
Divergences on the process of convergence: regulatory dualism and regulatory dissimilarities for telecommunications in Europe

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Abstract: This paper seeks to explore policy reforms, regulation reforms and regulation forms on a comparative basis. In the following paper, two likely different regulatory reforms and regimes will be examined and compared. Major aim of the certain comparison concerns the detection of conclusions about the 'effect' of Europeanisation and 'negative integration' (Hix, 1999: 22) upon European markets. Similarly, the repercussions different political systems and policy domains have upon policy reforms and policy changes will be addressed. The following paper is specifically concerned with the regulation of telecommunications sector in Greece and UK, especially under the framework of European Union. By examining a. the reasons for liberalisation in these two markets, b. the policy reform evolution, c. the 'nested games' between actors and interests and d. the ultimate policy form, I will explore the question of convergence: *is the latter likely to be found in the policy instruments and style alone or in the policy procedures and outcome as well?*

By formulating a *framework of analysis* for these telecoms regulatory regimes I attempt to explore *whether the direction of reform in the specific European political economies is characterised by a convergence or divergence*. Fundamental methodological tools in this effort (besides qualitative analysis) will be the analysis of regulatory regimes in their essential parts and the liberalisation's policy evolution analysis (procedures and relations) in different contexts.

United Kingdom and Greece offer an interesting comparative perspective as they constitute a 'least likely case' to convergence due to the peculiarly different characteristics they carry. What remains is to explore the significance of exogenous variables (EU) and the 'importance' of internal characteristics for *policy and institutional innovation*.

1. Introduction

This paper seeks to explore policy reforms, regulation reforms and regulation forms on a comparative basis. In the following paper, two likely different regulatory reforms and regimes will be examined and compared, under the national but also European institutional framework. In my empirical studies, I delve into the processes and the relations through which regulatory regimes evolve, ‘blossom’ and change.

The following paper is specifically concerned with the regulation of telecommunications sector in Greece and UK. To illustrate the issue I will search through a. the reasons for liberalisation in these two markets, b. the policy reform evolution, c. the ‘nested games’ between actors and interests and d. the ultimate policy form. Embarking on these methodological distinctions, I will explore the question of convergence: *is the latter likely to be found in the policy instruments and style alone or in the policy procedures and outcome* as well? By formulating a *framework of analysis* for these telecoms regulatory regimes I attempt to explore *whether the direction of reform in the specific European political economies is characterised by a convergence or divergence*. Fundamental methodological tools in this effort, *inter alia*, will be the analysis of regulatory regimes in their essential parts and the liberalisation’s policy evolution analysis (procedures and relations) in different contexts.

Prior to the further elaboration into the aforementioned issues a short terminological as long as epistemological disentanglement might be enlightening. Throughout this article, I will use the term of liberalisation in a broad sense, as the latter contains the terms of privatisation and regulation as well as the “*promotion of a market economy via private ownership and competitive allocation of resources*” (Levi-Faur, 2004: 8). Hence, the notion of liberalisation includes the removal of statutory restrictions on competition (de-regulation), the transfer of ownership from public to private hands (privatisation), the promotion of competition via the enforcement of roles through administrative roles and the creation of new public bodies (regulation/re-regulation) (Levi-Faur, 2004: 8). In a nutshell, liberalisation includes the terms of privatisation and regulation or re-regulation. Furthermore, the term liberalisation is part of a new form of “state intervention”, a new type of *governance*.

The research problem of the following pages concerns the impact of liberalisation in Europe and especially the repercussions of its evolution on the telecommunications’ sector. Liberalisation and Europeanisation is a twin process which has been transforming European political economies (Lavdas, 1996: 254). However, the extent to which the repercussions in these countries are the same is questionable. European political economies face approximately the same problems and by using similar instruments, aim to overcome systemic economic crises. Nevertheless, *liberalization* processes might vary in different contexts?

Precisely, and as it has already been mentioned, I will contrast and compare the impact of liberalisation in two European countries with many differences, by measuring the extent to which the direction of reform in these European political economies is characterised by convergence or divergence. Complementarily, I will identify the rationale behind processes of convergence or divergence.

Through a further insight, convergence or divergence can be found at two different levels. The first is the level of policy instruments and policy style. The specific example refers to the cases in which there is an adaptation of instruments (i.e. privatisation,

institutional separation - **A**), although there is no actual convergence in the policy outcome (from the goals to the policy form, **B**). *In this case there is no real convergence but only a typical one.*

Apparently, in cases where a policy transfer of instruments occurs a convergence in the first level is more likely to be identified. Nevertheless, a convergence in the policy outcome is questionable, especially when we have to deal with different contexts. Under this spectrum, three different scenarios are expected:

- i. Divergence in both levels.
- ii. Convergence in both levels.
- iii. Convergence in the adaptation of instruments but divergence in the policy outcome.

The main research questions through which these scenarios will be explored and tested are:

- *Why did liberalisation ‘arrive’ in the UK and Greece?*
- *How did liberalisation ‘develop’ in the two countries?*
- *Which parameters affected the evolution of liberalisation in these two contexts?*

Subsequently, these questions will be explored through the examination of: the reasons for liberalisation in the two countries, the policy evolution (procedure and the policy relations) and the policy form and outcome. Finally, one of the major questions posed in this dissertation will be: what kind of statutory regulation is implemented in the UK and Greece?

Drawing on this methodological canvas and through an empirical investigation, I expect the scenario (**iii**) to be verified. What I expect to find in these cases is a convergence according to the adaptation of policy instruments but a divergence in the final outcome. Due to structural, systemic differences but also because of policy-specific decisions and differences in the ‘dominant political methods’, liberalisation in Greece is characterised both by a ‘*peculiar convergence*’ in the adaptation of policy instruments and style but also a divergence in the final outcome and final policy form. Three central arguments are thus presented. Firstly, the repercussions of liberalisation vary according to the rationale informing its application and the indigenous ‘dominant policy method’. Secondly, there is no ‘de facto’ association between convergence in policy instruments and policy outcomes. Last but not least – in a more broad and theoretical overview -, it seems that economic regulation usually produces policies of *dispersed costs and concentrated benefits* (Lane, 2000: 129).

2. Theorising Regulation

As Majone observes, regulation can be defined as “*the set of rules issued for the purpose of controlling the manner in which private and public enterprises conduct their operations*” (Majone, 1996b: 9). Hardly surprisingly, public regulation does not signalize the withdrawal of the state, rather is another way for the state to intervene in the market. The difference is that, when public regulation is selected as the main instrument of state intervention instead of redistribution function, state seems less “*visible*”. As Lane observes for instance:

“when the state is considered not as a set of institutions with its own employees but as the creator of normative systems – regulations – then it is

far more difficult to identify the vast system of laws and directives – the invisible state” (Lane, 2000: 118).

According to the same author, the foundation for public regulation has been laid by welfare economics and its theories about externalities and economies of scale (ibid: 119). Nevertheless, different approaches have determined different views about the role of the state and the necessity of public regulation. Moreover, different environments under different circumstances have experienced differently the phenomenon of regulation.

Beginning from a theoretical perspective, a distinction can be made between the Normative and the Positive Theory of Regulation. The Normative Theory (NPT) regards market failure as the main reason for the state intervention in the economy (Peltzman, 1989: 4), based on the assumption that interferences are developing at the interest of the public or the consumers (Lane, 2000: 120). It is called Normative for the reason that it defines the reasoning of intervention on the grounds of the “*ought to*”: the state ought to protect public interest, to prevent market failure and consumers. As a result of monopoly power, for instance, the information failures and the inadequate provision of public goods were motivations for governments to intervene and to regulate.

At the beginning of 1970’s another stream of regulation theory emerged, the so called Positive Theory of Regulation (PT). According to the instigator, regulation “*is acquired by the industry and is designed and operated primarily for its benefit*” (Stigler, 1988: 209). According to the PT or Economic Theory of Regulation, political actors are utility maximizers (Majone, 1996b: 31) and they regulate not to enhance efficiency but to redistribute income from some groups to others (ibid: 31). Although Stigler’s model offered a more pragmatic view of ‘regulation reality’, it was profoundly uncrystallized, suffering by weaknesses, mainly according to the capture of an agency by a single economic interest.

Later theories, tried to fill in the theoretical gaps left by the first two main theoretical streams (NPT & PT). Specifically, on the grounds of those theories new approaches have been built. On the one hand, Peltzman’s contribution added that:

“as long as consumers can offer votes or money for a small departure from a regulatory regime protecting only producers groups, pure producer protection will not be the dominant political strategy” (Majone, 1996b: 32).

As Peltzman says, “*the size of the dominant group is limited in the first instance by the absence of something like ordinary-market-dollar voting in politics*” (Peltzman, 1988: 236). In addition, Peltzman went further by saying that the public regulation is determined by the interaction of demand and supply of legislative action (Lane, 2000: 132). As he observed, the main criterion for the regulators is the total political utility to be maximized (Peltzman, 1989: 10).

On the same basis, another insightful theory was developed in 1986 by Gary Becker. Its additional value though, was the notion of *deadweight loss*¹ (Becker, 1988: 86, 102). The argument actually was a second-best version of the NT (Majone, 1996b: 33) and what it added was that although governments use regulation to improve the position of the more influential groups, *deadweight losses* prevent the inefficient policies to be implemented. As a result, even “*incidentally*”, governments avoid implementing inefficient policies preventing that way market failure.

¹ Deadweight loss is the difference between the winners’ gains and losers’ losses (Becker, 1988: 93, Majone, 1996b: 32).

Between the lines drawn by the aforementioned theories, more models have developed trying to explain and to interpret the state, agencies and business decisions. Among them, the most important are the Capture Model and the Rent Seeking Model of Regulation. The former “*implies that the special interests of both the regulator and the regulated will dominate over the public interest*” (Lane, 2000: 123). The latter argues that regulation based on the idea that government controls entry to private and public markets (Cope, 1999: draft).

In the recent literature the trends can be distinguished between three broad categories (Cope & Goodship, 1999). On the one hand, the regulation in the interests of the consumers (NPT) can be found. On the other hand, there is the regulation in the interests of the regulated (Chicago, life-cycle, principal agent) and the regulation in the interests of the regulators (regulatory state, bureau shaping). Lastly, there are approaches which focus more on the procedure of regulation rather than to the players (strategic enforcement, bureaucratic-counter control).

2.1. Forms of Regulation

Nowadays, the debate concerning regulation refers to regulation by independent agencies (IRAs) and quasi autonomous non-governmental organisations (quangos). However, as I mentioned above, regulation has been always one of the main state functions. The state functions have been always distinguished between the regulatory operation on the one hand, and the fiscal (borrowing, spending, and taxation) operation (Stigler, 1988: xii) or non-regulatory (distributive, redistributive) policies (Majone, 1996b: 63), on the other hand. Overall, the main distinctive forms of public regulatory operation are: *public ownership and statutory regulation*.

Statutory regulation or American style regulation is rapidly becoming, as Majone argues, “*the most important mode of regulation*” (Majone, 1996b: 47). Statutory regulation is the regulation implemented by independent agencies operating in the “middle ground” between the state and the market arenas. The American experience of statutory regulation can be traced back to the late nineteenth century. IRAs in US were always a vital part of the regulatory policy. The main reason for this is an ideological one, based on the assumption of a minimum intervention of the state in the market. Similarly, nationalisation was never as common as economic force in the US market as in Europe.

The latter had adopted the *public ownership* style of regulation which was based on the model of nationalised industries. Only when specific economic necessities demanded the liberalisation of markets and the privatisation of public companies, has the *statutory regulation* been seen as a necessary component for a new efficient regulation policy. In Europe, during the last 20 years (beginning from the UK in 1980’s) has there been a clear movement to a statutory mode of regulation. Nevertheless, the manner in which the new policy model is implemented varies from country to country and from sector to sector.

One of the major research questions addressed in this paper is to establish the type of statutory regulation is implemented in UK and Greece, in the Telecommunications sector in particular. As was previously mentioned, statutory regulation brought about the liberalisation (privatisation, deregulation, re-regulation) of markets.

Liberalisation includes firstly, the process of privatisation which is the transfer to private ownership of previously governmentally-owned resources (Burton, 1987: 22) and

secondly, the process of “deregulation and re-regulation” which can be defined as “*the loosening of restrictions on the entry or exit from a market and on the setting of prices*” (Rubsamen, 1989: 105). The aforementioned procedures can occur in many forms and degrees² (ibid: 105).

The style of the re-organisation of state supervision (re-regulation) and the removal of barriers (de-regulation) varies. On the one hand, there are models of regulation where the regulator is the dominant player (Cope & Goodship, 1999) in the ‘regulation game’ (Regulatory Dominant Model). On the other hand, there are regulation regimes in which the relationship between the ‘players’ is more complex. Depending on this case, the dominant player in the ‘regulation game’ could be the government (Regulatory Control model or Rent Seeking) or the regulated (Regulatory Capture Model). Lastly, the “regulation game” could take place within the absence of a dominant player - on a basis of bargaining (Regulatory Bargain Model).

Nevertheless, in the framework of the European political economy, and according to the regime's characteristics (Thatcher, 2002a: 870), we can distinguish between five broad regulatory regimes:

- *Public Ownership Regimes*: public monopolies, state rule making power
- *Semi-liberalised Public Service Regimes*: weak IRAs, limited liberalisation, public role
- *Mixed Economy Competition*: strong IRAs, partially publicly owned suppliers
- *Protected Competition*: typical liberalisation, limited competition
- *Private Competition Regimes*: sector-specific regulation, strong IRAs, private companies.

Through summarising the findings from the theoretical review, it is easy to see that the aforementioned models and approaches are more complementary than mutually exclusive. What is sure is that the debate concerning regulation is very context-and-case-dependent. State-economy / state-society traditions (Lavdas & Mendrinou, 1999: 141), policy-wide system characteristics (Heritier, 2001: 44, Heritier & Knill, 2001: 9, 258), and policy-specific features (Caporaso, 2001: 2) are crucial for the final form of regulation and they are responsible for the variations among cases as well. However, these approaches contribute to the interpretation of the actors’ decisions in any case examined. Consequently, the most important questions according to the examination of regulatory regimes concern: *the implications on the allocation of resources by the regulation, the beneficial and the losers of the policy and the form of the regulation policy* (Stigler, 1988: 209). The exploration of these issues in the UK and Greek ‘regulatory environments’ is the subject of the following pages.

² The deliberate sale by a government of state-owned enterprises (Megginson, 2001: 321) can be complete or partial. As Lane says, a public enterprise “*may be turned into a joint-stock company owned either by the public or by the private sector*” (Lane, 2000:136). A public firm can be a joint-stock company (private firm with a public owner) where the state owns more than 51 per cent of the shares (ibid: 136). Similarly, the state can retain only a significant part of the shares, or sell-off them or give up the governance scheme (management). Different categories of privatisation are: the privatisation through restitution, the privatisation through sale of state property (asset sales or share-issue privatisation) and the voucher privatisation (Megginson, 2000: 339).

3. European Union and regulatory state

3.1. Regulatory state in Europe

Prior to an empirical investigation of the case studies, a reference to the European framework is needed. As has already been noted, in the last years a change has occurred at the European level; *the movement towards the “regulatory state” is a dominant trend in the European public policy*. The key features of this new form of state-economy and state society relation, according to Thatcher, are: *i) the privatisation of state-owned enterprises, ii) the liberalisation and the ending of state monopolies, iii) the establishment of rules governing a competitive supply (re-regulation) and lastly, iv) the establishing of semi-independent / independent regulatory bodies* (Thatcher, 2003: 312). If we wish to fully understand the evolution of the specific multifold process in different national entities, there are two ways to proceed: to illustrate the main characteristics of the ‘European regulatory state’, whilst pointing out also the most important policy events. By doing so, I am setting up the framework and the external variables under which I will investigate the case studies.

In particular, according to Majone’s apposite remark, the trend in Europe within the last few years can be characterised as “administrative regulation”: the economic and social regulation by means of agencies operating outside the hierarchical control of the central administration (Majone, 1994: 83).

More analytically, the statutory regulation has always been a part of American political, economic and social ‘culture’. The main difference to Europe is that the statutory regulation in United States was a result of the political system, the perception of the role of State, the dominant ideology and overall, it was mostly a reflection of a scope for public policy. The ‘minimal state’ tradition and the more ‘Madisonian characteristics’ of the US political system were the primary factors which influenced this form of policy-making. On the contrary, a popular support of the market economy in Europe developed “*only after the crisis of the welfare Keynesian State*” (Majone, 1996a: 264).

Specifically, the regulatory state in Europe came up with a procedure of a “third order change” (Evans, 2004: 17). The “European regulatory state” emerged as a component of a European Union which through its regulations and directives “*forced members to reduce their interventions in the economy*” (Hix, 1999: 221)³, giving this way a pragmatic and potential importance to the states’ regulatory function.

Basically, since Europe was lacking a “regulatory tradition”, the statutory regulation has been transferred “incidentally”, fulfilling the demand for the regulation of the privatising utilities and the opening of the markets. It seems that in Europe, the privatisation plan came before the “regulatory consensus” and the emergence of “quangos”. As Majone, more or less says, it was soon realised that privatisation has to be accompanied by the regulation of the market, otherwise “*privatisation would mean the replacement of public monopolies by private ones*” (Majone, 1996b: 48).

However, UK is an exception to this trend. The emergence and the development of the regulatory institutions in UK came up years before “regulation” becoming the dominant

³ According to Hix, the EU produces “two different sorts of regulatory policies: **negative integration policies**, through the removal of barriers to international trade and competition and **positive integration policies** through the establishment of EU-wide regulations” (Hix, 1999: 215). The telecommunications policy is part of the former. As Hix observes, the direct result by these policies was the “deregulation of a large number of industrial sectors” (Hix: 1999: 222).

paradigm in Europe. It is mainly for this reason that the “EU dimension” will be used in different ways; as a framework for UK but as an independent variable for the Greek case. Together with the emergence of EU and the adaptation of the “regulatory orthodoxy”, the simultaneous technological developments in telecommunications and international competition have to be taken into account, as pressures for change (Rubsamen, 1989, Majone, 1994, 1996a, 2003, Levi-Faur, 1999, 2003a, 2004, Thatcher, 1999, 2001); but also domestic factors such as the economic pressures for privatisation and de-regulation / re-regulation (Heritier & Schmidt, 2004).

3.2. Significant Policy Events

Europeanisation as long as the manifold evolution of the ‘European regulatory state’ did not let telecommunications sector untouched. As Europeanisation I define the process through which nation states delegate power to supranational institutions at the European level, in a “*distinct structure of governance*”. Likewise, *Europeanisation* concerns, on the one hand, “*the emergence and development of distinct structures of governance*” (Risse, Cowles & Caporaso, 2001: 3) and the implications this “governance” have on national structures, traditions and styles of policy-making; on the other hand, antithetically, defines the implications idiosyncratic socio-economic national structures, traditions and policy styles have on the ‘European policy spirit and process’ itself.

The European Union emerged primarily as a response of nation states to increasing economic interdependence (McNamara, 1998: 3-8, Moravcsik, 1997: 520, 1998: 6) and international economic and technological competition (Knieps, 1990: 83, 86, Levi-Faur, 1999: 179). The development in the Telecommunications’ sector started in the mid-80’s. An historical stage for European Telecommunications has been taken in 1987 (Appendix 1). Since then, as Coen observes, the Commission “*has been committed to implementing liberalisation in Europe’s network industries*” (Coen & Doyle, 2001: 80).

Telecommunications policy entered a new historic path through the [COM (87) 290] decision and the publishing of Green Paper by the Commission (Commission, 1987) on the Common Market for Telecommunications services and equipment (Appendix 2). In the latter also lies the first distinction between *regulatory and operational activities*. According to Hix, in 1988, the open competition in telecoms equipment was agreed (Hix, 1999: 222). The competition in voice telephony and telex services was established from 1993. Finally, the open competition in the supply of infrastructure and the liberalisation of fixed - mobile telephony “*began in January 1998*” (ibid: 222).

The last seven years and regardless of the variations across countries, the European Telecommunications has been a liberalised sector. The final step towards a European regulation was the Commission Decision [2004/3445/EC] of 14 September 2004, which established the (ERG) European Regulators Group (Commission, 2004). The role of the latter is to ensure the regulatory framework (Appendix 3) for electronic communications and services (ERG, 2005).

The European network industries regulation is implemented though the Commission, the ERG, the European Court of Justice, the European Parliament, the member states and NRA’s⁴ (Coen & Doyle, 2001: 86). The Commission had never sought to harmonise

⁴ National Regulatory Agencies.

formal regulatory institutions⁵. Consequently, the characteristics of the current regulatory regime are: *European principles, national implementation and shared responsibility for enforcement* (Coen & Doyle, 2001: 86).

The “regulatory state” in Europe came to fulfill the new economic and technological developments, as an additional part of the “liberalisation strategy” but not as a primary goal *per se*. This is the main difference to the US and this is also the major reason for the non-existence of a pure “*regulatory stateness*” in Europe, so far. The emphasis in Europe was first on privatisation (UK) and de-regulation (removal of barriers) rather than re-regulation. The latter, became a goal in the late 1980’s, when the promotion of competition arose as important (Levi-Faur, 2003b: 710). In any case, the EU structure acted as a “mediator” to global pressures rather than as an “initiator”, having more differentiated rather than “homogenized” impacts across different state-society/state-economy traditions and different policy-specific or systemic parameters (Lavdas & Mendrinou, 1999: 141).

4. United Kingdom: a Principal-Agent Case

This chapter is specifically concerned with the regulation of the Telecommunications sector in the UK. The reasons for market liberalisation in the UK are clearly distinguishable from those in Greece. These can be characterised more as internal rather than ‘external’, in a sense that there was not such an ‘external empowerment’ such as the EU which could exert power and influence. However, international competition (Heald, 1989: 31) and economic and technological developments constituted external pressures.

Undoubtedly, the main reason for the liberalisation (especially in the early 1980s) was that the latter constituted the “optimal” choice for the upgrading of the Telecommunications’ sector of a competitive economy. As Heritier says, “*in Telecommunications, international competition does not allow any country to afford the high costs of an inefficient infrastructure*” (Heritier, 2004: 558).

Moreover, the introduction of competition in USA and the break up of AT&T (Thatcher, 1999a: 72) and the direct pressure from American firms and policy-makers for regulatory reforms in other countries, created an additional pressure. Finally, as Thatcher observes, technological change “*weakened the economic foundations of monopolies over network operation as direct and indirect competition became easier*” (ibid: 57).

After these external pressures, the “policy window” was opened in Britain for a drastic change. Internal economic and political facilitating reasons such as: the economic crisis (Thatcher, 2003: 316), the fiscal problems (Public Sector Borrowing Requirement), the power of trade unions in the Public Organisations (Bishop, 1988: 10, Saunders, 1994: 19) and the performance of the Public Companies (Saunders, 1994: 19, Zahariadis, 1999: 458), made liberalisation an economic panacea. Above all, the specific ‘*funnel of causality*’ has been met with the minimal state macro-economic intervention and has been legitimized on the ideological grounds of Thatcherism (Levi-Faur, 2003a: 171).

⁵ With the exception of ERG which is not a European Agency but is “composed of the heads of the relevant national authorities, it acts as an interface between them and the European Commission in order to advise and assist the Commission in consolidating the internal market for electronic communications networks and services” (ERG, 2005 see <http://erg.eu.int/>).

The main assumption for the regulatory regime in UK is that, based on its characteristics, the latter belonged to the Private Competition Regime. Based though, on the dynamic relations between the participants, the main hypothesis for the Telecommunications' regulation regime in UK is that the latter is more likely a Regulatory Dominant Model (RDM, Appendix 4).

In explaining the specific dynamic relation, the policy form at large and the implications deriving from that, I will 'test' the so-called 'principal-agent' theory of regulation. Based on the latter, the principal can motivate an agent to behave in a way "*that will result in the achievement of the principal's regulatory goals*" (Cope, 1999: draft). In the UK 'game-playing' particularly, I will posit the British Telecom (BT) as a principal and the IRA⁶ as an agent.

4.1. Policy Process

The Telecommunications sector in Britain was for years a state owned monopoly (Yarrow and Vickers, 1988: 197). From 1912 to 1981, the Post Office was the only authorized player and the only supplier of Telecommunications' services. The liberalisation plan included the separation of the Telecommunications and postal agencies, competition in the equipment and transmission markets and the privatisation of BT (Rubsamen, 1989: 109).

With the British Telecommunications Act in 1981, which sought to introduce some competition⁷ into parts of the telecoms sector⁸ (Yarrow & Vickers, 1988: 157), the separation of postal services and the establishment of British Telecom (BT) took place. BT became the first privatised utility, in a series of utility companies (ibid: 155), as also it became a totally separate public corporation on the 1st of October (BT's Group Archives, 2005). According to Yarrow, in the White Paper of 1982 (Department of Trade), the Government announced its intention to sell just over half of BT's shares (Vickers & Yarrow, 1986: 224).

British Telecommunications had been incorporated as a public limited company (plc) in anticipation of the Act on 1st of April of 1984 (BT's Group Archive, 2005). The transfer to British Telecommunications plc from British Telecom as a statutory corporation of its business, its property, rights and liabilities took place on 6th of August (BT's Group Archive, 2005). In November of 1984, 50.2 per cent of BT shares were sold⁹ (Thatcher, 1999a: 148) and £3.9 billion was raised (Yarrow & Vickers, 1988: 162). The Government "*continues to own fractionally less than half of BT's shares*" but BT's management has complete commercial freedom (ibid: 162).

⁶ OFTEL / OFCOM.

⁷ According to the BT's Archive, "*the 1981 Act permitted further liberalisation by allowing network competition. The Secretary of State for Trade and Industry was empowered to grant licences to operators other than BT to provide network and value added services*" (BT Group Archive, 2005).

⁸ According to Vickers, the 1981 Act did two things: "*abolished exclusive privileges and established an independent machinery (British Approvals Board for Telecommunications), opening that way the competition in a limited degree*" (Yarrow & Vickers, 1988: 205).

⁹ Initially, all shares in the new plc were owned by the Government, but in November 50.2 per cent of the new company was offered for sale to the public and employees in this first flotation of a public utility. Shares were listed in London, New York and Toronto. British Telecom's flotation was the first of a series of privatisations of state-owned utilities throughout the 1980s and into the 1990s (BT's Group Archive, 2005).

The re-regulation of BT, initially involved the establishment [1984 Act] of the Office of Telecommunications (OFTEL) as a non-ministerial government department (Durant, 1998: 124). OFTEL was the first network and utility regulatory body in the UK (Coen, 2002: 5) and it functioned within the jurisdiction of the Department of Trade and Industry (DIT) and under the heading of a single Director General of Telecommunications (ibid: 5). The main responsibility of OFTEL was the implementation of the regulatory set of rules established with the 1984 British Telecommunications Act, “*known popularly as the Licence*” (Durant, 1998: 124).

The privatisation process went further after 1990s. The company's transfer into the private sector continued in December 1991 when the Government sold around half of its remaining holding (47.6 per cent of shares) reducing its stake to 21.8 per cent (BT's Group Archive, 2005). At the same time, the Duopoly Policy was abolished in the 5th of March 1991 (OECD, 2002a: 6).

The latter marked the ending of the duopoly which had been shared in the UK by British Telecom and Mercury Communications since November 1983 and started the build up to privatisation (BT's Group Archive, 2005). In addition, from 1990's onwards, the UK started implementing the EU directives and the WTO's Agreements (OECD, 2002a: 6).

After that, in July 1993, all the Government's remaining shares were subsequently sold in a third flotation, raising £5 billion for the Treasury and introducing 750,000 new shareholders to the company (BT's Group Archive, 2005). Finally, in July 1997 the new Labour Government announced the “*ending of its 'golden share' in BT that could be used to prevent takeovers*” (Thatcher, 1999a: 152, BT's Group Archive, 2005, OECD, 2002a: 30).

In December 2000, the White Paper¹⁰ announced the convergence of the Telecommunications and broadcasting industries by the reform of the regulatory framework, including a new single (OFCOM) regulator (OECD, 2002a: 10). More recently, the Communications Act 2003 established the new regulatory body of OFCOM, integrating in this way the former duties, responsibilities and functions of supervising authorities and regulatory bodies.

4.2. Policy Relations

BT plan was passed due to the absence of constitutional protections and the “*willingness of the Thatcher to assert centralised power and to override so-called 'vested-interests'*” (Heald, 1989: 46). The UK political system, as Tsebelis says, is that of a “single veto player” and of a strong government (Tsebelis, 2002: 4). However, what made the difference in the UK case were not the features of the political system per se. What was more important in the UK case was the state–society and state–economy relations rather than the state characteristics alone. The latter favored undoubtedly the change, however the lack of efficient opposition through an organised coalition and the absence of ‘*corporatist structures*’, were important systemic parameters which facilitated the shift to the ‘liberalisation’. For example, as Heald observes:

“The unitary nature of the UK does not explain why the Thatcher government adopted privatisation so enthusiastically, but it does explain the absence of constraints on the centre comparable with those which would exist in federal countries” (Heald, 1989: 46).

¹⁰ “A New Future for Communications”.

Nevertheless, as Heald himself says, the willingness of the Thatcher government to assert centralised power and to override so-called ‘vested-interests’ was very important in the development of the policy. Although unions fought vigorously against privatisation and trade unions in public corporations took industrial action (Thatcher, 2003: 317), the privatisation process moved inexorably and ‘successfully’ on. Overall, the strong political leadership together with few constitutional restrictions on legislation, *“allowed governments to make unpopular changes and to overcome opposition from trade unions and public sector employees”* (Thatcher, 1999a: 322).

The main conclusion can be drawn by the study of the regulatory regime in UK is that the latter can be explained through the principal agent theory; in the sense that the independent and strong IRA has promoted the goals of the regulated (incumbent) in all the procedure of the liberalisation, or at least was favorable to it. Especially in the beginning, there was a ‘voluntary capture’ of the regulators (government, agencies), favorable to BT. As the market was maturing, the British policy centered on the regulation of competition. As it has already been noted, since BT became a private company (1991-1993), the government started abolishing the duopolistic ‘protecting framework’.

UK is a Private Competition Regime and an ideologically-driven trajectory. It is a national market with a powerful supplier *“but one that has become open to competition, supported by a mixture of detailed sector-specific rules and broader regulatory controls”* (Thatcher, 1999b: 94, Appendix 5). However, BT is remaining the dominant player in the market. According to Heritier, the same protective trend towards BT is still occurring. Despite the large number of licenses granted, the domestic market remains dominated by BT (Heritier, 2004: 567). The ways the latter conducted its business was through: a. favorable pricing formulas (*RPI-x*), b. investment – oriented developmental policy or finally, c. the ‘conservative’ strategy in the unbundling of the Local Loop. The regulatory regime in Britain, overall, can be characterised as a Regulatory Dominant one, since OFCOM seems now to control the ‘regulation game’. Nevertheless, the principal-agent theory provides an insightful interpretation of the case.

5. Greece: a ‘regulatory dualism’

The factors behind the policy shift in the Greek Telecommunications policy can be found in an internal and external process. On the one hand, the liberalisation programme in Greece has been necessitated by economic and technological developments (Heritier 2004: 558, Interview MTC¹¹) with the latter mediated by the EU’s institutional structure (Interview, OTE¹²). In the same context, strong international commercial interests and competition between companies (Interview, MTC) created an additional pressure for policy change.

In Greece, the liberalisation of Telecommunications had a *twofold* effect. On the one hand, the proceeds from the privatisation were of vital importance for the compliance to Maastricht criteria. As Lavdas observes, the privatisation and re-regulation plan owe *“less to neo-liberal policies or party platforms and more to the need to tackle deficits and public indebtedness”* (Lavdas, 1996: 234). In addition, the external pressure concerned the liberalisation in general and had a more explicit form: according to the OECD’s

¹¹ Ministry of Transportations & Communications (MTC).

¹² Greek Organisation of Telecommunications (OTE).

Report, “*direct financial pressure was exercised by the EMU upon the Greek government*” (OECD, 2001a: 14).

On the other hand, the liberalisation plan was an “*optimal substitute*” for the lack of a broader developmental plan for the Greek economy. An important point one can mention with regard to the Telecommunications’ liberalisation in Greece, is that the latter has been approached more as “*an end in itself*” rather than as an instrument for a long-term development and growth.

My main assumption for the regulation regime in Greece is that the latter belongs to the Mixed Economy (MEC) Competition (Thatcher, 2002a: 870, Interviews OTE, MTC, and EETT¹³)¹⁴. Although, the Greek regulation regime is classified as MEC, differences can be observed to the “regulation game”. Subsequently, what I expect to find in the detailed characteristics of the regulation regime is: a “paradoxical coexistence” of a Regulatory Dominant Model (RDM) and Regulatory Control Model (RCM) together with a regulated-regulator conflictual relationship explained by the strategic-enforcement theory of regulation (Appendix 4).¹⁵

5.1. Policy Process

The Telecommunications sector in Greece was publicly owned since 1930. According to the primary sources examined (OECD, 2001, 2002, OTE Annual Reports 2000, 2001, 2002, 2003, 2004), the first Greek Telephone Company S.A. (GTC) was established at 1930, with Siemens-Halske as its main shareholder. The Greek Organization of Telecommunications (OTE) was founded at the 1949 [Law 1049/1949] as a merger of GTC and Cable and Wireless (OTE, 2004: 7). According to the OECD Report, OTE had exclusive rights over the operation of the Telecommunications services in the country (OECD, 2001a: 8).

Although in 1973 a Presidential Decree [165/1973] was issued which ordered that the state should not interfere in the OTE’s management, in the 1982, the new socialist government of Andreas Papandreou brought OTE back in, to the state control [Presidential Decree 1256/1982]. In 1985, another Presidential Decree [58/1985] allowed employee representatives to participate in OTE’s Board of Directors. This event increased on the one hand the “socialisation” of OTE as Public Utility Company by establishing employee’s rights but it also brought a higher degree of ‘*politicisation*’ in the company. The latter had strong repercussions in the following attempt for reconstruction and privatisation, especially by contributing to the “liberalisation failure” of 1993 by the Greek Conservative Party (ND).

From 1990 onwards, slow steps had been taken to modernise the OTE and the Telecommunications sector in general. In 1990 [Law 1892/1990], a liberalisation of value-added services and mobile telephony took place (OECD, 2001a: 8). Greece was the last country in the EU though which liberalised this sector and granted licenses to mobile operators (OECD, 1999: 20). Additionally, two new Laws in 1992 and 1994 [2075/1992,

¹³ National Independent Agency for Telecommunications & Postal Services.

¹⁴ According to the Thatcher’s classification, the Mixed Economy Competition regime includes countries with partially owned suppliers which compete with private companies in a liberalised market; in addition, strong IRA’s is a permanent feature, in a regime oriented to “*fair and effective competition*” (Thatcher, 2002a: 870).

¹⁵ According to the strategic-enforcement theory, a tough stance is adopted by the regulator which usually leads in a conflictual, wasteful and occasionally inefficient, game-playing.

2246/1994] liberalised the mobile services (Duopoly) and the Telecommunications services (except public voice telecommunication)¹⁶, respectively (OECD, 2001a: 8). This Law [2246/1994] also established (typically, at least) the new Independent Agency - Commission (EETT) of Telecommunications and Post Services. The latter, increased its responsibilities¹⁷ only after the new Telecommunications Laws [2840/2000, 2867/2000].¹⁸

Subsequently, the most important period for examination is the one after the 1990. As I have already mentioned in the last chapter, since the Single European Act and the publishing of the Green Paper (1987), the Commission “*has been committed to implementing liberalisation in Europe’s network industries*” (Coen & Doyle, 2001: 80). As it was also mentioned, in 1994, the *Green Paper on the Liberalisation of Telecommunications Infrastructure and Cable Television Networks* [COM (94) 682] established a new framework with the most important development the liberalisation of Telecommunications infrastructure from 01.01.1998 (Commission, 1994). Nonetheless, “*temporary derogations from the requirement to liberalise services were given to countries with small*” (Thatcher, 2001: 567) or undeveloped infrastructures. Greece in particular, in October 1997 obtained a two-year derogation to 31 December 2000 (OECD, 1999: 20), with a main justification to rebalance its tariff structure.

The ‘privatisation plan’ started with the Simitis socialist government. In 1996, a first public offering took place in the Athens Stock Market, reducing the state share to 92.4 per cent. After that, 3 more public offerings took place at 1997, 1998, 1999, reducing the state share to 85.3 per cent, 65.1 per cent, 51.1 per cent respectively (OECD, 2001a: 18). Simultaneously, OTE had been listed in the (LSE) London Stock Exchange (1997) and became the first company in the (NYSE) New York Stock Exchange (1998) as well. In April 1998, through a block trading to institutional investors, the state share has been reduced to 75.1 per cent (OTE Annual Report, 2004: 9).

In 2000, by means of a convertible bond issue the state share was reduced to 41.7 per cent and in 2001, by a book building transfer to institutional investors, the state share was reduced furthermore, to approximately 33.7 per cent. Finally, some return of shares increased the state share to 34.6 per cent and 44.6 per cent (July 2005). The Greek government though, aiming to transfer directly the last amount of shares (10 per cent) to institutional investors, through an accelerated book building procedure (*To Vima*, 29 May 2005). Overall, the Greek state remains an active participant in the privatisation (and re-regulation) procedure, playing a vital role in the future of the Company and jeopardized its private profile.¹⁹

¹⁶ The Law 2246/1994 allows OTE to participate to the mobile telephony. However, the Law 2246 prohibited the liberalisation of voice services and the provision of public switched telecommunications network.

¹⁷ According to the Law 2867/2000, EETT enjoying administrative and financial independence with main responsibilities the supervision and the regulation of both the telecommunications market and the postal services market in Greece (EETT Annual Report, 2003: 125).

¹⁸ EETT has been established with the Law [2075/1992] and it has been re-established with the Law [2246/1994]; however, the latter has been modified through the Laws [2668/1998] and [2840/2000] (Koulouris, 2001: 105).

¹⁹ OTE is supervised by the EETT as a telecom service provider, by the Minister of Development as a Societe Anonyme, by the Greek Competition Committee and the European Commission as a company operating in the free market, by the Hellenic Capital Market Committee and the Athens Stock Exchange as a publicly traded (listed) company and by the Minister of Finance who is the state representative and he is

5.2. Policy relations

In this part I will also examine the ‘power-game’ by highlighting two specific time periods in the liberalisation process. The first one is the ND’s²⁰ privatisation failure of 1993 and the second one is the case of Greek derogation (1999-2001).

The first case concerns privatisation’s failure in 1993. At this point I have to mention that Greece has a tradition of a politicised economy with complex linkages (*disjointed corporatism*) between state institutions and private interests (Lavdas, 1996: 234, 2005). The Conservative government made the first attempt to privatise OTE in 1992. However, the political instability of the period²¹ (Pagoulatos, 2001: 127) together with the great opposition by the trade unions, the Socialist party²² itself and the biggest market player (Intracom)²³, led to the rejection of the plan. Additionally, the level and the type of change did not favour a policy reform such as privatisation. The level of change was presented more internal (ideological) than external (necessity). On the contrary, PASOK’s later plan was successful due to this “external constraint” factor: “*the inevitability of the Maastricht criteria*” (Pagoulatos, 2000: 238). To sum up, the political instability (state characteristics) together with the lack of strong external (EU vision) empowerment (level of change) and the lack of cultivated relations to the social groups and other factual players as Intracom (state-economy and state-society relations), led to the ‘failure of 1993’. In addition, the last factor was the ‘low reform capacity’ (Heritier & Knill, 2001) together with the “political miscalculation” (policy-specific decisions) of the aforementioned dimensions.

On the contrary, PASOK avoided most of the problems which ND had faced. The new incoming PASOK government of 1993 offered a new privatisation plan including the remaining of OTE’s management in ‘public hands’, satisfying in this way some opposing groups (GSEE, Intracom). In addition, PASOK favoured Intracom according to the procurement for the digitalisation of OTE (1994-1996), excluding from the competition better offers²⁴ (*Eleutherotypia*, 10th July 2005). Especially from 1996, Simitis’ strong government and the “*long-cultivated links to social groups as the left-wing sensibility appeal of PASOK*” (Pagoulatos, 2000: 237) resulted to a comparatively limited socio-political reaction. Moreover, the ‘gradual adjustment path’ and the ‘tying’ of privatisation in the vision of EU resulted in a ‘consensus-building’ procedure.

The second “delay” concerns the demand for derogation by the EU. As has been illustrated, the socialist government controlled all the necessary parameters the N.D. was

entitled to intervene according to the Articles of Association and the legal procedures as “*any other shareholder do so*” (OTE, 2003 Annual Report). However, the regulation policy is a clear responsibility of EETT, which enjoying absolute independence (Interviews MTC, OTE).

²⁰ New Democracy: one of the two major political parties in Greece.

²¹ The ND government had a frail parliamentary majority of two seats (Pagoulatos, 2001: 129).

²² Trade unions and PASOK constituted strong “factual and formal veto players”, respectively. According to Lavdas, the opposing coalitions have used various veto points, “*including the Parliament and number of networks connecting private interests, banks, unions and factions within both main parties*” (Lavdas, 1996: 246).

²³ As Lavdas observes, OTE has been Intracom’s biggest client. Intracom’s (telecoms equipment and software manufacturer) political weight in Greece was (and still is) anyway huge, as the most successful Greek company in the Eastern Europe. The ND’s plan [2167/1993] for a strategic investor to OTE was a political decision created conflicts between the government and a determinant factual veto player (Heritier, 2001: 12, Tsebelis, 2002: 2).

²⁴ Alcatel denounced the Intracom’s procurement for its higher cost (*Eleutherotypia*, 10th July 2005).

lacking. Nonetheless, Simitis' administration asked for a five-year derogation. Although the derogation lasted two years, Greece was the last country which conformed to the EU regulations. The government firstly, was building an internal consensus (gradual adjustment) and secondly, was protecting OTE from the external environment. As Mr. T²⁵ stated:

“There was no other actual reason for these delays outside political ones, such as political will or political tactic” (Interview MTC).

As has already been mentioned, the “external pressure” (EU) increased after 1993 (Hix, 1999: 222) and especially after the liberalisation in the supply of infrastructure (1998). As Kazakos says, the European Monetary Union “*reflected a new liberal consensus among European governments*” (Kazakos, 2004: 901). The specific consensus created “*adaptational pressures*” in countries as Greece with a *statist economic policy*. In these cases, the options were either “drastic changes” or “gradual adjustments”. In Greece, as has been illustrated, PASOK followed the second path (derogation, and gradual adjustment). This way, government was protecting and preparing OTE but most significantly, was preparing the political ground for forthcoming changes.

The last of these changes, was the completion of the early retirement plan²⁶ in 26th of May 2005 (*Eleutherotypia*, 27th May 2005) by the new government of ND. By means of this plan, government will finance “indirectly” OTE. Together with this funding, government is contributing to the necessary restructuring of OTE, while imposing private employment criteria on the organisation, by compensating retired employees and the labour union of OTE (OME/OTE). Overall, is obvious that the ‘gradual adjustment’ path has determined and will still dictate the regulation form in the Greek Telecommunications’ sector.

The main conclusion to be drawn about the Telecommunications’ liberalisation is that due to the “gradual adjustment” path (structural limitations) and policy-specific decisions (dominant political method), it is characterised by a “*regulatory dualism*”²⁷. Greece belongs to the market enforcing trajectory and is a Mixed economy Competition Regime. The market is composed of a dominant supplier with broader regulatory and sector-specific rules but a difficult progress with regards to competition has been identified due to the conflictual relationship between the regulator, regulated and the government. Although the ‘regulation game’ in Greece has all the characteristics of a wasteful and conflictual relationship of regulator-regulated, the specific theoretical prism does not fully explain the content. What is more likely to explain the reasons and the implications from the “*regulatory dualism*” is a Regulatory Control or Rent Seeking Model (Appendix 4).

²⁵ The full name of the interviewee is not cited due to intelligible reasons.

²⁶ According to this plan, 6000 employees, approximately, will be retired earlier, with a relatively high compensation (OTE Announcement, 2005). According to this Agreement, “*all future OTE hires will be subject to common employment Law and private sector contracts*”.

²⁷ Regulatory dualism is a major limitation of Greek regulatory policy. The latter, on the one hand, has to be developed between the ‘future’ of the former monopoly (OTE) and on the other hand, the ‘necessity’ of liberalization which is ‘passing through’ the restriction of the monopoly itself.

6. A comparative perspective

In this part I will carry out a comparative examination of the regulatory regimes I have already examined. In the first place, I will compare some ‘*environmental*’ dimensions which affected the general policy evolution of Telecommunications’ liberalisation in the two countries. Secondly, I will compare the *policy evolution (procedure and relations)* in the two cases, and will be looking for differences or similarities in order to discover how different environments might affect the policy procedures and outcomes (forms). The main question posted is namely: *is convergence likely to be found in the policy instruments and style alone or in the policy procedures and the outcome as well?*

6.1. Environmental Comparisons (Macro-)

According to the analytical framework I shaped (Appendix 6), a divergence is likely to be observed (*prima facie* at least) between the cases examined. The first features under consideration are the state’s political tradition (‘ideology’) or ‘dominant political practice’ and the state-society and state-economy relations. As it has developed over time, the UK is characterised by a *pro-liberal* state tradition (Heritier, 2001: 262) whilst Greece can be distinguished as having an ‘*interventionist*’ one (Spanou, 1998: 474, Pagoulatos, 2001: 125, Kazakos, 2004: 915, Sotiropoulos, 1995). In particular, the state-economy and the state-society relations in Greece have been characterised by a ‘strong statism’; on the contrary, the same relations in UK are more liberalised. In addition, as Thatcher says:

“*despite the existence of a large state and the power of Keynesian ideas, a strong strand of 19th century liberalism persisted in Britain after 1945*” (Thatcher, 2003: 327).

The latter made this type of change more feasible in the United Kingdom. According to Thatcher, “*the organisation and traditions of UK together with the structure of society and its links with the state*” (ibid: 329), was a ‘fertile soil’ for liberalisation. On the contrary, and according to Pagoulatos, democratic politics in a highly politicized system “*exercises a paralysing effect on policy and institutional innovation*” (Pagoulatos, 2000: 232).

Moreover, the reform capacity between the cases is likely to be different: in the case of Greece, the reform capacity was not so high due to the presence of multiple factual veto points (disjointed corporatism) and the lack of experience-expertise (ibid: 226-228). On the contrary, in Britain, the strong majoritarian single-party governments together with the absence of many ‘factual veto points’ (and the few constitutional constraints) facilitated the policy change (Appendix 6).

The last ‘environmental’ difference between the cases is the level of change. In UK, the origin of change was more domestic than ‘external’, whilst in Greece, the ‘external empowerment’ of EU was the main ‘engine’ behind the liberalisation. However, the EU’s entry (and its compensating, dispersed and concentrated, benefits) functioned legitimately for the ‘policy transfer’ of liberalisation. The extent in which all the aforementioned differences affected (or not) the policy outcome is the main topic of the next part.

6.2. Policy Procedures and Policy Relations (meso-)

The former divergence, has affected the policy evolution in the two contexts. Basically, a convergence can be found regarding the policy instruments and policy style; nevertheless, in the implementation process (procedures and relations) a divergence is more likely to be observed.

Table I

The Evolution of Liberalisation in the United Kingdom

<i>UK</i>	<i>Competition progress</i>	<i>Regulatory activity</i>
<i>Stage I</i>	Monopoly – Privatisation	Regulation of the Duopoly
<i>Stage II</i>	Duopoly – Limited Competition	Regulation in both retail and interconnect markets (Coen & Doyle, 1999)
<i>Stage III</i>	Competition	Re-regulation focuses on competition, tariff issues, fair trading practices and public service objectives

The main difference among them is undoubtedly that the liberalisation programme in the UK came into being prior to the implementation of EU telecommunication directives. On the contrary, market liberalisation in Greece not only commenced after the developments in the European level but moreover, Greece was the last European country which adopted the European directives (especially after a two-year derogation period).

The evolution of liberalisation in the two cases is likely to be different. Firstly, liberalisation in UK came up as “*an effect of the privatisation*” rather than the other way around. According to Yarrow, in the beginning at least, the regime was not liberal (Vickers & Yarrow 1986: 222).

Table II

The Evolution of Liberalisation in Greece

<i>Greece</i>	<i>Competition progress</i>	<i>Regulatory activity</i>
<i>Stage I</i>	Monopoly – Duopoly in Mobile	Regulation focuses on duopoly public service objectives
<i>Stage II</i>	Privatisation – Gradual Competition	Re-regulation focuses on retail and emerging competition issues
<i>Stage III</i>	Competition – Privatisation (pending)	Re-regulation focuses on the control of the incumbent, the retail and interconnect markets by the dominant incumbent

As Yarrow says: “*the protection of BT and Mercury from competition favours them and nobody else*” (ibid: 236). Subsequently, the hierarchy of the terms involved, according to their significance, was: **privatisation, re-regulation, competition**. As Majone says, it was

soon realized that a regulatory framework was needed, otherwise privatisation “*would only mean the replacement of public by private monopolies*” (Majone, 1996b: 48). Therefore, the evolution of liberalisation followed three stages: ***privatisation, duopoly & re-regulation, competition*** (Table I).

Subsequently, the first stage included the presence of monopoly in the Telecommunications’ market and the privatisation plan. The second stage included the introduction of the duopolistic market (BT & Mercury) and the establishment of independent agency, but with limited competition, in the supply of services. The third stage finally, included the abolishing of the duopolistic regime and the unrestricted competition under the regulation of OFTEL.

Similarly, the stages of the plan in Greece were namely: ***monopoly & duopoly*** (mobile) – ***privatisation, re-regulation & gradual competition – re-regulation, competition, privatisation*** (pending). The liberalisation of the mobile telephone market occurred prior to the privatisation of OTE due to developments in the European level.

As a result, the first stage included a monopoly awaiting its privatisation and a duopoly regime in the mobile phone industry. The privatisation plan started in 1996 and the duopoly was abolished in 1998 with the entrance of OTE’s subsidiary. Subsequently, the second stage included the privatisation process, the introduction of competition in mobile market and the reinforcement of the independent agency (Appendix 5).

The third stage includes the introduction of competition in all services but with the privatisation process and the full ‘unbundling’ of the fixed telephony still pending. The difference to the UK case is that *the process of competition’s introduction and the privatisation process itself overlapped as a result of the gradual adjustment to EU’s requirements* (a source of dualism). The actual re-regulation of the market came only after the full liberalisation (2001), as the last step in the procedure. However, officially this was the first one (establishment of EETT).

On the one hand, the Conservative government in UK privatised quickly and sometimes “*in the face of a powerful opposition*” (Thatcher, 2003: 316), due to the absence of constraints on the centre (Heald, 1989: 46), the absence of constitutional protections and the strong single-party majority,

In the Greek case we see that there were neither constraint to the equally centralised power, nor were there coalition governments. In a first place, the failure of 1993 came about due to the ‘fragile’ majority of the single-party government of Nea Dimokratia (N.D.). As Pagoulatos says, Mitsotakis (ND’s political leader) was more willing to pursue liberalisation, but was not able to do so (Pagoulatos, 2000: 230). The new government of PASOK, foresaw that any scenario of ‘*shock therapy*’ was not possible, under the strong opposition of multiple factual veto points to the political system. The only option which remained to the Greek Socialist government was to follow the “gradual adjustment path” and the “*non-disturbance of strong preferences*”.

6.3. Outcome: The Policy Form

The implications these differences have on the policy outcome and form are multiple (Appendix 5, Table III). The UK regulatory framework today is distinguished by a balanced and ‘ideal harmonic’ relation between the regulated and the regulator. The government has no responsibilities upon the regulatory issues while the new regulator (OFCOM) is concerned with the telecommunication market and concentrates both on

infrastructures and on the incumbent's market share. However, there are some reasons for critique by the market participants. For example:

- the Duopoly policy (1984-1991),
- the promotion of infrastructure competition at the expense of service competition
- the non-proactive position to the unbundling of the Local Loop (Appendix 7)
- the price cap policy which is supposed that favours BT, as it does not allow operators to rebalance their tariffs and it constitutes an obstacle for investments to the Local Loop (OECD 2002a: 7).

What the UK case confirms is the principal – agent hypothesis. As Heritier says, “*the UK telecoms market is still biased in favor of the incumbent monopolist*” (Heritier, 2004: 567). On the other hand, the ‘external pressure’, the delays and derogation, the dominant political practice of interventionism and the ‘gradual adjustment’ path followed in Greece (due to the factual veto-points and the state-society, state-economy relations), led to a “*regulatory dualism*”. Complementarily, *the ‘dualism’ has been further and decisively reinforced by the overlap of competition and privatization processes.*

The full liberalisation of the sector came up with the re-distribution of the incumbent's market share (and profits) (*business-stealing strategy*) but not through an *investment-oriented regulatory strategy* (Interviews MTC, OTE). Nevertheless, the latter's implication is that the dominant investor in the telecoms sector is being restricted to the needs of ‘competition’, with its profits falling continuously the last years. As a response, the incumbent prevents competition in some areas (LLU, residential market) at the expense of the market itself. However, and because the incumbent is still a source of profit for the government (stock market shares, public share in the company), the latter tends to ‘protect’ it as well as improving its ‘attractiveness’ to any potential institutional investor or ‘strategic partner’. That is the “Greek paradox”: the future of the market is dependent upon the restriction of the incumbent which for political and financial reasons has to be protected / supported (*regulatory dualism*).

Herein lies also another difference between the cases. On the one side, BT became free to decide how to supply services within the framework of its license (Thatcher, 1999a: 200); neither OFTEL nor the government involved in its internal company decisions. However, OTE was for years under the guidance of the government and was affected by the limits the latter imposed. The last four years though, the commercial sphere of OTE's activity has become independent. However, as the Chairman of OTE has stated, “*is the state in its various manifestations, which continue to treat OTE as if it were a Government department*” (OTE Annual Report, 2003: 6).

7. Conclusions

The comparison of the UK and Greek experiences of liberalisation provides examples *where both convergence and divergence can be identified*. The clear convergence between the cases examined can be found due to the ideas and institutions which led to the policy change, and the paradigms which were used to pursue similar goals. In addition, similarities can be observed in the re-allocation of resources: in some positive (prices) and negative (employment) repercussions of liberalisation in the telecoms market. Finally, a convergence is identified in the *incumbents' tactic* (monopolistic) in both cases. However, due to a variety of reasons, the outcome has been altered, maybe not ostensibly but mostly in its essence (Table III, Appendix 5, 6, 7).

Table III: Cross-Country & Cross-Level Comparison: A Framework of Analysis

<i>Dimensions</i>	<i>Convergence vs Divergence</i>	<i>Trend</i>
<i>Instruments / Style</i>	C	+
<i>Goals</i>	D	+
<i>Re-allocation of resources (i.e. prices, employment)</i>	C	+
<i>Structural dimensions (i.e. ideology, reform capacity, state-economy relations)</i>	D	-
<i>Dominant 'Political Method'</i>	D	-
<i>Policy relations</i>	D	-
<i>Policy procedures</i>	D	-
<i>Policy Outcome</i>	D	+
<i>Policy form</i>	D	+
<i>IRA's status</i>	D	+
<i>IRA's tactic</i>	D	+
<i>Incumbents' status</i>	D	-
<i>Incumbents' tactic</i>	C	+
<i>Market trends</i>	C	+
<i>Compliance to EU directives</i>	D	-

The divergence among the cases mainly concerns the '*structural*' dimensions (reform capacity, dominant political method), which have resulted in two things: firstly, in different policy relations and procedures and secondly, in a divergence at the regulatory regimes (Appendix 5) and an *altered and divergent outcome* (policy form, agency and company status quo, conflictual relations, non-compliance to EU directives).

The policy forms follow a different paradigm (Appendix 5, 6, 7), with the Greek market following a ‘**business-stealing**’ model while UK follows a more ‘**investment-ladder**’ one. The agencies’ and companies’ status quo and the regulatory regimes have been identified as different (Appendix 5, 6); the relations are conflictual in Greek case while in UK there is a more ‘harmonic bargaining’. Last but not least, divergence has been identified on the issue of compliance to EU’s directives (see Table III).

According to the benefits and burdens of regulation policy, there is also a convergence. It was illustrated that in both cases there were diffuse costs (the abolition of standardised employment practices, workers, future employees, taxpayers) and concentrated benefits [financial investors, transnational actors, incumbents occasionally, white-collar professionals, mobile factors of production and holders of liquid assets (Pagoulatos, 2005: 377), new commercial interests in the sector]. However, only occasionally, have some diffuse benefits (lower prices) and concentrated costs been observed (GSEE, labor unions in UK).

Today, UK is a national market with a powerful supplier “*but one that has become open to competition, supported by a mixture of detailed sector-specific rules and broader regulatory controls*” (Thatcher, 1999b: 94, Appendix 5). It is a Private Competition Regime and an ideologically-driven trajectory (Thatcher, 2002a: 870, Levi-Faur, 2003a). In the UK case a Regulatory Dominant Model (RDM) has been identified, as the regulator seems to control the regulation-game (Appendix 6, Table IV).

Table IV

What Kind of Regulation

<i>Type / Countries</i>	<i>UK</i>	<i>Greece</i>
<i>Trajectory</i>	Ideologically- driven	EU-enforcing
<i>Regime Model</i>	Private Competition	Mixed Competition
<i>Mode of Regulation</i>	Regulatory Dominant	Regulatory Control

Greece is an EU-enforcing trajectory, a Mixed Competition Regime and a Regulatory Control Model, characterised by a contradictory feature defined as ‘*regulatory dualism*’. ‘*Compliance asymmetries*’ can be associated not only with state characteristics but also (and most importantly) to policy-specific decisions, market limitations and the ‘dominant political method’ or better, state own interests. *Greek governments chose to absorb both the full ‘earnings’ by the privatization of OTE (sale profits, shares, taxation) but also to obtain the full benefits of deregulation by pursuing a rapid liberalization whatever the negative repercussions the latter had for the (non-) development of infrastructures.*

Overall, the main ‘divergence’ concerns the policy rationale *per se*. In particular, the liberalisation programme in Britain was part of a broader developmental process; whilst in Greece, liberalisation was a substitute for the absence of such a plan. Institutional separation, re-regulation and liberalisation at large, should be a means of development and not ‘*an end in itself*’. Similarly, the transfer of policy instruments does not constitute a convergence by itself; only the effective integration of these instruments to a broader developmental process can be regarded as such.

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Appendix

1. The most important policy events:

<i>Year</i>	<i>Event</i>
<i>1983</i>	Commissions' Decisions concern strategies for a common telecoms policy, setting up of SOG-T (Senior Official Group of Telecoms)
<i>1984</i>	Council recommendation: harmonization in the field of telecommunications
<i>1986</i>	Council Directive: mutual recognition of technical equipment
<i>1987</i>	[COM (87) 290] decision and the publishing of Green Paper by the Commission
<i>1988</i>	Commission Directive [L131 – 27/05/1988, pp. 0073-0077]: competition in telecommunications terminal equipment
<i>1988</i>	Setting up of the independent organisation 'European Telecoms Standards Institute', by the Commission
<i>1989</i>	Council's decision for liberalisation of telecommunications with the exception of telephony and public infrastructures
<i>1990</i>	Commission Directive: liberalisation of all services with the exception of telephony, mobiles and satellite communication
<i>1990</i>	Open Network Directive [90 (387) EEC - 20 June 1990]: set up the rules governing the access to the telecommunications infrastructure
<i>1994</i>	Green Paper on the Liberalisation of Telecommunications Infrastructure and Cable Television Networks [COM (94) 682]: liberalisation of telecommunication infrastructure from 01.01.1998
<i>1996</i>	Commission Directive liberalising the use of alternative infrastructures as of 01.07.1996
<i>1997</i>	Commission Directive extending competition to mobiles. Commission Directive implementing full liberalisation of the telecoms market.

Source: Schneider 2001: 64, Commission 1987 & 1994, EETT 2005, Levi-Faur 1999: 187, Council 1990.

2. The Green Paper:

The Main Guidelines

public monopoly in the network infrastructure,

liberalisation of services with the exception of voice telephony

**distinction between regulatory and operational activities of the public sector
(Commission, 1987)**

Source: Commission, 1987.

3. State of Transposition to the New Regulatory Framework

	Framework 2002/21/EC	Access 2002/19/EC	Authorisation 2002/20/EC	Universal Service 2002/22/EC	ePrivacy 2002/58/EC	Competition 2002/77/EC
UK	☺	☺	☺	☺	☺	☺
Greece	⊗	⊗	⊗	⊗	⊗	⊗

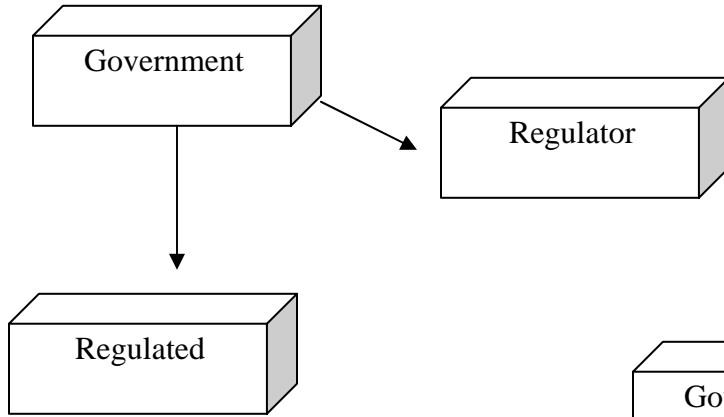
Source: Commission, 2004: 6

Full transposition notified / complete information supplied ☺

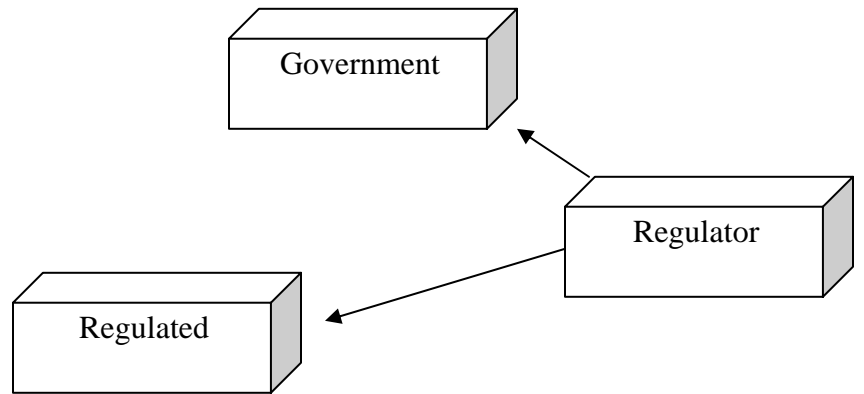
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4. Regulatory Models

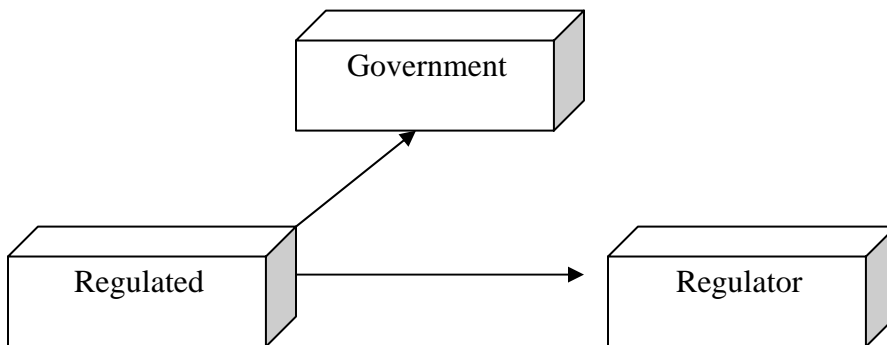
RCM



RDM



RCapM



5. Regulatory Regimes in Comparison

<u>Characteristics</u>	<u>UK</u>	<u>Greece</u>
<i>Age</i>	Telecommunications Act (1984): OFTEL & OFCOM (2003)	EETT: established with 2075/1992 and modified through: 2246/1994, 2668/1998, 2840/2000, 2867/2000 & 3371/2005
<i>Political Intervention</i>	Low: independent regulators with high degree of discretion and market focus (Coen, 2005: 379)	Medium: independent regulators (Interview OTE, MTC 2005) but in a strong politicised interventionist environment (i.e.3371/2005)
<i>Clarity of division of institutional functions</i>	High: institutional separation	High: institutional separation
<i>Transparency and openness of the decision making process</i>	High: all firms have access to the consultation process	Medium: access to the consultation process; EETT do not pays attention to the opinions of all the participants (Interview, OTE 2005)
<i>Speed of regulatory decision making</i>	High: focus increasing ex ante regulation; OFTEL allows numbers of iterated contracts to reach decision	Low (Interview OTE) to Medium (Interview MTC): the lack of expertise and experience results to delays
<i>Degree of competition</i>	High: competitive in services and high speed infrastructure; monopoly elements in the local loop and radio spectrum	Medium: competitive in services; some monopoly elements in the local loop, radio spectrum and infrastructure due to the incumbents' tactic

Source: Coen 2005: 379, Interviews OTE, EETT, MTC June 2005.

6. The ‘environments’ in comparison:

<i>Dimensions</i>	<i>UK</i>	<i>Greece</i>
<i>Ideology</i>	Pro-liberal	Interventionist
<i>State-economy relations</i>	Liberal	Statist-economy, politicised
<i>State-society relations</i>	Competitive pluralism	Disjointed corporatism, politicised
<i>Reform Capacity</i>	High: few formal and factual veto points	Low: few formal but many factual veto points
<i>Change in Regulation</i>	High: full privatisation, institutional separation,	Medium: partial privatisation, institutional separation,
<i>Domestic or European origin</i>	Domestic	European
<i>Type of change</i>	‘Fit’	‘Misfit’

Source: Interviews EETT, OTE, MTC June 2005, Heritier & Knill (2001: 263), Thatcher, (2003: 329), Lavdas (2005), Pagoulatos (2005).

7. Regulatory tools

<i>Regulation</i>	<i>OFCOM</i>	<i>EETT</i>
<i>Methods</i>	Bottom-up / top-down	Bottom-up / top-down
<i>Tools</i>	LRAIC, RPI-x, LDC	LRAIC, LDC
<i>Direction</i>	‘Investment ladder’	‘Business-stealing’
<i>LLU policy</i>	Non-proactive to gradually liberal	Non-proactive to gradually liberal
<i>Access</i>	public consultation, appeals	public consultation, appeals

Source: Interviews OTE, EETT, MTC June 2005, Annual Reports OTE & BT.