

EXHIBIT 5

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TOWARDS A DYNAMIC EUROPEAN ECONOMY

GREEN PAPER

ON THE DEVELOPMENT OF THE COMMON MARKET

FOR TELECOMMUNICATIONS SERVICES AND EQUIPMENT

(Communication by the Commission)

COM(87) 290 final

**PRESENTATION OF THE GREEN PAPER
ON TELECOMMUNICATIONS**

Information, exchanges of knowledge, and communications are of vital importance in economic activity and in the balance of power in the world today. Policy makers are therefore concentrating on ways of acquiring, processing, storing and transmitting information. Telecommunications is the most critical area for influencing the "nervous system" of modern society. To flourish, it has to have optimum environmental conditions. In this respect, the convergence of telecommunications, computing and applications of electronics in general has now made possible the introduction of a wide variety of new services. The traditional form of organisation of the sector does not allow the full development of the potential of these new services. In order to create an open and dynamic market in this area it therefore seems necessary to introduce regulatory changes to improve the sector's environment. These changes should allow the full development of the supply of services and equipment, thus making it possible for industry to take full advantage of this potential. In particular, national frontiers should not be allowed to hamper the development of a consistent communications system within the European Community. The purpose of the Green Paper on telecommunications is to initiate wide-ranging discussions with all those concerned so as to help the Community and its Member States to introduce the necessary changes to their systems of regulation.

THE INEVITABLE TREND

For more than a century, telecommunications policy has been conducted by the Telecommunications Administrations. In general a fair balance has been achieved between national research and development, and industrialisation capacities for user equipment and services. Apart from the establishment of the single market scheduled for completion by 1992, there are many reasons why telecommunications structures and policies now need to be fundamentally reviewed. The earlier balance is now being upset by several phenomena with a variety of effects :

- the speed of technological diversification (signal digitisation, optical cables, computer networks, cellular telephony, satellites, etc.) ;

- the expanding range of new forms of access to sources of information (television, data bases and banks, knowledge banks, image banks, expert systems, etc.) ;
- the explosive growth in communications requirements (financial and commercial transactions, research networks, international tourism, cultural exchanges, world wide interdependence, etc.) ;
- the major importance of scale effects through multinational participants.

Under pressure of events the authorities concerned are being forced to review telecommunications regulations thoroughly, partly in response to the measures taken in the United States and Japan. These reviews must not ignore the Community dimension which alone can make them consistent and optimise their effects.

The issues at stake

Telecommunications are already, and will increasingly be of critical importance to economic, social and cultural development in Europe.

In economic terms, the importance of the sector can be seen from the following figures. The conglomerate sector of the management and transport of information already represents more than ECU 500 billion for the whole world. The world market for telecommunications equipment had reached ECU 90 billion by 1986, of which ECU 17.5 billion was accounted for by the Community.

In 1985 world revenue from telecommunications services was almost ECU 300 billion, of which the Community represented ECU 62.5 billion.

While in 1984 the telecommunications sector was slightly over 2% of Community GDP, this proportion may rise to 7% by the end of the century; between now and the year 2000, over ECU 500 billion will have been invested in telecommunications in the Community. Growth and investment in the sector on this scale will inevitably have major effects on such crucial areas as data-processing, electronics, software production, the supply of services, and broadcasting.

In social and cultural terms, the accessibility to economic actors of an effective system of production and transport of information will give rise to profound transformations in the organisation of production, its geographic location, and in the efficiency and nature of services, with a beneficial effect on both the level and the nature of employment, as on life-styles.

The telecommunications sector (manufacturing and service provision) currently supplies 1.3 million jobs, and it is further estimated that the competitiveness of over 60 million jobs will be highly dependent on information services and telecommunications by the end of the century.

THE CONVERGENCE OF CERTAIN TRENDS AT NATIONAL LEVELS

The Green Paper provides an analysis of the ideas and positions, which are already well defined in some cases, of the various partners in the Community. The undoubted complexity of the situation is due to several factors: the effects of new technological influences; the understandable attachment of staff, manufacturers and users to established traditions that they are reluctant to discard; and the diversity of the new services that will have to be provided. On analysis, however, this complexity shows a number of converging features that can and must prepare the way for consensus. These include agreement on the need:

- to promote the development of new services by setting them in a more competitive framework ;
- to safeguard the role of the Telecommunications Administrations, operators of national public or private networks, in the supply of infrastructure to carry information and to this end to assure them of the resources to make them financially viable ;
- to allow these administrations to compete alongside other suppliers in the provision of new services ;
- to approach the decision-making process through consultations with other parties directly concerned (users, equipment manufacturers, Telecommunications Administrations staff) ;
- to ensure the necessary transitions with regard to all European manufacturers accustomed to living in symbiosis with their Telecommunications Administrations ;
- to ensure the interoperability of networks, terminals and services by actively promoting the standardisation policy conducted at European level since 1984.

THE BASES FOR COMMUNITY ACTION

In the past the telecommunications monopoly was bound up with the idea of national policy and public service. The new regulations that have to be developed in each Member State to obtain consistency throughout the Community are therefore a particularly difficult problem. It seems out of the question to define in the near future a complete set of criteria governing all the new regulations. The Member States have therefore embarked upon a lengthy process of an iterative nature. Technology and its applications are setting out on a course of continuing development in which there are still many unknown factors.

Some rules and principles adopted and implemented at Community level will, however, supply the criteria which define the direction of this movement :

- as regards terminals, gradual but complete opening up of the market to competition ;
- as regards networks and provision of services, complete freedom of access from any connection point ;
- complete separation of the regulatory and operational functions ;
- as regards the social impact, close consultations with all those involved to ensure a smooth transition and optimum utilisation of network and service developments to create new jobs ;
- as regards coherence, assistance in the opening up and economic development of outlying regions through the advantages of the new telecommunications services ;
- as regards competition, application of the provisions of the Treaty to all those concerned ;
- as regards international decisions, the preparation of common positions for negotiations within the organisations concerned (CEPT, ITU, GATT, etc.).

THE COMMISSION'S PROPOSALS FOR ACTION

The Commission has for some years been examining Community measures for European telecommunications. The Green Paper sets out the history of the decisions adopted by the Council. The development of a broad-band network for the new integrated services is not the sole objective of the RACE programme. Its main advantage is the creation of a climate of co-operation between the various Telecommunications Administrations working on its design and implementation and between those administrations and the industry. Like ESPRIT which laid the foundations for sound co-operation between European manufacturers and researchers in computing, RACE is essential to establish mutual confidence between the public and private sectors in telecommunications. The rapid adoption of the main phase of the RACE project is therefore a priority goal. As regards cohesion, the situation is similar with the STAR programme, designed to bring the outlying regions out of their isolation and reduce development inequalities. The Green Paper also recommends the rapid adoption of proposals on Digital Mobile Communications and the full application of Recommendation 86/659/EEC on the Co-ordinated Introduction of the Integrated Services Digital Network (ISDN).

The extension of Directive 86/361/EEC is also proposed. It covers the mutual recognition of tests required for type approval. Recommendation 84/550/EEC on the gradual opening up of access to public contracts should become a directive.

Alongside these proposals, (already familiar to specialists) the implementation of which is to be speeded up, the Commission is putting forward a number of proposals designed to promote the transition towards a more competitive environment on a Community-wide scale. The Green Paper therefore proposes :

- reinforcement of the rapid development of standards and specifications at national and European level. This should be supported by the creation of a European Telecommunications Standards Institute ;
- definition of the conditions needed for Open Network Provision to service providers and users ;
- the stimulation of the development of new services and setting up of an information market ;
- definition of a coherent European position on satellite communications ;
- common definition of a consistent concept on relations with non-member countries ;

- comparative analysis of the economic and social impact in the different Community countries (acceptance by staff and users, international division of labour, etc.) and common study of the social consequences and impact on life-styles of the combined applications of telecommunications, computing and audiovisual facilities.

CONCLUSIONS

Decisions are urgently required. Under pressure from the measures already adopted by the United States and Japan, and under pressure from users, anxious to reduce state dominance and give a freer reign to competition, several Community governments are now defining their deregulation / reregulation policies. These must take account of the requirements of the Single Act and its application. In turn, European integration can move forward only if it has at its disposal efficient networks of information systems and services accessible at low cost that will make a vital contribution to the establishment of the single market, the competitiveness of its industry and the internal and external cohesion which the Community has adopted as its goals.

The Green Paper acknowledges the differences in current situations and the variety of trends. It proposes essentially a "hard core" of proposals designed to ensure Community consistency in telecommunications. The proposed process is iterative; it accepts the existence of a movement, not all aspects of which can be defined today. The fundamental purpose of the measures is therefore to set off a dynamic process that will give the political, economic and social actors involved a better understanding of their own interests and to optimise their activities in the construction of the Community. After consulting these actors, the Commission will, before the end of 1987, present proposals allowing the Community and the Member States to ensure the regulatory consistency required for the best possible development of telecommunications as the target of 1992 approaches.