

Connected continent

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Connected Continent /Telecom Single Market Package:
debating the incremental positives & negatives”

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A brief outlook of the environment

**The ICT ecosystem world-wide:
In the top five global leaders in each category,
only **three (3)** are Europeans**

- | <u>ICT sub-sectors</u> | <u>Europeans:</u> |
|------------------------|-------------------|
| • Network operators | 1 |
| • IT Services | None |
| • PCs – Notebooks | None |
| • IT Hardware | None |
| • Software | 1 |
| • Devices | None |
| • Semiconductors | None |
| • Equipment Vendors | 1 |
| • www | None |

Area	Population	Operators
EU	510 M	200 national
US	300 M	4-5 nation-wide
CHINA	1.500 M	4-5 nation-wide

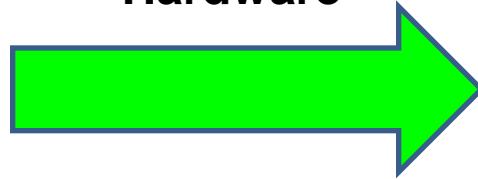
Market Facts:

- The EU telecom industry is roughly € 250 bn of Revenues
- In some estimates, it requires € 270 bn of Investments in the next 5 years!
- Who is going to invest?
 - Governments or Private investors?
 - From within or from Out of Europe?

Trends in the ICT industry



Hardware



Software

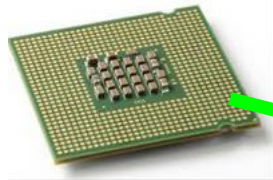


Is the telco technology in pace
with the other two ???



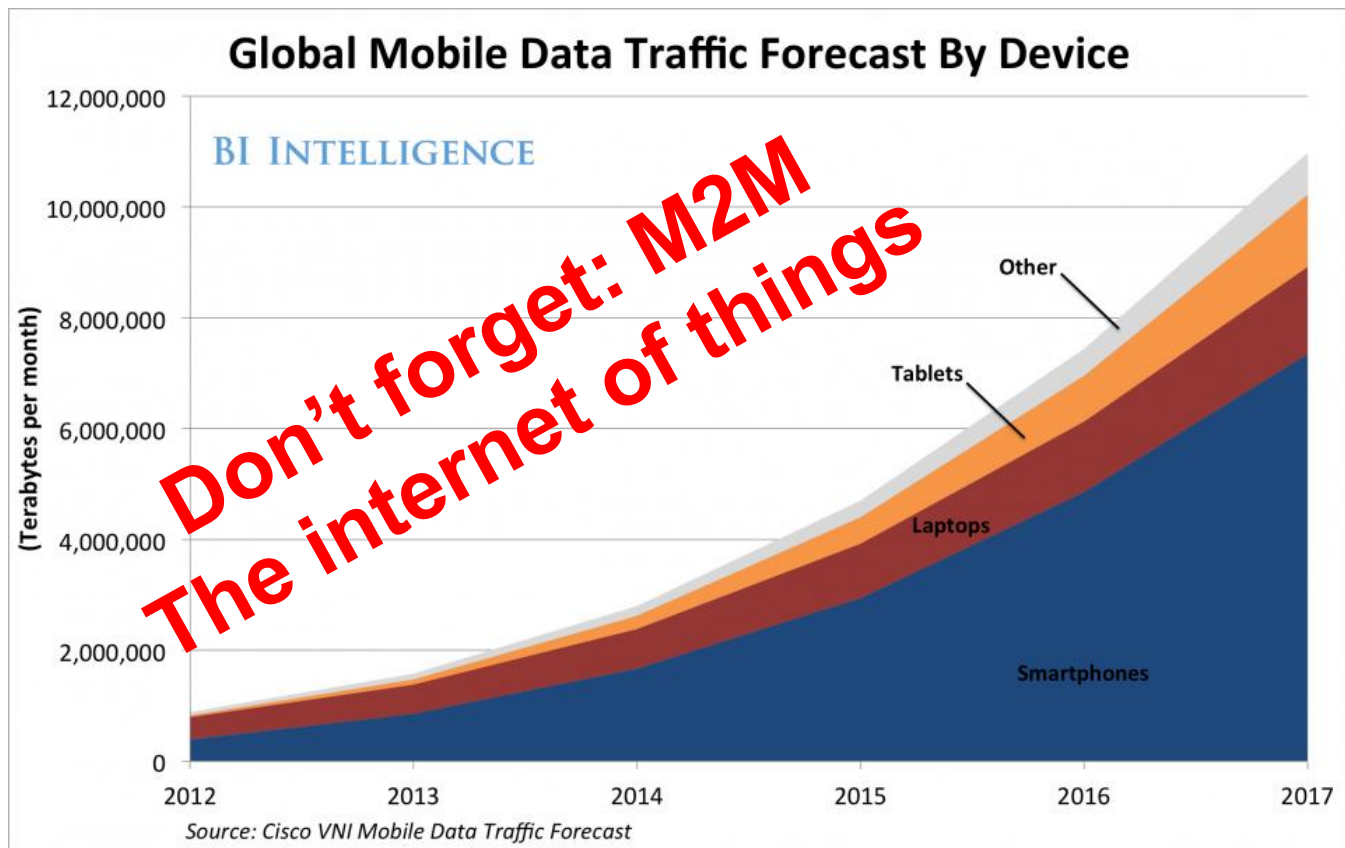
We live a new era of Hardware dis-integration and re-integration

Any surface



Any surface or Voice

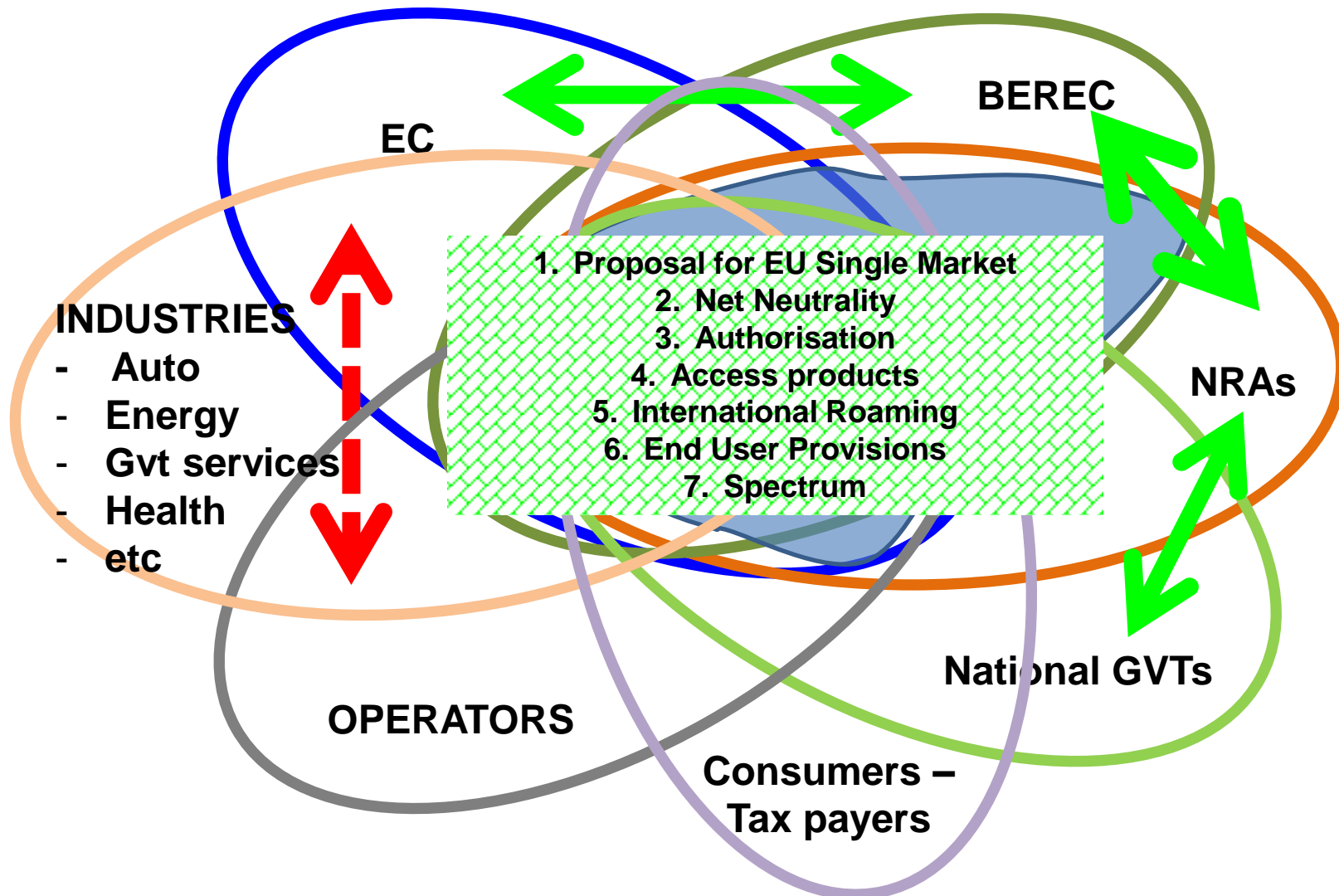
Everybody goes “broadband”



This is Why Broadband is Mobile

Positives and negatives


Who are the Stakeholders' ?



Are they all
moving in the **right** direction?


- in the **same** direction?
- at the same **pace**?

- 
1. Proposal for EU Single Market
 2. Net Neutrality
 3. Authorisation
 4. Access products
 5. International Roaming
 6. End User Provisions
 7. Spectrum



We “more or less”
agree on the Agenda...

**We need to
reconcile our
“road maps” !**



.... But the Road Map
ahead is not the same
across stakeholders

A wider agreement on what is wrong

Single Market	EU	BEREC	NRAs	Gvts	Operators	Industries	Consumer	Tax payers
Distinct National Markets	★	★	★	★	★	★	★	★
High int'l charges	★	★	★	★	✗	★	★	★
Need Broad-band	★	★	★	★	✗	★	★	★
Spectrum mgt	★	★	✗	✗	★	★	✗	★
No standard fixed products	★	★	★	★		★	★	★
Difficult Provision of cross - border service s	★	★	★	★	★	★	★	★
Diverging rules	★	★	★	★	★	★	★	★
Unequal regulatory treatment	★	★	★	★	★	★	★	★
Unjustified costs	★	★	★	★		★	★	★
No Economies of scale	★	★			★		✗	
Lack of Innovation	★	★	★	★	★	★	★	★
New services	★	★	★	★	★	★	★	★

A pictorial representation of views per shareholder, not an exhaustive study

But less agreement on the changes

	Eu	BEREC	NRA's	Gvts	Operators	Industries	Consumer	Tax payers
Abolish roaming	★					★	★	★
No int'l charges	★					★	★	★
Extensive Broad-band	★	★	★	★	★	★	★	★
New Business Models	★	★			★	★	★	★
NGN investment	★	★	★			★		
Single regulation	★				★			
Macro Investments & Growth	★		★	★			★	★
Reduce digital divide	★	★	★	★	★	★	★	★
Net Neutrality	★	★	★	★	★	★	★	★
Open Internet	★	★	★	★	★	★	★	★
Simple contracts	★			★			★	★
Spectrum for Mobile	★	★		★	★	★	★	★
More competitive global players	★	★	★	★	★	★		

A pictorial representation of views per shareholder, not an exhaustive study

What legislative and non-legislative policy options have been considered?

Option 1 Single Market through regulatory coordination.

Option 2, set of integrated legislative with targeted measures to establish a complete Single Market in electronic communications services supported by enhanced EU coordination:

- by introducing a single EU authorisation for communications providers and provision of services on the basis of
- harmonised consumer protection rules,
- convergent regulatory remedies,
- access to common inputs such as spectrum, leased lines and bitstream and
- a single consumer space where roaming and cross-border charges are no longer an impediment and with
- guaranteed access to the open Internet). This option builds on the current regulatory framework,
- preserving its key features (e.g. market analysis, finding of dominance and
- progressively decreasing regulatory pressure
- achieving greater regulatory consistency especially for companies operating in more than one Member States and,
- securing for the users the advantages of a connected Continent.

Option 3 is identical to Option 2 but differs in the governance structure. Under this option, a single EU regulator would be established that would have responsibility for implementation and enforcement of pan-European services, including in the area of spectrum, where appropriate in cooperation with national regulators.

the preferred option

Who supports which option?

A large degree of convergence on the urgent need to overcome the identified fragmentation

- However views differ on how best to achieve this, depending on the interests of different stakeholder groups.
- Some stakeholders (notably incumbent operators) argue for far-reaching change, including greater consistency of regulatory approaches, both in fixed and mobile networks, more predictability and continuity, as well as a more significant deregulation.
- Some operators have expressed concerns about the impact of certain elements of these proposals, notably on roaming and international calls, on their revenues. Other parts of the industry (including access seekers) argue for better implementation and more consistency in the provision of “virtual” access products.
- All telecom operators agree on the need to improve coordination in spectrum policy in order to free more spectrum for broadband service in a regulatory environment that favours stability and investments.
- Consumer organisations argue for removing artificial costs (e.g. for roaming) arising whenever consumers use services when they cross borders. Many service providers (transport, navigation, logistic) also argue in favour of the end of roaming charges in order to develop innovative business models.
- They also insist on removing discrimination resulting from blocking and throttling of services. Industry users, large as well as SMEs, including web entrepreneurs and startup's, stress the importance of access to high-quality connectivity for competitiveness, allowing them for example to reap the benefits of cloud computing and machine-to-machine communications services applications.
- Growing concerns are voices about the lack of broadband coverage and congestion of mobile networks.

What are the benefits of the preferred option

The major direct benefit of a Single Market is estimated to be of the order of **€110bn p.a.**

Positive spill-over effects on other sectors are expected to be several tens of billions of potential gains p.a. **Tangible and intangible benefits:**

- 1. directly related sectors such **as telecoms equipment manufacturing, application developers and content industry** are set to immediately benefit from a more dynamic European telecoms market.
- 2. sectors like the **automotive industry, the logistics sector or the energy sector** will benefit from enhanced connectivity in the Single Market and productivity gains through e.g. ubiquitous **cloud applications, connected objects (M2M)** and possibilities for integrated service provision for different parts of the company.
- 3. **public administrations and general services** such as in particular the health sector are also due to benefit from wider availability of eGovernment and eHealth services, to deliver better quality care at much lower costs.
- 4. **European consumers would benefit from more choice, more innovative and better quality services.**

What are the costs?

- The proposed regulatory regime is expected **not to generate regulatory and administrative costs** to companies; on the contrary it would lower them.
- Some measures may result in a reduction of some revenue stream for operators. If roaming and intra-EU calls were provided at the level of domestic rates, an annual revenue loss of
 - **1.650 million EUR** resulting from loss of roaming revenues and a
 - **700 million EUR** decrease on revenue linked to international calls is estimated in a worst case scenario
- In addition, a loss of operator's revenues would have taken place anyway, notably as a result of:
 - the roaming regulation (**which requires that the difference between national and international roaming approaches zero by 2016**) and
 - of increasing competition
 - as well as technological change (for example, Voice over IP).
- The framework will enable **new sources of revenue to be tapped**, better conditions to use spectrum and economies of scale to be exploited.

Conclusion: There is a value added from action at EU level

- Measures at EU level are necessary **to tackle the current fragmentation** by addressing the identified bottlenecks and enabling operators to benefit from regulatory consistency and common inputs in order to provide services on a pan-European basis.
- The same measures would also lead to **a reduction of administrative and regulatory burden**, a consistently high level of **consumer protection** which would promote trust and confidence and a **wider choice for users**.

Thank you