



3 November 2014

EU Chamber of Commerce in China, ICT Working Group

**“Current Challenges for European telecoms operators in a changing market environment”
Luigi Gambardella, ETNO Chairman**

Check against delivery

Dear friends, Dear colleagues,

First of all let me say a big thank you to the organisers for having invited ETNO to take part in this important initiative.

ETNO is the Association that brings together Europe’s main telecom operators, but we also host observer companies who represent the rest of the value chain, such as manufacturers and telecom operators from other areas of the world. Among them, we are proud to have an important Chinese company: Huawei.

First things first, let me say that we are really excited to be in China. From a European perspective, this country as a dynamic land, one from which exciting opportunities can arise for both cultural and business agents. Looking at things from the Internet value chain perspective, we are highly aware that the world has never been so interconnected and interdependent. For this reason we hope that the series of visits we are starting today will bring lots of learning to our Association as well as to our Chinese peers.

We will hear from colleagues who will present the ICT Chapter of the Chamber of Commerce Business report. I already want to thank all of those who worked on it as I found it a very insightful and stimulating reading. The work that has been done by the Working Group proves the point that stronger and continuous dialogue on policy issues is valuable and important to both Europe and China.

Let me now bring the perspective of European telecom operators to this table. I would like to share with you our views on European markets, but also say a few words on how we think that the new European leadership will tackle opportunities and challenges in the field of digital policies.

First things first, then, let me clarify why I believe that a Chinese company or policymaker should bother to understand more about the EU policies in the digital field. Europe is an exciting market: we have 500 million citizens, a high average revenue per user and - while some segments are mature already - there is a huge potential for take-up of innovative services and ultrafast broadband networks.

The new European Commission, led by Jean Claude Juncker, just took office. The first political messages delivered by Mr President Juncker and by the Digital economy and society Vice-President Andrus Ansip and the Digital Economy and Society Commission Guenther Oettinger are very promising. The main objective is to attract investments and create the conditions for a new phase of market growth.

Furthermore, European political and business leaders have a bold vision for the next term: they want to complete the EU internal market for digital networks and services. This vision should be of high relevance to all the international players who are looking for investment and growth opportunities in other areas of the world. This vision means that, very soon, you might have one single digital market instead of 28 national ones.

This objective, which has been pursued also during the past term of the European Commission, will be now at the top of the political agenda of the new President of the European Commission, Mr. Jean-Claude Juncker.

As I said, president Juncker has been very vocal in underlining how the future digital policies should aim at boosting a new wave of investments in Europe's networks and services.

As ETNO, we have been publicly supportive of a more streamlined and synchronised approach to digital issues. In this context, we also welcomed the clear objective to promote policies that are pro-growth and that are openly streamlined towards achieving greater investments in infrastructures. This objective has also been set out in the mission letters to each of the new Commissioners and it was clearly voiced by the incoming digital leaders of the European Commission.

Their expertise and leadership will be more than needed in a scenario in which the EU telecoms industry is being put to the test in the context of an extremely competitive global

environment.

There will be more opportunities for all those who want to bet on Europe and on its capacity to invest, reform, grow.

Let's look at some numbers about the digital economy worldwide:

A World Economic Forum study says that digitization has boosted world economic output by €141 billion in two years and has created 6 million jobs. WEF estimates an increase of 10% in a digitization score fuels, 0.75% GDP growth and c.a. 1% drop in unemployment rates. According to Cisco, full implementation of the Internet Economy in the public and private sectors would bring \$4,3 trillion (€3,3 trillion) to Europe.

In order to inform the policy thinking and future actions of the European Commission, ETNO has presented an Agenda for Europe. The main message of our proposed policy agenda for the next policy term in the EU is the following: ***The telecoms industry can serve as a catalyst for a period of transformation in Europe with landmark projects and substantial investment power: an estimated € 250 billion investment is foreseen over the next five years. Such investments have a multiplying factor of up to 13x and represent a substantial opportunity for Europe that cannot be missed.***

Our reflections on the future of the sector are based on five main pillars. These are:

1. Developing **Powerful Infrastructure** by aligning the regulatory framework to the 3rd investment cycle in 4G and fibre.
2. Boosting a **Globally Competitive EU Industry** through an updated competition approach and by ensuring a level-playing field among actors in the digital value chain.
3. Supporting **Digitally Enabled Companies** with early incentives for ICT adoption and EU-wide trials in areas as diverse as automation, smart-cities or mobility.
4. Increasing **End-user Benefits** with consistent privacy and security rules and by allowing the development of innovative services.
5. Promoting **Enriched Citizenship and Welfare** with strong demand-side policies, solid interoperability practices and a focus on digital literacy.

The five pillars I have presented have been developed on the basis of the main technological trends that we see as central for the future developments of the electronic communications sector in the EU:

- 1) The growth of OTT services and the need to address the regulatory challenges that this raises.
- 2) The growing demand for bandwidth-hungry services, together with the continued migration from PSTN to all IP-technology, which requires significant investment in high-speed electronic communications networks across Europe.
- 3) The need to secure sufficient spectrum resources for wi-fi and other wireless technologies, also as a consequence of the increased use of bandwidth-hungry services.

These trends are to be complemented by a policy review that takes into consideration the following elements:

- 1) The existing fixed electronic communications networks will increasingly require significant additional investments in fibre to replace a significant proportion of the copper, in order to remain competitive.
- 2) In several Member States, local/regional fibre deployment by players such as utility companies and municipalities will lead to increasingly competitive and heterogeneous market structures in high-speed broadband access.
- 3) In many EU countries, cable operators have been rising as strong, largely unregulated competitors in both fixed broadband and, increasingly, wireless broadband markets.

None of the above-mentioned trends were anticipated when the basis of the current European telecoms framework was being developed in the late 1990s.

This entails that, more than fifteen years after the liberalisation of the European telecoms sector, the framework objectives of ensuring open and competitive markets are not compatible anymore with a bias towards entry promotion policies. The focus has to shift to the promotion of innovation and investments in next generation network infrastructures, favoring outcomes that are dynamically efficient and sustainable in the long run.

In this context, I particularly welcome today's opportunity as a unique one to advance the dialogue of where digital policies should be heading. Our Continent, an China, mutually have a lot to learn from each other in terms of how we can collectively evolve towards better economy and societies. It is in this framework that ICT can prove an incredible tool to make industry smart, to make public administration smart, to make transports smart.

For this to happen, we should all commit to a continuous and intensive dialogue on high-tech, on digital infrastructures, on research and development and on all those tools that can make our societies smarter and our lives better.

ETNO believes that, as the Internet value chain is global, then also the debate about the policies and dynamics that influence such value chain should be global. We are for an open, thriving and diverse Internet, where all voices, all economic actors and all social forces contribute to what has nowadays become the biggest digital platform for prosperity.

In this respect, we admire the dynamism of many of the rising Chinese players. I think of exciting companies like Alibaba, Huawei, Tencent, Baidu or China Telecom. They are all part of this new, fast-paced digital value chain that has the potential to create so much value in our present and in our future.

Before I close, let me share some considerations from an economic and policy viewpoint. I would like to draw the picture that we see in Europe today and indicate why we believe that a new season of investments is waiting around the corner.

Recently, in Europe, we put forward our ideas on how this opportunity could be seized. Our plan and our vision for grasping it is simple: we are asking the new EU leadership to be bold and initiate immediately a new wave of public policies, oriented towards the achievement of an innovation and investment friendly environment.

This is a bet, but we are hopeful that the new European Commission shares many of the viewpoints I presented before. EU-China relations should also be in this picture, as we can all unlock more opportunities and prosperity for our countries.