IPv6 addressing policy" (04/01)

REFLECTION DOCUMENTS

RD146 on "the Commission proposal for a Directive on the conditions for invoicing in respect of VAT - COM(2000) 650 final of 17 November 2000" (02/01)

RD147 on Data Protection and Privacy Aspects of the Commission Communication "Creating a Safer Information Society by Combating Computer-related Crime" (02/01)

RD148 on "Data Protection and Privacy Aspects of the Draft Council of Europe Convention on Cyber-Crime" (Version 25) (02/01)

RD149 on Commission draft "Guidelines on market analysis and the calculation of significant market power" (05/01)

RD150 on "the Commission Proposal COM (2001) 94 Final on the 6th Framework Programme" (05/01)

RD151 on "the ERC proposal for 4 Watts RFID in the 2.45 GHz band" (07/01)

RD152 on "the Commission Communication on Network and Information Security" (09/01)

RD153 on "the draft Communication from the Commission on the impact of the eEconomy on European enterprises and policies" (09/01)

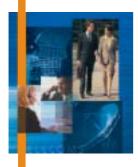**RD154** on "the ETSI draft TR 5TD197c about ENUM" (09/01)

RD155 on "Electromagnetic Fields Exposure Issues" (10/01)

RD156 on "the EU Commission's Green Paper: Promoting a European framework for Corporate Social Responsibility" (12/01)

EXPERT CONTRIBUTIONS

EC20 on ETNO's Reply to Comments on the Deutsche Telekom/VoiceStream/Powertel Applications to the
FCC for Consent to Transfer of Control (01/01)

EC21 on "ITU WTPF Draft Report of the Secretary-General on IP Telephony"
(comments on Version 2, 15 December 2000, Chapter 4 – regulatory aspects particularly related to
Universal Service) (01/01)

EC22 on the ITU Working Group on Reform (WGR) for consideration at the AHG-1 meeting on 29-31
January 2001 (01/01)

EC23 on the ITU Secretary General's Report to WTPF on IP Telephony (Final Report Version) (02/01)

EC24 on "the EuroStrategy work for the European Commission on Regulatory aspects of access to mobile
network infrastructures and network intelligence" (03/01)

EC25 on the TSAG meeting on 19-23 March 2001 (03/01)

EC26 Comments on ECTRA draft Recommendation about ENUM
(DocPTN (43) 818 rev 3) (03/01)

EC27 on WGR-4 meeting on 2-6 April 2001 (03/01)

EC28 on the "Quality and Environmental labelling requirement proposals for mobile telephones,
TCO '01 mobile phones" (03/01)

EC29 on the Study prepared by Squire, Sanders and Dempsey/WIK for the Commission on relevant
markets (03/01)

EC30 as Liaison Statement to ERC/PT1 on UMTS/IMT-2000 frequency arrangements (04/01)

EC31 as Liaison Statement to ERC/PT1 on UMTS operation in border areas (04/01)

EC32 as Liaison Statement to CEPT/ERC PT SE19 on Earth Stations located on board Vessels (ESV) (04/01)

EC33 on the Hollings Bill (05/01)

EC34 on the Consultation paper for the preparation of a European Union strategy for Sustainable
Development (05/01)

EC35 as additional comments after the public Workshop on the draft Guidelines on Market Analysis
and the calculation of Significant Market Power (06/01)

EC36 to the European Commission on several GATS Telecoms offers (07/01)

EC37 on the amended draft Decision on Radio Spectrum Policy (07/01)

EC38 on the November 2001 TSAG on a Pilot Forum within ITU-T (11/01)

EC39 on UWB-SRR applications at 24 GHz (11/01)