



Chairman Speaking Notes, 26 May 2015

European Parliament, Committee on Industry, Research and Energy (ITRE), Working Group on Digital Union

Introduction: setting the stage

- Infrastructures, be they physical or virtual, are the backbone of our economies and of our societies. Previous speakers have already underlined how everything is going digital today.
- If this is the case and if there is consensus on that, then the job of developing policies and rules on digital networks is arguably one of the most crucial jobs a politician can have nowadays.
- As some of you will know, ETNO represents the leading telecom operators in Europe: those who invest over 60% of the total investment in Europe's telecom infrastructures.
- Let me share some thoughts from the viewpoint of those who have driven and will continue driving network deployment in Europe.
- There is a bigger picture, one of a global scale, that intimately connects with the work that the European Institutions do here in Brussels. There are big dynamics that link with the ideas, the papers and the amendments that are elaborated, among others, in this house.
- Maybe it's because I am an engineer, but I'll try to put that bigger picture in relation to some very concrete steps we can take together, here in Brussels, to give Europe world-class digital infrastructures.

The bigger picture: the gold rush for infrastructures

- As we speak, new economies are rushing towards financing their huge ambitions in terms of infrastructure deployment;
- Only a few months ago, a harsh EU-US debate was on as to whether Western countries should join the newly established Asian Infrastructure Investment Bank, based in Beijing;

- Today, most European countries joined, as did a total of 57 prospective funding members. Figures start floating, and it seems that the capitalisation might reach 1 trillion dollars;
- At the same time, plans are afoot to set up an Islamic Infrastructure Investment Bank, and some of the world's leading Islamic nations are competing to get the headquarters;
- From India, to China, to smaller nations in the region, the Asian Development Bank estimates the region's transport and information-related needs at roughly 8 trillion dollars by 2020;
- While these growing economies race towards brand new digital networks, numbers from more mature markets such as the Japan and the U.S. are also striking: in the period 2010-2014, mobile investments grew by 98% in Japan and by 69% in the US.
- Then, let me now move to the question that is the most relevant to the companies I represent and to the members of this house: where is Europe in this picture?

Europe: are we on the Internet map?

- First of all, let me start with the many positives and the many strengths we can build on. Europeans have good availability of standard fixed broadband¹, which – according to Commission data – has reached 98% of the households.
- Also, internet access and other digital services are affordable, as European markets are highly competitive. The median price for a bundle including broadband, TV and phone is 55 euros.
- If we look at higher-speed internet, though, figures and projections seem less encouraging. The Commission estimates that today only 7% of the broadband subscriptions are with speeds of 100 MB or higher.
- This is not the standard we want for our citizens, for our small and medium-sized companies, for the big industrial hubs of the Continent. We want to be able to empower both individuals and companies to compete and succeed in that global race I mentioned before.
- Where is the gap, then? Why aren't we telecom operators rolling-out more fibre? Why aren't Europeans taking-up superfast broadband?
- Telecom operators, across Europe, are increasingly under pressure to deliver more superfast broadband roll-out. But, at the moment, our ability to attract investments is still limited.
- I have some quite telling figures, which the consultancy IDATE just shared with me. Over the past 6 years, the average telecoms investment per inhabitant in Europe has

¹ xDSL, cable (basic and NGA), FTTP or WiMax , Digital Agenda Scoreboard 2015

been 40 euros. In the United States it was double: 80 euros. And in Japan, it touched 100 euros.

- Is this because European telcos are intentionally under-investing? This really doesn't seem to be the case.
- The investment/revenues ratios in the US and in the EU are really similar. This means that, despite significantly lower telecoms revenues in the EU, we are still investing the same proportion of those revenues as our American counterparts².
- What is the trick, then?

Regulation needs reforming

- The trick is in what the European Commission has written, black on white, in their staff working document attached to the Digital Single Market Strategy, presented earlier this month.
- I read: *"The [current telecoms] framework was not conceived to lead generalised roll-out of new networks"*. And, if I continue, there is also an important recognition that *"former incumbents appear often to lack incentives to overbuild their own largely depreciated copper network assets"*.
- Outdated regulation is a problem. Does this mean that we need to trash our regulatory framework as a whole? I don't think so. Does this mean that we need to give-up competitive markets? I don't think so either.
- I share the view of the European Commission that all of this justifies a significant and profound reform of the current regulatory framework.
- On this, I want to be crystal-clear. This is not only justified by the pressing need to roll-out next generation infrastructures. But also, this is clearly justified by dramatic changes in consumer behaviours, market dynamics and technology developments.
- Today, each of us can decide whether to send or call by using the traditional voice and SMS services, or by using non-telecoms services such as Whatsapp, Skype, Viber and so on.
- These communication services, offered by non-telecom players, are currently subject to less or no regulation compared to us. Still, ETNO companies are those whom we all expect to roll-out fibre.
- Then, my motto for today, would be: ***if we want the roll-out, we need to roll-back.***
- That is to say: we need to roll-back regulation where it is no longer justified, where additional competition from internet players or cable industries is delivering better value to consumers. And we need to level regulation in all those areas in which

² According to IDATE (2015) the Capex/revenues ratio is 14% in the US vs. 13% in the EU-5. For EU-5, the trend is an increase of the ratio.

European consumers are left unprotected by the current regulatory asymmetries. Only in this way we can unleash Europe's next wave of broadband roll-out.

Conclusion: 4 concrete proposals

- As I promised I would zoom-in from the bigger picture, and be extremely concrete, let me then leave you with 4 things which I believe we can do already as from today to start boosting network investment.
- All of them require strong political commitment, as well as detailed regulatory work:
 - First, we should urgently steer the existing rules established by the European Commission and implemented in Member States – such as those on access to high-speed networks – with the aim to improve the conditions for investment;
 - Second, in the short-term, we should initiate a fast-track set of targeted regulatory reforms in the field of access regulation, spectrum management and asymmetries between traditional e-communication providers and internet players;
 - Third, on the longer-term, we should carry-out a profound overhaul of the current rules, by taking into account dramatic changes in market conditions, consumers' habits and in the structure of the digital value chain;
 - Fourth, one thing we should not forget: the outcome of the on-going negotiations on the TSM regulation should be compatible with innovation and investment in EU telecom networks, otherwise we will be creating yet another regulatory barrier to a flourishing digital economy.
- But what's in it for European consumers, for European SMEs, for our economy and society?
- What's in it is stronger telecom operators, able to deliver better services, to compete more effectively and fiercely than just small players. What's in it is powerful networks and innovative services for our SMEs and for re-industrializing Europe through digital. What's in it is telemedicine, real e-government, seamless access to content and services, connected cars, smart cities. And I could continue for a while.