

# INDUSTRIAL POLICY FOR THE EU TELECOMS SECTOR?

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# WHY EUROPE'S DIGITAL ECONOMY IS FALLING BEHIND.

1	<b>Competiveness</b>	Europe is losing ground in almost every segment of the ICT industry. European companies contribute less than 10% to global ICT revenues.
2	<b>Sector Value</b>	Eroding sector value in EU and value shifts towards the U.S. and Asia. Market capitalization of European telcos declines by 7% per year since 2005. In contrast: Global OTT and telco giants has grown by 9-11%.
3	<b>Market Structure</b>	Highly fragmented markets resulting in insufficient scale due to 200 national operators in Europe compared to 4-5 nation-wide operators in the U.S. and China.
4	<b>Revenues</b>	Prolonged revenue decline of telcos in Europe of -10% within 2008-2016(e) while data traffic increases tremendously. In contrast: Revenue growth of approx. 35% in North America and 40% in Asia Pacific.
5	<b>Investments</b>	Investment gap of up to 270 bn. EUR to roll out high-speed next generation networks in the EU. Long term investment in Europe of 130 EUR per capita is well below 170-180 EUR investment in the U.S. and Asia Pacific.
6	<b>Regulation</b>	Intrusive regulation and restrictive competition policy in Europe favors non-investing unbundlers. Market driven infrastructure rollout in the U.S. allows adequate financial returns.
7	<b>Telcos squeezed</b>	No level playing field in the European telecom industry. Telcos are squeezed between global players, OTT players and services as well as regulatory measures.
8	<b>Cybersecurity</b>	Europe lacks an integrated cybersecurity, data protection and privacy strategy.

# HOW TO RESTORE THE HEALTH OF THE EUROPEAN ICT INDUSTRY AND ITS GLOBAL COMPETITIVENESS

## Key measures to restore competitiveness, investment and growth in Europe

### 1. Boost digital infrastructure development

- Encourage private investment in high speed fixed and mobile networks.
- Provide for better complementary public funding while respecting market driven technology choice.
- Facilitate the development of intelligent networks and industry 4.0 applications.

### 2. Deregulate telecom markets

- Political turn-around required: Cease asymmetric SMP regulation and rely more on general competition law.
- Simplify institutional setting.
- Restore level playing field across the whole internet value chain.

### 3. Ease market consolidation and cooperation

- Make merger control long term oriented and effects based.
- Allow for more in-country consolidation
- Promote industry-led EU-wide standardisation and interoperability.

### 4. Enhance cyber-security, data protection and privacy

- Address cyber-security, data protection and privacy as a key policy issue.
- Ensure security and control of critical IT infrastructures.
- Strict application of EU data protection rules also to overseas suppliers

### 5. Harmonize spectrum policy

- Coordinate spectrum across the EU and ensure predictability.
- No preferential treatment for 'new entrants' (remedies, reservation of spectrum).
- Prevent excessive spectrum prices.