

## **BT Viewpoint The future EU 2020 Strategy**

### **Background**

Europe faces serious challenges in recovering from the financial and economic crisis in addition to dealing with trends such as climate change, globalisation, sustainability and ageing population,

A revised economic strategy will require measures to innovate, increase productivity on all fronts and re-orient economic activity towards new areas of growth. A renewed commitment to open markets, fair competition and a more effective Internal Market will be at the heart of economic recovery.

As has been widely recognised, electronic communications, ICT platforms and application services make a major contribution to productivity, growth and quality of services such as sustainable and smarter products and services in the areas of energy, transportation and health care. ICT is more and more critical for suppliers of all type of services and goods in order to remain competitive and relevant, whether they are government, large corporate companies or one of the hundreds of thousands of small and medium sized European Enterprises.

A well functioning Digital Single Market for all type of services is an essential element to enable the delivery of these competitive and innovative services in Europe. The Single Market offers significant potential to assist Europe's recovery from the economic crisis, boosting growth and productivity within the EU, and strengthening its competitive position internationally.

The Internal Market is however far from complete. A rising tide of protectionism and a worrying decline in enthusiasm for open markets in some Member States has been demonstrated in the political debates around inter alia the Services Directive, the Energy Package and the Telecoms Review.

It is therefore vitally important to reassert the benefits of competitive open markets and a level playing field. The development of the 'Europe 2020' strategy provides a major opportunity for a renewed political impulse for the Internal Market.

### **Key areas for action**

#### **1. ICT and the 'Digital Single Market'**

ICT and the 'Digital Single Market' are subject to various existing and planned policy initiatives but it is important to recognise that these also fit closely with the broader economic goals of Internal Market policy.

Just as in other sectors, consistent and effective enforcement remain a key issue in telecoms. While reforms introduced through the new Telecommunications Framework Package will go some way to addressing these, the Commission, nonetheless, will still need to pay close attention to effective application of these rules. Effective and fair competition between different network and service platforms (fixed, mobile, pay-TV) will help create a genuine level playing-field. Undertakings need the same fair wholesale access: to the communications networks of those who operate in one Member State as they do in another Member State. Otherwise pan-EU business ICT services will not develop fully; and the competition between undertakings will remain skewed.

Linked to this is the general policy towards investment in network infrastructures across the Internal Market. The Commission is right in seeking a regulatory approach that rewards investment in long-term infrastructure projects such as next generation access networks. However, this must not be pursued to the extent where it will lead to economically inefficient duplication of networks and foreclosure of competition and innovation at the services and applications levels.

This second point is particularly relevant to provision of pan-European services to business. ICT can enable companies to remain competitive and enable growth and jobs through improved efficiency. Increased cross-border provision of knowledge-based business-to-business services can make a major contribution to this process. However, this requires a policy and regulatory approach which encourages competitive provision of innovative services. Member States need to be encouraged to recognise the benefits such competition<sup>1</sup> brings to their own economy, rather than seeing it only as a threat to domestic national champions.

The potential benefits are considerable. Services currently account for about 70% of EU employment and value-added but only 20% of intra-EU trade. Against this background, research published in 2008 estimated that availability of better, cheaper cross-border business communications could boost EU GDP by between 1.6 and 2%<sup>2</sup>.

Ubiquitous high-speed access networks are a necessary but not a sufficient condition for realisation of these benefits. Cooperation between different sites of the same company, or between the members of informal SME coalitions requires more than high speeds. Such customers also need more reliable data transmission than basic IP technology (ie, the “public Internet”) is able to guarantee.

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<sup>1</sup> This has been recognised in the UK’s ‘Digital Britain’ report released in June 2009: “*The availability of high-specification, resilient, bespoke communications services and managed private networks at competitive prices represent an important factor in the country’s productivity as a knowledge economy and its attractiveness to inward investment.*”

<sup>2</sup> Indepen Consultants for BT, Enterprise VPN Users’ Association and International Telecommunications Users’ Group, “Productivity, Growth and Jobs: How Telecoms Regulation Can Support European Business”, 2008

EU policy must therefore take account of the need for major investment in the software platforms which work together with IP networks in order to provide pan-European “business-grade” services. Wholesale local access will always remain a critical input for such services, so it is vital to ensure that dominant operators’ obligations for non-discriminatory supply are properly enforced.

Another issue concerns data protection rules for International data transfers. The requirement for efficient companies to move data across borders is by no means limited to intra-EU transfers but extends worldwide. There is consequently a pressing need for the rules governing such transfers to be updated and made more practical.

## 2. International Dimension

Open global markets are the complement to the Internal Market and deepening the Internal Market is also an important stimulus for third countries to open-up their own markets for European businesses.

We fully support the Commission's Global Europe strategy of 2006 to pursue a successful conclusion of the Doha Round, and for bilateral and regional Free Trade Agreements with Europe's major trading partners.

We also fully support the Trans-Atlantic Economic Council and the role played by the TABD. The TEC should ensure more regulatory alignment between the EU and the US - in particular for new and innovative products and services through the new Innovation Dialogue. The global and regional trade arrangements suffer from not having as effective an implementation monitoring and supervision leg as their trade negotiation and dispute legs. Ensuring fair translation into national law and practice of commitments made in WTO rounds is important and under-done..

## 3. Low Carbon Economy and eHealth

For companies to reduce their own carbon footprint, greater certainty is needed around measuring and reporting carbon emissions. We therefore need common pan-EU and international standards for carbon reporting to ensure companies operate on a level playing field. This would underpin the work in the ITU and the EC on eco-efficient standards and emissions labelling respectively.

Europe needs to invest in new promising avenues such as Greening ICT, eHealth and the enhancement of eGovernment services. It should repeat the success achieved in transforming the analogue consumer market in other sectors such as energy efficiency, transport, health, education. It will both help to achieve critical policy goals (climate change, better health, lower cost, ageing, competitiveness) and at the same time can create new pillars for

growth for ICT players and industry in Europe. These services will also increase the attractiveness of Next Generation Access networks and stimulate the take-up of broadband by people that are not convinced yet of its benefits. The public sector should play a more important role, in advocating these cases, lifting barriers, supporting innovation and new business models.

ICT products and services are key enablers for a low carbon economy by enhancing energy efficiency in business processes. Beyond addressing its own carbon footprint, the sector can have a disproportionately large effect on those of other sectors eg via smart grid/meters, smart logistics, video-conferencing, cloud computing, smart cities and transport. Single market policies facilitating the development of such services and programmes and research initiatives are a vital catalyst.

#### 4. Public procurement

More open and efficient Public procurement will help deliver public sector savings. EU Member State governments and public contracting authorities purchase 40 percent of all goods and services bought in the EU and, as the largest buyers, are in a position to affect competition through purchasing behaviour.

Current public procurement practices in many EU countries have the effect of excluding suppliers (often from other nations), stifling innovation, and failing to provide optimum value for money. The underlying problem is the practices of the authorities rather than the rules governing public procurement and the misinterpretation and inappropriate application of the rules.

**BT Group plc**

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