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Study calls for new wave of European telecoms market deregulation to restore growth and investment

- **The European telecoms sector has been in decline and lags all other major regions of the world on financials – but could generate additional annual revenues in excess of €40bn by 2020 with the right policy framework in place**
- **Operators need three freedoms: freedom to price, freedom to innovate and freedom to consolidate, in order to reverse this trend and maintain a healthy, competitive sector which can attract investment needed to build a world-class digital infrastructure**

A.T. Kearney, the global management consulting firm, and ETNO, (the European Telecommunications Network Operators' Association) have today published the full version of a study "*A Future Policy Framework for Growth*", which examines current revenue and profit trends in the European Telecoms sector and considers the path to return to growth.

The study predicts a decline in sector-wide cash flow without significant corrective action by policymakers and by operators. It highlights the importance of a range of revenue growth opportunities – from existing and new services – worth more than 40bn euros p.a. by 2020. It also quantifies net cost saving potential of 10bn euros per annum from internal operator transformation and consolidation within national markets and across borders.

The study, which is an independent contribution to the ongoing debate about the sector's future, was prepared by ETNO and AT Kearney with the cooperation of many European operators.. While noting the challenges for operators to address independently, it also spells out the requirements for change in the European regulatory framework. To compete effectively, operators need: the freedom to price services more flexibly to reflect true value to customers and monetise the impressive growth in broadband usage; the freedom to develop innovative new services on a level playing field with competitors from other sectors; and the freedom to integrate operations and build pan-European scale, in line with recent deliberations on building a single market for digital services.

Mark Page, A.T. Kearney Partner and lead author of the study commented: "*A healthy telecoms sector is essential in order to attract the levels of investment needed to build the infrastructure to underpin the European knowledge economy. The recent reality is that investors have preferred to invest in telecommunications in other regions, but a shift to a more forward-looking policy framework will unlock a return to growth.*"

Without changes to the regulatory approach and market structure, the study predicts that the industry could decline in size by up to €50bn in revenue by 2020. Despite operators' on-going efforts to improve their operating efficiencies and launch new high-speed services, the European telecoms sector's free cash flow would fall from €44 billion in 2011 to just €23 billion by 2020, potentially leading to cuts in investment to offset such a fall.

"This report shows that the current difficulties of the EU telecoms sector shall be overcome also through a reform of the European regulatory regime.

"We welcome the Commission's efforts in setting policies to grant stability of wholesale access prices and flexibility for fiber products. At the same time, the recent Commission initiatives to reform the policy and regulatory approach by boosting the creation of a single market are therefore essential.

"There is an urgency to act in order to allow greater scale efficiency for operators, if we want the sector to fully exploit its growth potential for the benefit of the entire economy", says Luigi Gambardella, ETNO Executive Board Chair.

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Notes to Editors

A.T. Kearney is a global management consultancy which serves the top management of the world's leading corporations across all major industries from its offices in 39 countries. The firm's telecommunications, media and high tech practice advises network operators, service providers, content companies and technology vendors as well as industry associations and regulatory authorities.

ETNO's 37 member companies and 12 observers from Europe and beyond represent a significant part of total ICT activity in Europe. They account for an aggregate annual turnover of more than €600 billion and employ over 1.6 million people. ETNO companies are the main drivers of broadband and are committed to its continual growth in Europe.

The report can be obtained from: www.atkearney.com

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