

28 January 2010

Dear President Barroso,

Re Commission Consultation on Future EU 2020 Strategy

INTUG welcomes this consultation as an important part of the process of developing the EU economy in the coming years. I am pleased to attach a copy of our response.

Open and competitive access to next generation communications are a vital ingredient of the ICT environment, to enable enterprises in Europe to invest efficiently in new on-line business processes, leading to greater productivity, economic growth and job creation.

The goal of the 2020 strategy must be a single market in international communications throughout the EU, in which cross border trade can prosper without hindrance.

We continue to urge you, as President of the Commission, to maintain the pro-competitive direction, which your leadership has encouraged to date, during your new term of office. We believe the Commission's aim for the Digital Agenda should be a competitive market, with effective ex-ante sector regulation maintained where needed to achieve this objective.

Yours sincerely

A handwritten signature in black ink, appearing to read "Nick White". The signature is fluid and cursive, with a large loop at the end.

Nick White, Executive Vice President, INTUG

The International Telecommunications Users Group (INTUG) represents the interests of major business users of telecommunications. These include some of the world's largest financial institutions, car manufacturers, pharmaceutical companies, fast moving consumer goods enterprises, and retail and distribution companies.

The INTUG community includes user associations in many large Member States, including Belgium, Denmark, France, Germany, Italy, Spain, the Netherlands, Sweden and the UK, and the multinational user group EVUA. Each group represents large public and private customers of telecoms operators, both directly and indirectly through service providers.

Consultation on Commission Working Document on the Future “EU 2020” Strategy

Response from the International Telecommunications Users Group (INTUG)

The International Telecommunications Users Group (INTUG) represents business users of telecommunications globally, including throughout the EU. These users include some of the world’s largest financial institutions, car manufacturers, pharmaceutical companies, fast moving consumer goods enterprises, and retail and distribution companies. The INTUG community includes user associations in many of the larger Member States, and the multinational user group EVUA. Each user group represents large public and private customers of telecoms operators, both directly and indirectly through service providers.

Economic growth, productivity and job creation, and full social inclusion throughout the EU requires ubiquitous competitively supplied fixed and wireless communications services. Efficient investment in new infrastructure is vital, but must be regulated to ensure open access to such facilities, to maximise the economic value derived from such investments. It is service-based competition which delivers most economic added value, and this can only thrive in an environment of open access to the necessary infrastructure resources.

The working document acknowledges this to some extent, with references to knowledge-based value creation, and a competitive, connected economy. The Digital Agenda should not, therefore, drop the previously expressed EU aim of becoming “the most competitive and dynamic knowledge-based economy in the world”. To achieve this aim, however, the strategy must be much more specific about how it might best be achieved, stressing the need for a real single market in communications services.

The strategy should include specific goals and a budget for delivering point-to-point fibre broadband, with a detailed schedule to ensure at least 90% of EU doors passed by 2018. All locations should have some kind of broadband access at least 5 years before this date.

This is needed to enable business users to introduce efficient new processes which reach all their customers, which leverage scale and scope for efficiency within the EU, and which deliver greater competitive effectiveness in the global market. The current absence of seamless services competitively (or even at all) handicaps businesses from investing efficiently within the EU. There should be specific goals for this aim too, with a target of pan-EU service providers delivering to at least 50% of the international business market. EU subsidies and state aid could also help achieve the necessary standardisation of equipment and harmonisation of spectrum usage to facilitate the desired environment.

INTUG believes the strategy must therefore emphasise the need to establish and sustain competition in telecommunications, not just for national mass consumer markets, but for international services across the EU, geared to the needs of the business market, which differ substantively from those of residential consumers. Regulators are now beginning to acknowledge material differences in market definition and the analysis of market power.

Ubiquitous point to point fibre based broadband services are vital for the business market, especially for the key SME sector, with many of its sites and/or operating units outside city centre and urban locations. It is vital that wholesale broadband services are provided on an open access basis to all of a user's sites, but this may be blocked by sub-national deregulation of some locations due to levels of competition in the mass consumer market. This represents one powerful argument in favour of separate analysis of business markets. Open access to the required telecommunications services enables businesses to justify the massive investment needed in internal and external telecoms for new processes.

One further issue is of great concern to business users of telecommunications - security. There must, of course, be fully effective mechanisms for ensuring the security and privacy of data transmission and for crime prevention and detection within public network services. This must not, however, result in burdens being imposed on corporate, closed user group and private networks, which would generate costly and inappropriate operating obligations for data and traffic retention and interception. This has been acknowledged in regulation.

The recently agreed revised EU framework for telecommunications regulation provides an important building block for National Regulatory Authorities. Transposing this into national regulation will be a vital foundation step in progressing towards the EU 2020 Strategy. It is critical that transposition is achieved swiftly, consistently and effectively, to enable the EU economy to benefit from efficient investment in next generation telecommunications. This is not the right time for compromise in order to exercise national protection of incumbents.

Current evidence demonstrates the fragility of competition in telecommunications, for example with the recent trend for many incumbents to increase their market shares, and with new entrants still achieving much lower levels of profitability than their larger rivals. Experience has shown that it is only by having, and using, an effective regime of ex ante regulation in telecommunications that actual competition can be achieved and sustained. Reliance on competition law and ex-post remedies, given regular use of delaying tactics, appeals and lengthy judicial processes, will not suffice if the EU economy is to thrive.

Queries concerning this response should be addressed to:

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