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Chairman Keynote at the Joint US Telecom - ETNO event Increasing Broadband Investment and Innovation

The context

- It is a crucial time, on both sides of the Atlantic Ocean, when it comes to digital.
- While our markets present some differences, while our companies might face slightly different challenges, while our regulators and institutional setting might be different, we all share at least one important thing:
- Both in the EU and in the US we work in the most thriving and exciting industry: the companies that we both represent are the enablers of the digital revolution and broadband networks are the digital spine of our nations.
- This statement is not as high level as it might seem. If we all agree, collectively, as a society, that digital networks are the backbone of our present and future opportunities, then politics, policy and regulation should deal with them accordingly.
- And this has a series of very practical implications.
- I am positive the consensus is there, among stakeholders on both sides of the Atlantic, that the future of broadband networks and of the Internet is crucial to societal development as well as to economic growth and prosperity.
- For this reason, as also the title of our joint event of today says, we have got to put innovation and investment in the focus.
- Too many times we said that these two items – innovation and investment – should be the overarching objective of our digital policies. But only few times we have been concrete and serious enough to check whether we were deploying the right policy tools to achieve them.
- What is reflected also in the political and legislative debate across the Atlantic, though, is that we don't all agree on the *how*.



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- Let me put forward some ideas from the viewpoint of ETNO, which represents the companies deploying over two-thirds of the total investment in European networks.

Changes in markets & technologies call for new rules & policies

- There is an increasing realization, across Europe, that market changes have now rendered some of our rules outdated.
- As you probably all know, telecoms operators, in Europe, are subject to high levels of ex-ante regulation. This model was established when, back in the 90s, we started privatizing and then liberalizing the sector.
- In the European context, this worked. Today, we have dynamic markets, with high levels of competition, where ETNO members compete against each other to give the best services to customers.
- We want to be able to continue doing this, and to do better. For this, we believe that regulatory change is needed.
- Regulators are observing that, nowadays, not only a telecom operator competes with its peers, but – at the network level – it often competes with cable companies: not in all European countries, but in most of them.
- At the same time, across the continent, some of our services compete big time with those delivered by the internet players.
- A consumer who wants to reach out to another person benefits from a wide range of choices: traditional SMS and voice – whose pricing has gone flat for many tariff plans today, as well as services like Whatsapp, Facebook messenger, Viber, Skype and many dedicated platforms developed specifically for communities or organizations.
- Can this phenomenon be ignored by regulators? We believe it is impossible, and we trust that they are moving fast to recognize new market conditions and new consumers' needs.
- But how to do that? Which policy consequences should we draw from this?



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Towards a new regulatory and policy landscape

- The first recommendation, from our side, is to review the justification behind **ex-ante regulation**.
- Coming from a continent that, in comparative terms, has been highly regulated, I can tell you that this question is far from being a trivial one. And this might be very relevant also to your political debate when discussing important things such as Title II.
- Every time one of our European CEOs opens an investors' report, line 1 is about the regulatory outlook. Regulation is possibly the most important variable when taking decisions on whether to invest or not to invest. And a prescriptive ex-ante regulation plays a major role in this story.
- For this reason, we are very supportive of the reflections currently on-going at the European Commission, who seems determined to start reviewing our regulatory framework in light of market changes.
- We think that, wherever the justification for regulation is lacking in the new competitive scenario, then it should be lifted.
- Innovation and investment mostly thrive in the space left outside the regulatory perimeter. For this reason we have the duty to be sure that we regulate only when and where necessary.
- A second recommendation is about making sure that the **same-service same-rules principle** applies.
- In this debate, ETNO has been a first mover and we put on the table studies and data to prove the need for a level-playing field.
- Too often, it has been interpreted as telcos being against internet players. Let me tell you, that feels so wrong.
- I firmly believe that we are both part of the same ecosystem, and that – therefore – we both want to make that ecosystem thrive. As I already mentioned, I think that only appropriate levels of regulation will allow our common ecosystem to grow and innovate.



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- This does not mean that we are asking to raise the regulatory bar overall. But it means that we should be mapping the regulatory asymmetries, where they are present, and take a decision on what to do with that.
- There will be cases, many I hope, in which we will conclude that increased competition and broader choice justifies removing current regulation.
- There will be other cases, instead, where removing regulation from traditional players is not possible. Let me take the example of critical infrastructures. In today's regime, telecom networks are caught by the scope of our Information Security directives, while cloud isn't.
- There is clearly no justification for that, and it is therefore in the common interest of both users and businesses to level this playing field and make sure that the same set of rights and rules applies to those providing comparable services.
- Avoiding the level playing field issue would mean having some companies play their game with a hand tied behind.
- This brings me to a very delicate topic. **Net neutrality**. I want to mention just one thing, in this context. Intrusive net neutrality rules risk tying the hand of telecom operators in the investment and innovation game.
- Not only this, but when it comes down to very prescriptive rules on traffic management, it ultimately means tying the hand of innovators and risking to degrade the overall quality of the internet experience as we know it today.
- While I leave the judgement on the US situation to my American colleagues, I believe it is important that regulators keep focused on the only things that really matter: competition concerns and consumer harm.
- With high-level principles, we can fix any residual concern in these two areas. Going beyond that will interfere with innovation and investment, without bringing any evident benefit to users or to the functioning of our markets.



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EU & the US, some learning points

- I believe that both of us can learn from the success and from the mistakes of the other.
- And I believe that there is a strong merit for both regulators and stakeholders to talk and exchange more from both the EU and the US side, especially at a time in which our countries are negotiating to achieve an even stronger integration of our markets.
- If I look at Europe, I feel like I can send two messages: one is on regulation. When markets are dynamic and consumers get good quality and services, over-regulation will end up stifling investment.
- The second message is about the common governance of the internet. In Europe we are good at creating consensus across a variety of stakeholders: it's the core of our Union. Our institutions and our companies have been heavily engaged in the internet governance debate, over the past years. I believe that, together with the US, we can play a positive role in involving all the relevant stakeholders to achieve a more open and participative form of governance for the internet.
- If I now turn my look at the United States, my attention goes immediately to the great innovations you developed and leveraged in the internet economy. And I cannot refrain from remarking that this has happened in an environment where regulation was either absent or light.