

ARCEP's Annual Report

2005

Article L.135 of the code governing electronic and postal communications, as modified by Law No. 2005-516 of 20 May 2005 concerning the regulation of postal activities, requires that:

“the Authority for the regulation of electronic and postal communications shall draw up a public report on the performance of its functions and the application of the legislative and regulatory provisions concerning electronic communications and postal activities before 30 June of each year. It will provide an analysis of the principal decisions taken by the electronics communications and postal regulatory authorities in the European Community Member States during the previous year with a view to establishing a comparison of the different types of control being exercised and their impact on the markets. This report shall be submitted to the government and to the Parliament. It shall also be submitted to the *Commission supérieure du service public des postes et des communications électroniques* (public service commission for posts and electronic communications). In this report, the Authority may suggest any legislative and regulatory amendments it deems necessary in light of changes in the electronic communications and postal sectors and the development of competition.

At the request of the permanent parliamentary committees concerned, the Authority shall report on its activity and in particular on progress concerning the objectives mentioned in Article L.32-1. These committees may consult the Authority on any question within the scope of its jurisdiction.

The Authority may carry out assessments, conduct studies, gather data, and undertake all informational actions concerning the electronic communications and postal sectors. To that end, the provider of universal postal service, Article L.3 authorisation holders and operators having made a declaration as provided for in Article L.33-1 are required to provide the Authority with statistical information concerning the use and coverage area of their services and the means by which their services are accessed. The ministers concerned are to be kept informed of the results of this work”.

EDITORIAL

A pivotal year

In more ways than one, 2005 was a pivotal year for the sector and for the Authority.

The law adopted on 20 May 2005, extended the Authority's responsibilities to encompass the postal domain. In this domain, as in the telecommunications domain, ART (which is now ARCEP) will do its utmost to encourage economic development, innovation and investment in the sector, not just for postal services themselves but for the entire value chain from the design of postal items to delivery.

The objective is to accommodate both the existence and viability of universal postal service and the introduction of competition into the postal delivery market through service providers delivering high-quality service.

ARCEP assumes its new responsibilities in a spirit of consultation and total transparency. Constructive dialogue is ongoing with businesses in the sector, with the incumbent operator (the La Poste Group), and with other business entities likely to hold authorisations.

In the electronic communications domain, 2005 ended on an encouraging note. Investment was up by 15%, a sharp increase over previous years. This improvement affected both fixed and mobile operators.

Overall, the key trends over the last few years have been confirmed. The value of services to end customers exceeded € 40 billion, up 2.4% over the previous year. In the mature fixed-telephony market, where revenue continues to decline, service offerings changed as more and more rate plans supporting unlimited use were introduced. For many fixed players, broadband Internet access represents an important growth opportunity. This market has continued to grow steadily with an important boost coming from innovative offerings incorporating television and voice over broadband. In the mobile sector, growth continued at a moderate pace and the first virtual operators appeared on the scene at the end of 2005.

Above all, 2005 marked a new era in the regulation of market competition for the benefit of consumers. The Authority completed its market analyses of nearly all the relevant markets identified by the European Commission. Taking advantage of the options provided by the new regulatory framework, ARCEP has established flexible regulation that is more appropriate for wholesale markets and less rigid for retail markets. Thus, significant progress was made.

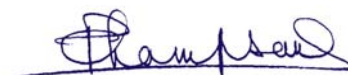
Particularly worthy of mention are the creation of VGAST - a wholesale line rental offering, which will allow for development of new consumer services that are simpler because they combine subscription with consumption - and the enhancement of wholesale bitstream offerings aimed at improving broadband coverage. Also deserving special mention is the creation of a wholesale offering enabling new entrant operators to offer business customers alternatives to the broadband capacity services provided by France Telecom.

Substantial work was undertaken in 2005. The numbering plan update was a major project for the Authority. ARCEP revised the 1998 numbering plan administration rules to bring them into alignment with the new regulatory framework and respond to the emergence of alternative telephony offerings, in particular those based on voice over IP. A new category of numbers, beginning with 09, was made available specifically for interpersonal communications. The allocation of numbers beginning with 118 to information service providers will expand consumer choice.

Certain projects launched in 2005 should be completed in the coming months. These include the establishment of a universal telephone directory and the restructuring of mobile number portability, which is to be implemented over a 10-day period in early 2007. Finally, the award of WLL frequencies will allow operators and local authorities to densify their networks and bring broadband service to areas unserved by ADSL.

In early 2005, the Authority responded to the expectations of elected officials by creating the *Comité des Réseaux d'Initiative Publique (CRIP)*, a committee of elected officials, operators and ARCEP working together on public-initiative networks. The work carried out by CRIP will enable local authorities to strengthen broadband coverage in their regions and particularly in their business districts. The publication of a reference document (containing sample agreements and technical recommendations) will help them with project implementation.

These firm foundations will allow regulation to pass into a new phase favouring competition common law by adapting to boundary changes arising from the convergence of fixed and mobile communications as well as voice and data transmission and by reducing sectoral regulation, particularly in retail markets.

A handwritten signature in dark ink, appearing to read 'Champsaur', with a horizontal line underneath.

Paul Champsaur
Chairman

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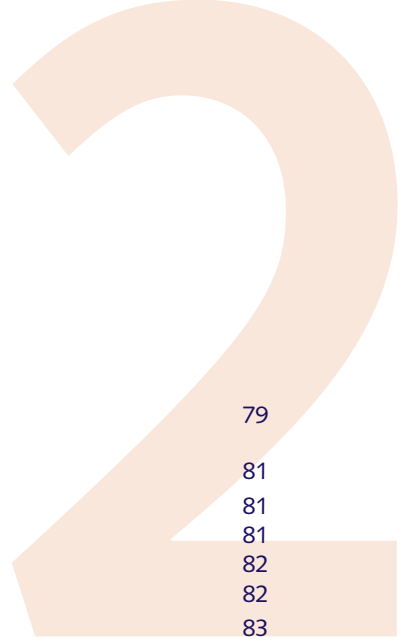
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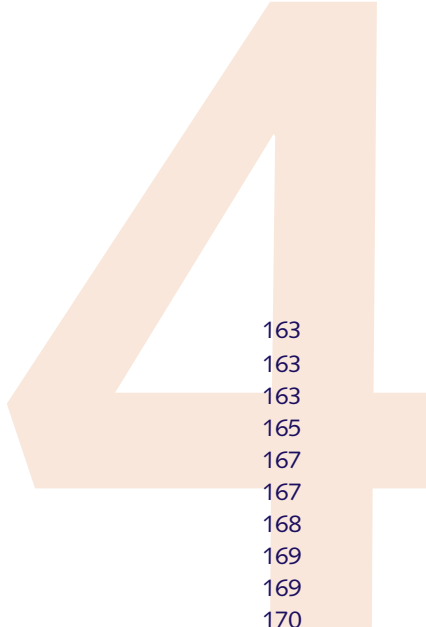
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