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## **PERSPECTIVE - REGULATORY HARMONIZATION IS A EUROPEAN PROBLEM**

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Much has been said about the promise of an “eEurope,” where European consumers can enjoy affordable access to advanced broadband networks. But if we truly want to move from a monopoly market to a competitive market, then promoting aggressively the entry of more firms is the *sine qua non* of the entire restructuring exercise.

Recent efforts by the European Union (EU) merit a discussion of one of the more significant barriers to market entry: the lack of regulatory harmonization. While entry into one country is certainly a difficult enough endeavour, entry costs increase exponentially each time a firm seeks to expand into another member state. As entry is delayed or even deterred, the prospects begin to dim for multiple, pan-European broadband networks.

To the EU’s credit, it is attempting to enact five new directives and one new regulation to bring greater regulatory harmonization within the community. Yet, if – as the European Commission (EC) concedes – various member states have been less than effective in implementing past EC directives, recommendations and regulations, then how can we expect the current round to be any different?

If eEurope is ever to become a reality, then the European Union – and, by implication, the European Commission – must exercise more of an aggressive leadership role for, and an enforcement role over, the individual member states, rather than continue the passive legislative and oversight role it has played to date.

In so doing, I am in no way arguing for the abolition of individual national regulatory authorities in favour of some single, pan-European über regulator. Quite to the contrary, I submit only that the EU exercise

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the political will necessary to realize the common market that they expressly agreed by treaty to create.

For example, constructive steps the European Community can take to bring greater regulatory harmonization (and concurrently reduce entry costs for new firms) could include:

- Developing a standard cost model, complete with a uniform system of accounts - for all of Europe which individual member states could use to simply plug in the specific numbers of their indigenous markets (and, in so doing, no longer force new entrants to re-litigate the definition of long-term incremental cost recovery for each new market they enter);
- Developing harmonized accounting safeguards for intra-firm pricing;
- Establishing a truly standard pan-European reference offer;
- Seeking to establish operational harmony in the EC;
- Working towards achieving real regulatory transparency within each of the various member states and within the EC itself.

Accordingly, regardless of the merits of the proposed directives and regulation, two macro procedural prerequisites must be satisfied for the realization of the information society:

- The entry of new, advanced network service providers;
- The political courage and resolution to create conditions conducive for this new entry to occur. If this means pushing the boundaries of subsidiarity with recalcitrant NRAs, then so be it.

A government's job is to maximize consumer welfare. Thus Europe is within our grasp. It only takes the political will to achieve it.