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REGULATORY ENVIRONMENT AND FIRM PERFORMANCE IN EU  
TELECOMMUNICATIONS SERVICES

**Daniel Montolio, Francesc Trillas, Elisa Trujillo-Baute**

**Infrastructure and Transport**

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**ABSTRACT:** We empirically estimate the effects of regulated access prices and firms' multinational status on firm performance by using firm, corporate group, and country level information for the European broadband market between 2002 and 2010. Three measures of firm performance are used, namely: market share, turnover and productivity. Special attention is paid to differences in the impact on the performance measures depending on a firm's position as either a market incumbent or entrant. We find that while access prices have a negative effect on entrants' market share and turnover, the effect on incumbents' market share, turnover and productivity is positive. Further, we find that multinational entrants perform better than national entrants in terms of their market share but worse in terms of their turnover and productivity. The opposite is true of incumbent multinationals which perform better than nationals in terms of their turnover and productivity but worse in terms of their market share. This confirms that a firm's multinational status has a significant impact on its performance, and that this impact differs for incumbents and entrants. Finally, when evaluating the impact of access prices on firm performance at the mean performance of national and multinational firms, we find that the impact of access prices is lower for multinational than for national firms.

JEL Codes: L51, L25, L96, F23

Keywords: Regulation, firm performance, telecommunications, multinational firms

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2014

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