

FRANCE TELECOM

COMMENTS ON
DRAFT REPORT OF THE SECRETARY GENERAL
ON IP TELEPHONY
FOR THE WTPF 2001

First of all, France Telecom would like to congratulate the ITU Secretariat General for producing the first draft report which offers an excellent basis for discussion on the complex and sensitive subject of IP telephony.

France Telecom who has the advantage to be a member of the Informal Experts Group (IEG) on this issue participated with much interest to the first meeting held on November 16-17 in Geneva. Following this event, we wish to express our comments on the first draft report as follows.

1 IP telephony, an opportunity for economic growth under a favourable environment....

France Telecom heartily shares the general view expressed in the first IEG meeting that the draft report should not focus so heavily on the negative aspects of IP Telephony. The IP technology makes it possible to offer a wide range of value added applications that can create new sources of revenues and foster economic growth both in developing and developed countries. This broadened scope should be reflected in the draft report especially in the economic chapter.

Yet France Telecom is convinced that economic growth will only be reached under a favourable environment matching all the coming challenges. As a global operator we are fully aware of these challenges. Two of them are the development of skilled human resources and the production of valuable contents. Equally important is the need to foster investment and innovation especially in a fast moving and converging market. Our success in meeting the challenges will condition economic growth and the decrease of the so called « Digital Divide » within and between countries. To reach this aim it is crucial to define what could be a favourable environment.

2 Which favourable environment ?

The environment to be created presents several aspects. One of them refers to the technology. France Telecom shares the view of the IEG that participants to the forthcoming Forum need to understand at a general and high level the specificity of IP networks (including their cost structure) before being able to discuss the more restricted issue of IP Telephony. Bearing in mind the progressive evolution of the networks and the various degrees of development, the interoperability between different networks (IP, PSTN, Mobile) will be an essential element of the favourable environment which is at stake. The IEG was right to emphasize this need.

Yet one of the most important feature to consider in building up the right environment is about the regulatory framework. The concept of technological neutrality was at the center of discussions at the first IEG meeting.. France Telecom does not oppose the principle as such but is deeply concerned about what could be an inadequate and careless application.

To create favourable conditions and particularly to foster innovation and investments, technological neutrality should be applied on a conditional basis, i.e if the need for specific regulation has been proved. In our view, two conditions only may justify this need, when there is a market failure or when public interests cannot be met by the Industry. If and after those two conditions are fulfilled, technological neutrality should be applied to avoid discrimination and market distortions but the concept should not be used to regulate services which have not been regulated so far and have been competitive from the very beginning.

3 IP Telephony, an evolution rather than a substitute to PSTN Telephony.

Moreover « neutral » should not mean « identical » but rather « similar ». The application of the principle should adapt to the foreseen overall objective and to the specificity of the concerned services. As far as IP Telephony is concerned the essential question to raise is about its substitutability to the traditional plain PSTN telephone service. France Telecom shares the view generally expressed at the first meeting of the IEG that IP telephony is an application among others made possible by IP technology and should be seen as an evolution full of opportunities rather than a mere substitute.

France Telecom is looking forward to the forthcoming discussions on this complex issue both in the IEG meetings and the March Forum.