



The Digital Single Market: A Springboard for Global Competitiveness

Keynote Speech by Luigi Gambardella, Chairman of the ETNO Board

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Honourable Minister, Dear Commissioner, distinguished guests,

I am pleased to welcome you to this Summit organised by ETNO in collaboration with the Financial Times. Let me start by thanking **Vice-President Kroes and French Minister Pellerin** for being here. We are honoured to have with us today many CEOs from ETNO members' companies and other leading companies of the digital sector. The presence of representatives of the financial community will add further great value to the discussion.

- Today, we have a **unique opportunity** to bring our contribution to the October European Council, which will be devoted to the Digital Agenda. Today, we can pave the way for addressing those issues that we believe should inform a review of the electronic communications sector policies in Europe, bearing in mind that we cannot afford to have a shortsighted public policy in this field.

- In his recent address on the State of the Union, President Barroso stressed the key role that the ICT sector and the digital economy are playing and will play in the recovery strategy of the European economy. **We share the same view.**
- However, President Barroso has also recognised that the sector is far from being fully integrated. Even if we have an internal market for physical goods, we still have 28 national digital markets.
- The Commission has just adopted a Communication which addresses this important challenge. In its Communication, the Commission identifies many areas which still need to be addressed: for example **the need for market restructuring** (by means of market consolidation), the creation of a level playing field for all actors in the ICT value chain and the need for **further steps to deregulate the sector.**
- On the same day, the Commission tabled a draft Regulation laying down measures concerning the European Single Market for Telecoms. As with any legislative proposal, there are parts of this text that the sector welcomes and there are parts of which we are more critical. **ETNO will commit itself** throughout the legislative process to explaining its point of view on this Regulation. We are confident that the European Parliament and the Council of

the EU will undertake their analysis with the understanding that **the EU market for e-communications must start a new phase of growth.**

- To touch briefly on the Commission's proposal: the main areas of concern that we see are those that **increase the level of uncertainty in terms of direct impact on operators' revenues** at a moment when European telecoms operators are already suffering from decreasing revenue streams. By introducing price regulation **for certain competitive services**, the proposal gives a negative signal to the investors' community, because **the perception will be that further regulation is always around the corner.** In other areas such as spectrum policy, the proposed rules would improve the investment climate in Europe.
- Let me again stress that ETNO welcomes the approach taken by the Commission in framing the overall picture in its Communication. We share the diagnosis, but we have to ask ourselves very frankly whether what is on the table is enough to put Europe back on track.
- Let me give you an overview of where we stand and the way we think the EU should go to restore a competitive situation in the digital economy.
- I will then suggest some points that we think should be addressed in the forthcoming European Council.



- While Europe was once a leader in the technologies that comprise the backbone of the digital economy, many markets in Asia and North America now enjoy fibre access penetration that is up to **20 times higher and an LTE penetration that is as much as 35 times greater than that of Europe**. This is true in markets which are larger but sometimes also smaller than the EU markets.
- Fast connectivity to the Internet is the foundation of a modern digital economy and a key enabler of innovation, in areas such as cloud computing, smart grids, the Internet of things, big data, e-Government, e-Education or e-health. Without it, Europe will fall behind on the world stage.
- As you know, we are witnessing a profound period of change for our sector, and the challenges are huge.
- When you are in a crisis, **it doesn't matter if you are boiling in oil at 300 degrees or 400 degrees**. You are in a crisis. And you need somebody to turn off the fire.
- Up to 750 billion euro in GDP growth and as many as 5.5 million jobs in the economy of the EU are at risk by 2020 because of the lack of next generation network investments. Such data come from a Report made by the Boston

Consulting Group and have been brought to the attention of policy makers by ETNO in recent months.

- This report flags that investment in telecommunications infrastructure in the EU declined by approximately 2 per cent a year over the last five years. Investment in other international telecoms markets grew roughly 2 per cent a year over the same period.
- **Europe must now fight** to keep a seat at the global competition table!
- We strongly believe that the time has come for a rethinking of the current regulatory framework. Without such changes, as the BCG study demonstrates, we can expect the revenues of the European telecommunications sector to continue to contract over the next decade. Competition is vital for innovation and consumers' welfare but we see that competition is there today, it is vibrant and it comes also from players that are not subject to the strict rules that apply to European telecoms operators.
- **Can we still afford a market place where the huge increase in data consumption is coupled with ever decreasing prices? What kind of effects will this have on companies' ability to invest in infrastructural development such as fibre and LTE?**

- Let me be very frank in terms of the scenario that we face: by 2020, we estimate that that **the shortfall in investment needed to meet EU Digital Agenda targets for broadband coverage and penetration will be between 110 and 170 billion euro**, leading to an enormous missed opportunity for the broader EU economy.
- The trends that I have indicated must be turned around if Europe is to remain competitive in the digital marketplace.
- We need a winning industrial strategy which recognises that the furious pace of technological change means that only substantial and rapid deregulation of basic telecoms markets promises a real solution.
- ETNO member companies believe that a shift in the regulatory approach should be undertaken along the following main lines:
- **Moving from sector-specific regulation**, enacted at Member State level, **to a fully harmonised and simplified pan-European approach, relying mostly on competition law.**
- From a view of the market that is based on narrow and rigid definitions of networks, services, technologies and national borders to a paradigm that embraces a full view of the value chain including content provision, in a

technology agnostic manner and with a differentiated geographic lens, based on the service provided.

- This is first of all needed to ensure that consumers enjoy the same benefits when using similar services. Pursuing this objective is also instrumental for achieving a level playing field across networks, platforms and services: it would ensure that **players providing similar services are treated equally in the markets**, irrespective of the platform they use or the place they have in the value chain.
- Therefore, we see an urgent need to **update the overall European regulatory regime, to ensure a predictable and consistent approach across communications services** to the extent that they are comparable and substitutable. In this way, consumers will be able to make informed choices between providers competing on a level playing field.
- In this context, we ask the European Council to adopt a forward looking approach, giving the necessary policy guidance to start, as soon as possible, a policy review process that will be mostly implemented by the next European Commission. **We have to think ahead.**

- We suggest that the Council should consider the underlying reasons as to **why** telecoms champions are now falling behind, **why** Europe lags behind other – large and small - advanced economies in the roll-out of new networks, **and why** Europe has generally lost its edge in the global digital economy. In this way, the conclusions will be drawn **that a change in the rules is necessary.**
- **The current regulation proposed by the EU Commission is a starting point** to begin a broad debate among all stakeholders.
- As many have pointed out, the single market is not an end in itself, but rather a means to achieve political and economic objectives. This is why we think that the EU Digital Single Market can be transformed into a springboard for the resurgent global competitiveness of EU players. **The single market strategy should be coupled with a long term strategy that encompasses other areas for policy action.**
- To sum up: we know that the EU is lagging behind; we need a winning strategy and a roadmap for the years to come. ETNO's input to this discussion can be summarised along 4 proposed action lines.
- First: we need **support for the required costly investments in new high-capacity infrastructure by establishing a clear deregulatory agenda**, given the high degree of competition already achieved in the EU;

- Second: build an open European Internet model which guarantees the maximum level of innovation and choice for European consumers. This should be done by **ensuring best-in-class levels of privacy and security and by avoiding gatekeepers working across the value chain**. For this reason, it is paramount to establish a real level playing field, especially between OTT services and telecoms services, which will ensure that nobody enjoys unfair competitive advantages and that consumers can enjoy the same rights when using the same services;
- Third: **allow operators to reap the full benefit of European scale by allowing the flexibility needed in order to achieve an efficient market structure**, taking into account the medium and long term benefits for consumers;
- **Finally**: we need to support EU innovation. We need to build a sound policy framework to encourage entrepreneurship, including European financial measures and the participation of venture capital for the promotion of talent, projects and start-ups in the digital field.

Dear Guests, the EU Digital Single Market should effectively turn into a springboard for the resurgent global competitiveness on the part of EU players.



I am sure we will continue to have **a close dialogue between the industry and the EU's policy makers so that this can turn into reality.** The challenges we have to face are not only about the telecoms sector, but the overall strength of our European economy.

Thank you again for joining us today and I hope that we can enjoy some fruitful discussions.