

LSE

THE LONDON SCHOOL  
OF ECONOMICS AND  
POLITICAL SCIENCE ■

# LSE Research Online

**[Bart Cammaerts](#) and Jean-Claude Burgelman**

## Belgian telecommunication policy: a conflict between social and competition regulation

**Article (Accepted version)  
(Unrefereed)**

**Original citation:**

Cammaerts, Bart and Burgelman, Jean-Claude (2001) *Belgian telecommunication policy: a conflict between social and competition regulation*. [Telecommunications journal of Australia](#), 49 (4). pp. 55-62. ISSN 1835- 4270

© 2001 [ACS Telecommunications Society of Australia](#)

This version available at: <http://eprints.lse.ac.uk/44119/>

Available in LSE Research Online: June 2013

LSE has developed LSE Research Online so that users may access research output of the School. Copyright © and Moral Rights for the papers on this site are retained by the individual authors and/or other copyright owners. Users may download and/or print one copy of any article(s) in LSE Research Online to facilitate their private study or for non-commercial research. You may not engage in further distribution of the material or use it for any profit-making activities or any commercial gain. You may freely distribute the URL (<http://eprints.lse.ac.uk>) of the LSE Research Online website.

This document is the author's final accepted version of the journal article. There may be differences between this version and the published version. You are advised to consult the publisher's version if you wish to cite from it.

# Liberalised Belgian Telecommunication Policy: Balancing between social ambitions and competitive desires<sup>1</sup>

Bart Cammaerts & Jean-Claude Burgelman  
Studies on Media Information & Telecommunication (SMIT)

<Free University of Brussels>

Just as in the rest of Europe, the outlook of the Belgian telecommunications sector has changed dramatically over the last 10 years (Burgelman et al, 1995). The sector has been transformed from a completely state controlled single operator monopoly model towards a more or less totally privatised competitive model. This article looks at some reasons for this shift but also at the results more than a year after the magic 1998, when full competition in most EU member states had to be a fact.

Although this (r)evolution has to be seen in a European context (Burgelman, 1997) this article will mainly focus on the Belgian situation. However, the European context is not mentioned without purpose. Indeed, Europe played a major role in swaying member states to open up their telecommunications market. There were also European budgetary criteria that gently pushed member states to privatise 'their' public telecom operators (PTO's).

Before looking at the role of the EU, let's first assess the reasons for liberalisation and privatisation. As in other cases it is not one compelling reason, but indeed a complex of economic and political factors, which led to the privatisation and liberalisation of the telecommunications sector. The most important are: the explosive growth of the service sector resulting in a growing telecom demand; a diversified demand pattern of more exigent (professional) users with specialised

---

<sup>1</sup> This article is the result of an ongoing research project "Research & interdisciplinary evaluation of the information society: networks, usage and the role of the state", funded by the federal institute for science policy (DWTC). Partners are SMIT (VUB), LENTIC (ULiège) and CRID-CITA (Namur).

needs; the lack of innovative efficiency and quality of service of the PTO's; technological innovations in transmission techniques and capacity; the emergence of value added services such as the Internet; an almost de facto universal service, and last but not least the changing perception of state owned or led economies.

The role of the EU in this respect has been that of a catalyst. The publication of the *Green Paper on the Development of the Common Market for Telecommunications Services and Equipment* in 1987 represented the beginning of a long liberalisation process which accumulated in what has become known as the ONP-directive and the subsequent opening of the voice telephony market in 1998 (European Commission, 1987 - European Council, 1995).

It was in great part the pressure of the European Commission and more precisely the Directorate General XIII under Martin Bangemann, responsible for industrial policy and information and telecommunication technologies, that influenced the speed of change. His main priority was the liberalisation of infrastructure and minimisation of public intervention; "The market will drive (...) the prime task of government is to safeguard competitive forces." (HLGIS, 1994: 9). Often when referring to the reasons of liberalisation economic or technological causes are given, thereby forgetting that governments, institutions, regulation and ideology do play an equally important role in the process. For years the privatisation of what used to be called a natural monopoly was unthinkable or cross-subsidies between profitable and unprofitable activities was seen as quite evident. The acceptance of market logic into almost every fibre of society reflects a changing of minds and refers indeed to profound changes in economy *and* society.

Whether this is a good or a bad thing remains to be seen. The problem is that current debate on this issue easily strands into dichotomous ideological, and thus very normative, disputes. Globalisation, for instance, is seen by some to be the

cause of all societies evils, for others we are moving towards a better 'borderless' world thanks to globalisation (Observatoire de la Mondialisation, 1997 - Omhae, 1990). In the same way concerning liberalisation two models or schools emerge. Robin Mansell (1993) defined them as being the idealist model and the strategic model. For the idealists full liberalisation and free trade on all levels is a precondition to economic growth and prosperity for all. Moreover interventions by public authorities have a restraining, rather than an enabling, effect on economic growth and welfare (HLGIS, 1994). Strategists on the other hand will point to the reality of the market with mergers, oligopolies, market failure, regulatory capture, etc. thereby stressing the prime importance of regulation by independent regulators (Melody, 1997). The challenge for the future to come lies in finding ways to overcome these dichotomies, which from a theoretical point of view is easier said than done.

When reviewing the liberalisation of telecom in Europe, it becomes apparent that policymakers did not follow the neo-liberal stance of DG-XIII (telecommunication) blindly. They chose to walk that precarious middle line, hovering between idealist and strategic scenarios. On the one hand favouring liberalisation and (semi) privatisation, but on the other hand allowing member states to reregulate the sector within a minimum/maximum framework. This is called the subsidiarity-principle, which means that the general rules are laid down by Europe, but the details are to be filled in by the individual states. In practice this stance led to a situation whereby major discrepancies exist between member states in implementing the general liberalisation concept. In the Belgian context for instance the former Christian democrat/socialist government was rather reluctant towards full liberalisation. As will be shown industrial policy, social policies and ideology can be seen as prime reasons for the Belgian reserves vis-à-vis liberalisation.

However, as the Belgian government has traditionally been very dedicated to Europe, it followed the minimum European agenda scrupulously, sometimes a bit late, but never too early. In 1995 government sold off 49,9% of Belgacom, the incumbent PTO, to ADBS a consortium of Ameritech, Tele Denmark and Singapore Telecom. Although the government declared<sup>2</sup> that this move was intended to consolidate Belgacom's position for the century to come, lowering the public debt to be able to qualify for European Monetary Union also played a major role. The remaining 50,1% will most likely be sold by the present liberal/socialist/green government. And again, lowering public debt is a main driver for it.

Earlier in 1991 the Belgian Institute for Post and Telecommunications (BIPT), the regulator, was put into place, but remained under the responsibility of the minister of telecommunication who is also in charge of Belgacom, the former PTO<sup>3</sup>. This widely criticised conflict of interest resulted in the BIPT having to deal permanently with interests and problems which a regulator should not take care of.

More in particular it might explain why, whereas in most countries asymmetrical regulation refers to favouring new entrants, in the Belgian context this refers to favouring the incumbent operator. Some examples:

- In the run-up to liberalisation government decided to suspend the monopoly compensations that Belgacom had to pay to the state for the year 1996 and 1997, this because a number of services had already been liberalised (terminal equipment, mobile telephony, value added services,

---

<sup>2</sup> Declaration of Elio Di Rupo, the then vice-prime minister, minister for economic affairs and telecommunication in Le Soir, 15/12/1995

<sup>3</sup> Law of 21<sup>st</sup> of March 1991 concerning the reform of some economic state enterprises

etc.)<sup>4</sup>. In 1994 the monopoly compensation amounted to 2,65 billion BF (Belgacom, 1995: 28).

- Universal service has to be assured on the whole of the Belgian territory and thus tailored to Belgacom, the only fixed operator present in every region of federal Belgium<sup>5</sup>. As it is almost impossible for a new entrant to cover the whole territory, Belgacom became and still is the legal universal service operator. Some observers warn that universal service providers may have a competitive advantage, especially as they are often also the incumbent and thus dominant operator (Blackman, 1995 – Verhoest, 2000).
- Number portability, essential with regard to competition, was repeatedly postponed. The government even asked the European Commission to postpone the deadline of 31 December 1999 for implementing number portability because Belgacom presumably had difficulties coping with Y2K and portability at the same time. Karel Van Miert, EC-Commissioner for competition (DG-IV) at that moment, refused (FET, 25/06/1999).
- It was the same EC-Commissioner who forced Belgacom to pay 9 billion BF., the same amount as the new entrant Mobistar had to pay for its licence to become the second mobile operator next to Proximus, the first mobile operator and a direct subsidiary of Belgacom (FET, 08/06/1996).
- For some time now all the major Internet Service Providers (ISPs), Belgacom's subsidiary Skynet excepted, have moved towards competitors of Belgacom. UUnet for instance moved to WorldCom. These competitors and the ISPs gained a lot from internet traffic because of interconnection agreements with Belgacom. In March of 1998 Belgacom introduced cheaper tariffs for Internet communication based on a non-geographic prefix which can only be used on Belgacom's network and falls outside the voice telephony-interconnection agreements (FET, 16/03/1999). A coalition of 6

---

<sup>4</sup> Decision of the Council of Ministers, 30<sup>th</sup> of May 1997.

<sup>5</sup> In december 1995 the 'universal service'-concept was introduced into the law concerning state enterprises. Public Service Obligations were substituted by Universal Service Obligations.

operators; Unisource, WorldCom, Versatel, Telenet, British Telecom and Mobistar, filed a complaint to the Belgian antitrust authority (De Morgen, 23/04/1999). The Government and the regulator BIPT endorsed Belgacom's move. Eric Van Heesvelde, the general-administrator of BIPT, stated; "other ISPs have other advantages, They can keep their subscription fees low thanks to revenues they get from other operators. Skynet does not have this advantage (...) We think this system is not distorting the market"<sup>6</sup> (De Morgen, 18/03/1999)

However, there are good reasons too why policy in Belgium, tended to favour the dominant incumbent operator. From an industrial policy point of view, policy makers feared that being the operator of a very small country at the heart of the EU, this would be a very easy prey for the big players in the global market. Hence an aggressive take over, it was feared, would obstruct the political wish of the then government to "force" Belgacom into performing social tasks that go beyond universal service obligations. We can refer to regulation that limits the operators ability to fully disconnect people who can't pay their bills, regulation to provide cheap internet ISDN-connections for schools, libraries and hospitals or free calling time for people on welfare. A final reason for the partially friendly policy towards the incumbent is that Belgacom was and still is one of the biggest employers in the country. It employs some 23.600 people whereas the most successful new entrant, the cable telephone operator Telenet, has no more than 420 people on its pay list (Belgacom, 1998 - Telenet, 1999). No doubt that the high unemployment, especially in the economically poorer south of Belgium (Wallonia), pushed the southern (social democrat) minister of telecommunication to protect Belgacom. As such ideology and political strategies played its part in the process too.

---

<sup>6</sup> Translation by the authors

It is still too early to review the stance of the new government towards the dominant position of Belgacom. But it can easily be predicted that, given the redressing of the economy and the need to obtain the so valued Maastricht norm in budgetary affairs, the telecommunications field will be regulated in a more market-oriented way. When assessing the Belgian telecom market with regard to the effectiveness of liberalisation the prospects are ambiguous.

On the mobile market three fully operational national operators emerged: Proximus (owned by Belgacom), Mobistar (mainly a France Telecom venture) and the recent KPN-Orange (a Dutch-UK consortium). As in every other European country the market of mobile telephony has expanded exponentially over the last few years. In Belgium the market grew to 1,7 million customers in five years time, 17% of the population now uses GSM (Ombudsdienst voor Telecommunicatie, 1999: 73<sup>7</sup>). Prices have come down, which can be attributed to more competition. But, compared to fixed telephony, calling mobile is still very expensive. Furthermore interconnection regulation makes that tariff structures are misleading. Calling to another operator and especially to and from the fixed network often costs a lot more than the advertised price/minute within the same network. Consumer complaints about the lack of transparency of prices are common (Ombudsdienst voor Telecommunicatie, 1999: 73). It is also unclear whether the growing success of GSM has to do with increased competition or the gradual 'social' acceptance of calling mobile in every day life.

On the fixed front the prospects are even more ambiguous. As it represents an enormous investment to build a fixed network, competition in this field mainly comes from alternative infrastructures. Cable telephony has in recent years proven to be the main competitor of the copper based telephone network. Belgium has an exceptionally high penetration rate when it comes to cable

---

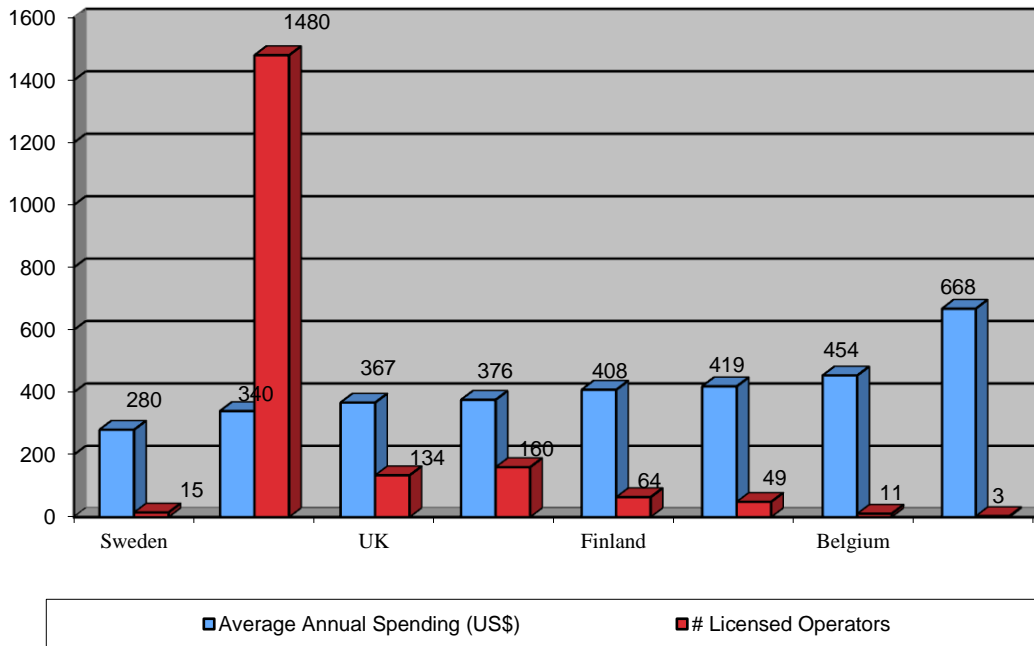
<sup>7</sup> Data of januari 1999



television; almost 90% (OECD, 1999: 127). In Flanders, the north, the regional government together with Electrabel, the private gas & electricity monopoly holder, US West (which later became MediaOne) and several local governments set up Telenet. The main aim of Telenet is to offer internet and telephone services to cable TV customers. Because the Flemish government was directly involved telecom policy in Belgium became entangled in regional conflicts (Lobet & van Bastelaer, 1996: 94 - Verhoest, 1995: 638 - Pierson, 1997). In this regard Telenet got support from the Flemish government and Belgacom from the Federal government. Besides this paralysing political conflict, competition between the two operators has been very weak up until now. Partly because of expensive interconnection agreements, partly because number portability is not yet in place, but also partly because Telenet is not performing well (very slow roll out of the network). That most probably inspired Telenet's general director recently to quit (De Morgen, 30/08/1999). Moreover, MediaOne (AT&T) who owns 25% of Telenet, wants to pull out presumably in order to concentrate their efforts on the US market (FET, 24/08/1999).

On the other hand it is very difficult to deny the fact that Belgacom got support from the Federal government who, unlike the Flemish government, was and is competent for telecom policy. The main consequence for the Belgian residential user of favouring the dominant operator is that they still pay more or less the highest tariffs for telecommunication services in Europe (cf. Fig.1). What in turn, partially explains the relatively low internet connections in this country (cf. Fig.2).

**Fig. 1: Annual Residential Spending on Telecom & Number of Licensed Operators<sup>8</sup>**

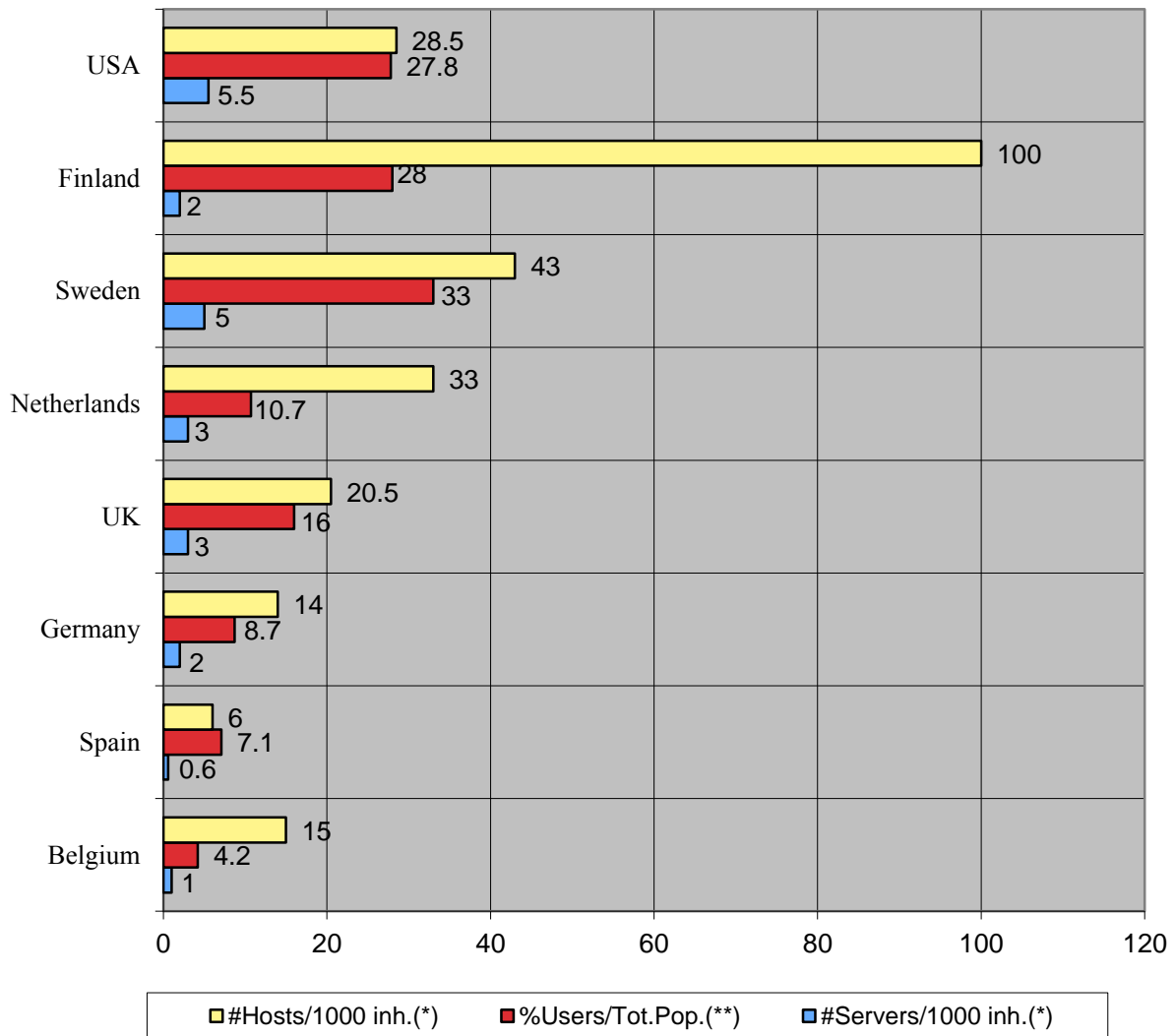


**Fig. 2: Comparative Overview of Internet Use, # of Hosts and Websites<sup>9</sup>**

<sup>8</sup> Data: OECD, 1999: 12 & 164 (prices in US\$ based on Purchasing Power Parity)

<sup>9</sup> (\*) OECD, 1999: 86-88 (figures July 1998)

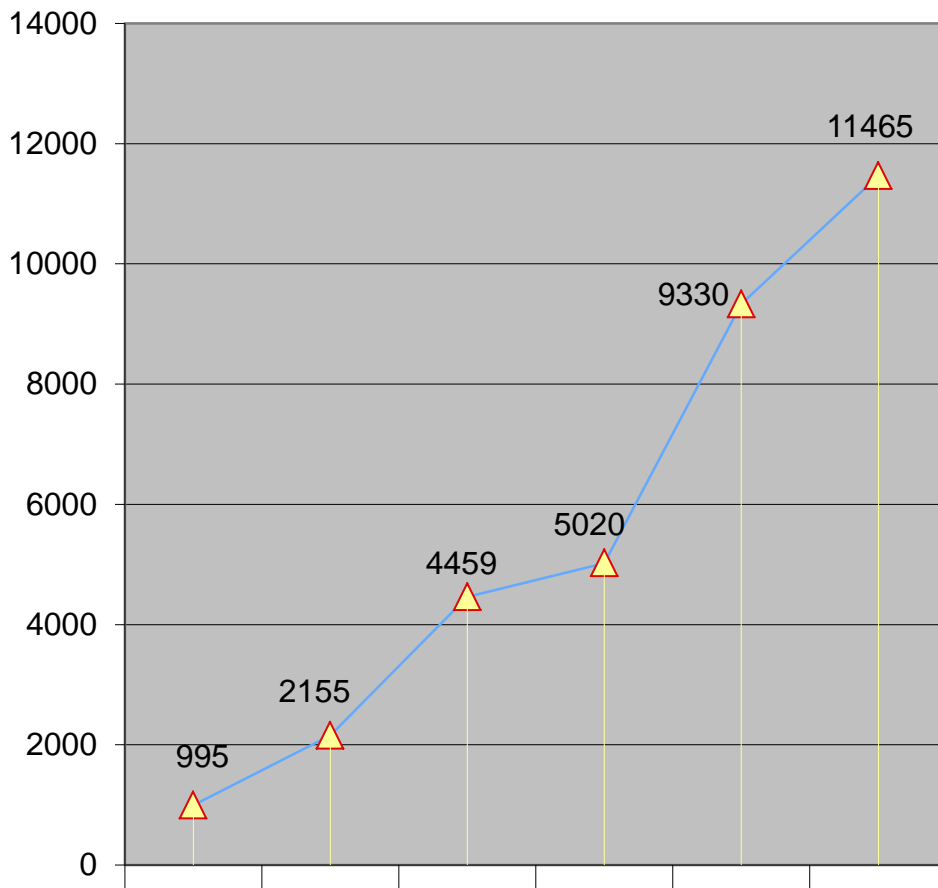
(\*\*) NUA Internet Surveys, figures from October-November 1998 (estimates based on surveys)



Sweden excluded there seems to be a link between the number of operators and the average annual cost of telecommunication services. However, compared to international tariffs and business use, overall prices for average residential use have not come down (yet). As the European consumer organisation BEUC states; "The 1998 telecommunications liberalisation has not yet had the effect of giving the consumer a choice. The average telephone bill for EU consumers has not decreased. Due to the increase in subscription rates, the overall expenditure of the average EU consumer on telecommunications services has actually increased." (BEUC, 1998: 2). So, a regular user, who mostly calls local, has not seen many positive effects from the introduction of competition in the telecom

sector. In other cases, such as that of British Telecom, empirical evidence also suggests that the average residential user might be worse off, and this because operators were allowed to adjust their tariffs to the real costs and because competitors are only interested in the long-distance market and in business users (Galal et al, 1994: 99). It is also often said that competition and liberalisation leads to a more efficient and client friendly service. Statistics from the Belgian Mediation Service for telecommunication suggests that this is not always the case (cf. Fig. 3). The number of complaints has risen substantially over the last years.

**Fig. 3: Number of Complaints to the Mediation Service for Telecommunication<sup>10</sup>**



<sup>10</sup> Data: Ombudsdienst voor Telecommunicatie, 1999: 77. The figure for 1999 is a forecast based on data until end of september 1999.

This rise could be explained by the fact that more people know the procedures to formulate a complaint. The independent mediation service for telecommunication also became competent to reveal the identity of stalkers. But, as Edgard Vandebosch, the Commissioner responsible for the mediation service, points out, the competitive context should be seen as a very important cause; “The pressure of shareholders is very high. The only thing that counts are two digit growth figures. This inevitably leads operators to economise on services which don’t pay. We see this happen with customer services who don’t sell anything, they are the first to suffer.” Another element is the pressure to innovate. New products and services are launched too fast, whereby (technical) problems arise, which in turn creates an overload for customer services and helplines. As Edgard Vandebosch states; “The productcycle has become way too short”. Another factor which influenced the number of complaints is the introduction by Belgacom of new software and itemised bills. However, the Commissioner also wishes to stress the positive aspects of liberalisation; “there are of course more services to choose from then before”<sup>11</sup>.

## **Conclusion.**

Liberalisation clearly made the Belgian telecommunications sector more responsive to market needs, more innovative and more service friendly. However, the main beneficiary here is the business user since it is so that, for mobile as well as for fixed telephony and hence internet, the residential user still has to pay a high price.

It is therefore clear that telecommunications policy has to be geared much more towards the specific needs and interests of residential users. In the short run this has to lead to better services, lower prices and more responsiveness.

---

<sup>11</sup> Quotes taken from an interview with Edgard Vandebosch, Commissioner for Telecommunication, 7/10/1999 (translation by the authors)

On the long run policy should also start to think about the emerging conflict between sector-specific regulation and more general regulatory rules such as competition policy. This conflict is the subject of current debate regarding the '1999 review on regulatory principles for communications infrastructures and associated services' and opposes DG-IV (competition) to DG-XIII (telecommunication). The former acting upon general competition rules, the latter defending sector specific regulation. As was the case in the Belgian context, the EC-Commissioner for competition (DG-IV) intervenes regularly, thereby overruling national sector-specific regulation. The dominant, often incumbent, operators must be watched scrupulously so that they are unable to abuse their dominant marketpower, especially towards the 'weaker' residential user.

However, there is also a strong case to be made for sector-specific regulation. Communication is also a public good, it is not a mere economic product. In this sense social regulation is necessary and even essential. In the Belgian context for instance, the dominant operator Belgacom is forced to perform social tasks that go beyond the universal service framework. This conflict between sector-specific and competition policy will prove to be the main challenge for the years to come. Policymakers must find a middle ground to reconcile competition on the one hand and (social) sector-specific regulation on the other hand.

#### REFERENCES:

Belgacom: (1995) 'Financieel Verslag 1994', Brussel.

Belgacom: (1998) 'Sociaal Verslag 1997', Brussel.

BEUC: (1998) 'BEUC's further comments on the Convergence of the telecommunications, media and information technology sectors', Brussels, 10<sup>th</sup> of November.

Blackman, C.: (1995) 'Universal Service: obligation or opportunity?', *Telecommunications Policy* 19(3), pp.171-176

- Burgelman, J.C., Punie Y. & P. Verhoest (1995) *Van Telegraaf naar Telenet. Naar een nieuw communicatiebeleid in België?* VUB press, Brussels.
- Burgelman, J-C.: (1997) 'Issues and Assumptions in Communication Policy and Research in Western Europe: a critical analysis' in Corner, J., Schlesinger, Ph. & Silverstone, R.: 'International Media Research: a critical survey, Routledge, London.
- European Commission: (1987) 'Towards a Dynamic European Community. Green Paper on the Development of the Common Market for Telecommunication Services and Equipment', COM(87)290 final, Brussels.
- European Council: (1995) 'ONP Directive', 95/62/EC - OJ L 321/95 7, Brussels.
- Galal, A., Jones, L., Tandon, J. & Vogelsang, I.: (1994) *Welfare Consequences of Selling Public Enterprises, an empirical analysis*, Worldbank/Oxford University Press, New York.
- High-Level Group on the Information Society: (1994) 'Europe and the Global Information Society. Recommendations to the European Council' ('Bangemann Report'), EU, Brussels.
- Lobet-Maris, C & van Batselaer, B: (1996) 'Belgium, a Laboratory for Europe: The Federal Model and the Information Society', *Telematics & Informatics* 13(2/3), pp.81-96
- Mansell, R.: (1993) 'The New Telecommunications, A Political Economy of Network Evolution', Sage, London..
- Melody, W.: (1997) 'On the Meaning and Importance of 'Independence' in Telecom Reform', in *Telecommunications Policy*, 21(3), pp.195-199.
- NUA Internet Surveys, 'How Many Online?', URL: <http://www.nua.ie/surveys/>
- Observatoire de la Mondialisation: (1997) 'Eclairages sur la Mondialisation', see URL <http://www.ecoropa.org/obs/>.
- OECD: (1999) 'Communications Outlook 1999', OECD, Paris.
- Ombudsdienst voor Telecommunicatie: (1999) 'Jaarrapport 1998', Brussel. (annual report of the mediation service for telecommunication)
- Omhae, K.: (1990) 'The Borderless World', Collins, London.
- Pierson, J.: (1997). 'Als een VIS in het water - De Vlaamse overheid en de Vlaamse informatiesnelweg (VIS): Overzicht en analyse'. *Informatie en Informatiebeleid*, 15(4), pp.25-32.
- Telenet: (1999) 'Jaarverslag 1998', Mechelen.
- Verhoest, P.: (1995) 'Regionalism and Telecommunications Infrastructure Competition: The Belgian Case', *Telecommunications Policy* 19(8), pp.637-645
- Verhoest, P.: (2000) 'The Myth of Universal Service: Hermeneutic Considerations and Political Recommendations', in Cammaerts, B. & Burgelman, J-C: 'Beyond Competition: Broadening the scope of Telecommunications Policy', VUBpress, Brussels (forthcoming).

## NEWSPAPER ARTICLES:

FET, 'Belgacom moet 9 miljard betalen voor GSM licentie', 08/06/1996 (Belgacom has to pay 9 billion Bfr. for GSM licence)

FET, 'Belgacom schudt Internet-landschap door elkaar, Surfen wordt 7 tot 18% goedkoper', 16/03/1999 (Belgacom shakes the Internet-landscape: surfing becomes 7 to 18 % cheaper)

De Morgen, 'Interview administrateur-generaal BIPT Eric Van Heesvelde', 18/03/1999

De Morgen, 'Coalitie van 6 tegen Belgacom over Internet-tarieven', 23/04/1999 (A coalition of 6 against Belgacom for Internet-tarrifs)

FET, 'Toch nummeroverdraagbaarheid op 1 januari', 25/06/1999. (Nevertheless, number portability on the 1<sup>st</sup> of January)

FET, 'Telenet start zoektocht naar nieuwe strategische partner', 24/08/1999 (Telenet begins search for a new strategic partner)

De Morgen, 'Het gaat niet snel genoeg bij Telenet', 30/08/1999 (It isn't going fast enough at Telenet)