

ETNO Reflection Document in response to the TABD Industry Consultation on the Transatlantic Economic Council

ETNO, the representative trade association of 41 major European telecoms operators, aims at contributing to the development of policies leading to an efficient and fair regulatory and trading environment for its members in Europe and abroad. A strong supporter of an enhanced Transatlantic relationship, ETNO welcomes recent progress made with the creation of a Framework for advancing Transatlantic Economic Integration and the setting up of a Transatlantic Economic Council to guide this process. ETNO wishes to thank the Trans Atlantic Business Dialogue (TABD) for the opportunity to present its views about this new Framework and the priority projects so far identified to accomplish it.

In this context, while satisfied by the importance given to innovation as a driver for growth and competitiveness, ETNO misses in the Framework a reference to one of the most relevant innovation and investment related topics, identified as a high priority in both the EU and the US agendas, i.e. increasing very high-speed Internet connectivity through the deployment of *Next Generation Networks*.

Thus, references to cooperation on eAccessibility or eHealth fail to define these as broadband-enabled services dependant on the widespread availability of very high-speed networks able to supply the degree of connectivity necessary for their provision.

Increasing the up-take, range, usage and value derived from new services over broadband requires a substantial underlying investment effort from the private sector in order to upgrade and develop the networks necessary to enable the provision of these new and innovative applications. However, when facing the need to stimulate broadband deployment, the EU and US regulatory authorities have adopted divergent approaches.

In the EU, the implementation of the 2003 Regulatory Framework has been strongly conditioned by objectives (such as direct regulation of retail and wholesale prices) geared towards promoting competition based on network access by new entrants. Meanwhile, the US has decided to free up

investments in new infrastructures from sector regulation to foster a model of infrastructure based competition based on multiple competing platforms (ADSL, Cable, FTTH, Mobile, PLC and Satellite).

The issues at stake are high, as the regulatory framework will have a crucial impact on the decision from telecommunications operators to invest in the deployment of very high-speed networks, particularly at the access level¹. A recent study led by Professor Len Waverman of the London Business School and LECG², states that over 10 billion euros of investment in fibre-based and other alternative telecoms networks could be lost in Europe if intense regulation was to be maintained.

In spite of the lack of reference to the importance of promoting an EU-US dialogue on policies to foster deployment of very high-speed networks, a window of opportunity may arise in the current Framework to deal with this issue. Specifically, there is an action foreseen in *annex 4* that could be enlarged to include the topic of policies for very high-speed networks development. This action refers to

“Engage in regular discussions of laws, policies and practices that could impact investments in the EU and the United States (annex 4)”

The impact of regulation on investment in telecommunications infrastructure is of great concern to governments, industry, investors and consumers on both sides of the Atlantic. The *spill-over* effects that investment in new infrastructure can have on the overall economy have been described by the previously mentioned LEGG study as follows:

- New infrastructures will facilitate higher-speed broadband and services such as HDTV offered over broadband lines
- These superior capabilities will result in a larger range of commercial activities being conducted over the Internet, and also in the development of content and interactive options that are consistent with the capabilities that high-speed networks offer.

On account of all of the above, ETNO would like to encourage the Transatlantic Economic Council to foster an exchange of views between the EU and the US on policies for the promotion of very high-speed network deployment, using the existing Framework for advancing Transatlantic Economic Integration or incorporating it as a new priority issue of the Transatlantic Agenda.

¹ There are two components in Next Generation Networks. The first is the backbone or core networks, often simply known as next generation networks (NGNs). The second component, next generation access networks (NGA), are formed from the section of the operator's network which links end customers into the operators' backbone networks.

² Access Regulation and Infrastructure Investment in the Telecommunications Sector: An Empirical Investigation (Waverman, Meschi, Reillier, Dasgupta) Available at http://www.etno.be/Portals/34/ETNO%20Documents/LECG_Final%20Report.pdf