

LIBERTYGLOBAL



Liberty Global response to the European Commission's consultation on the future "EU 2020" Strategy

Executive Summary

Liberty Global strongly supports the Commission's emphasis on further developing the European knowledge society. In order to achieve this we have set out some of our views on the Commission's priorities. First of all, Liberty Global believes that it is essential that EU and Member State policy stimulate continuous innovation and NGA investment by making a profound commitment to promoting long-term and sustainable competition amongst infrastructure players. This will make Next Generation Connectivity available efficiently and in line with demand, as opposed to 'top-down' target setting. Secondly, meaningful progress toward a true EU online Single Market is to be realised. This could be achieved by removing existing regulatory barriers and by strengthening European and national regulators. Thirdly, regulation and state aid cannot lead to distorting operators' incentive to invest. Economic investors in NGAs must retain appropriate incentives to continue to invest in broadband both now, and in the future. In the fourth place, Liberty Global believes that an important path to improving the single online market is the reform of the copyright regime. A new Clearance Directive should be providing a new technology neutral system for the clearance of all types of rights and offer cross-industry, consensual solutions to address piracy in the online environment. Last but not least, Liberty Global thinks it is extremely important for both policymakers and enterprises to empower citizens to play a full part in the single market. Joint efforts in the field of digital confidence and empowerment will create enormous revenue not only for consumers, but also for European business and employment.

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Through the efforts of 22,000 employees worldwide, Liberty Global connects 16.6 million customers to the world of information, communications, and entertainment. As of September 30, 2009, Liberty Global's networks passed approximately 34.7 million homes and served more than 26.8 million RGUs, including approximately 15.2 million video subscribers, of which 7.5 million were digital cable and DTH subscribers, 6.5 million broadband internet subscribers, and 5.1 million voice subscribers.

Introduction

Liberty Global welcomes the consultation launched by the European Commission on its working document on the future "EU 2020" Strategy. We strongly support the Commission's emphasis on further developing the knowledge society to meet the many challenges facing the Union now and in the future.

With ongoing high level investments into European cable networks, Liberty Global is one of the major players in the debate on the market for electronic communications, and in particular the development of high-speed broadband services. In its draft Recommendation on regulated access to Next Generation Access Networks (NGA), issued in June 2009, the European Commission rightly acknowledges that the development of NGA broadband architectures is key to creating economic growth and achieving the goals of the Lisbon agenda. LGI's operating companies across 10 Member States are today delivering High Definition, Video On Demand, Interactive and very high speed broadband. Today we offer DOCSIS 3.0 high speed broadband services of up to 120 Mbits in 7 EU markets.

It is these form of future proof, open, and powerful NGA networks that will transform the working and social lives of EU citizens, politicians, businesses, administrations and young active professionals that are the foundations of a successful, prosperous and knowledge-based EU economy in 2020. The ever growing knowledge economy trading between us all which drives the digital economy require platforms which invest, and which have technology robust architectures.

We set out below some of our views on the priorities that the Commission has outlined in her working document on the EU 2020 Strategy.

Creating economic value

As an integrated European cable operator and service provider, Liberty Global believes that it is essential that EU and Member State policy encourage the investments made by operators such as the cable industry. As a whole, the European cable industry generates a turnover of 18 billion euro on an annual basis, of which on average 25 percent is reinvested into further network build out, creating huge economic value and fostering European broadband penetration and speed, whereas traditional telecoms operators only invested 12 percent.

The investments in next generation access networks which Liberty Global and other cable operators are making act as a catalyst for network investments by other telecommunication players, making the cable industry one of the most important drivers in the roll-out of a future-focused high-speed broadband infrastructure.

However, there will be no big leap forward to NGA in any European market. Neither will "NGA" mark the end of innovation. To stimulate continuous innovation and NGA investment, the digital agenda must make a profound commitment to promoting long-term and sustainable competition amongst infrastructure players.

A recent study by Bain and Company¹ identifies the competition between cable and telecommunications operators as one of the most important drivers of innovation and investment in NGA. This Bain analysis shows that countries with greatest availability of two competing fixed access infrastructures (the Netherlands, Belgium and Switzerland) spur innovation with, on average, 30% higher bandwidth offers and 29% greater broadband penetration. This creates a dynamic competitive market with economically sustainable competition.

As with 1st generation broadband, NGA competition among infrastructure providers will follow continuous, counter-cyclical waves of innovation and investment. Broadband providers have to date experimented and adapted to consumer demand, rather than invest in major system-wide network upgrades – this should be preserved. A sustainable degree of infrastructure access competition will make Next Generation Connectivity available efficiently and in line with demand, as opposed to 'top-down' target setting.

Cable is investing in the future of digital Europe in 2020, and at rate its competitors are unwilling to match. Liberty Global remains confident about our active contribution to building Europe's next generation access networks of tomorrow, even during a period of economic downturn and comparative austerity.

Creating a real online single market

Liberty Global fully endorses the Commission's statement that the EU needs an ambitious European Digital Agenda if meaningful progress toward a true EU online Single Market is to be realised. The European Digital Agenda must take due account of new market developments, be flexible enough to quickly respond to new technologies and business models, and take full advantage of emerging opportunities and aim to overcome all existing borders on the European online market. Consumer expectations must continue to be taken into account by the EU policymaking process, i.e. convenience, broad availability and portability must be supported, among other things in regulation on the e-commerce of material goods.

Liberty Global believes that one way to achieve a single digital market is by removing existing regulatory barriers to alleviate some of the practical barriers to cross-border service provision. Secondly, European and national regulators need to be strengthened so they can create incentives for competition, new investments in the market and innovation. By removing all remaining obstacles to the digital single

¹ <http://www.lgi.com/PDF/LGI%20Public%20Policy%20Report%202009.pdf>

market the EU and Member States can develop sustainable economic growth and foster global competitiveness.

Ensuring fair market conditions

Liberty Global believes that enhancing next generation access and creating effective high speed networks is for a large part about ensuring the right incentives for network operators to compete and innovate.

We are happy to see that the EU has proclaimed the roll-out of high-speed broadband infrastructure as one of its important policy goals. However, Liberty Global is concerned to see a range of projects and new initiatives across a number of the territories where we operate in which public funds are being made available for new broadband infrastructure projects. Whilst we agree that public actors can make an important contribution to the roll out of NGAs in so-called 'white' and 'grey' areas, it is essential that such contributions do not crowd out private investments and distort competition, particularly when public funding is being considered to be applied in already competitive and innovative broadband markets ('black areas'). Economic investors in NGAs must retain appropriate incentives to continue to invest in broadband both now, and in the future.

In its draft Recommendation on regulated access to Next Generation Access Networks (NGA), issued in June 2009, the European Commission acknowledges that efficient investment and innovation in new and enhanced NGA networks should be promoted. Liberty Global fully supports this notion. National Regulatory Authorities and the EU competition authority must remain vigilant in order to safeguard against distortions of the single market.

Generally speaking, Liberty Global believes that regulation must take into account high investments made by operators to develop new services. Regulation and state aid cannot lead to distorting operators' incentive to invest. The Commission has to take fully account of the market drivers and investment conditions before applying any regulatory approaches. Effective regulation must, as far as possible, avoid unintended consequences that could lead to undesirable structural and economic changes to the market.

Reform of the copyright regime

Liberty Global believes that an important path to improving the single online market is the reform of the copyright regime. Policy designed to combat intellectual property right (IPR) infringements must help, not impede, innovation. IPR infringement affect all stakeholders, not only content owners and rights holders. Policies to combat IPR infringement should recognize this fact and not penalize those involved in the legitimate distribution, creation or consumption of content.

The current European copyright framework is characterized by a high degree of inefficiency and partially impedes the EU from achieving overarching goals including the further development of the internal market, competition and fast digitization.

An improved, more effective, more efficient, and more consistent, transparent rights management and clearance system for both musical and audiovisual works across Europe is needed. A policy to promote the establishment of an internal market for audiovisual media services needs to go hand in hand with a common copyright regime and common rights clearance practices.

The EU should help to install a new, more efficient copyright clearance system which would help all market players to streamline their transaction and management costs. Key to this new system is further transparency and competition between collecting rights management organizations which should increase the efficiency of the system and help to drive a Digital Single market forward.

Liberty Global is not against the collective management of rights, but it is essential to ensure that, in situations where rights are managed collectively, the management organizations can represent all the owners of the rights managed collectively. A new Clearance Directive should be providing a new technology neutral system for the clearance of all types of rights and offer cross-industry, consensual solutions to address piracy in the online environment.

Digital Confidence

There are new challenges that come with the new technologies we use and the evolving globalized market. With the growth and success of digital life have come many concerns for consumers and enterprises relating to the security and integrity of the digital environment. Liberty Global thinks it is extremely important for both policymakers and enterprises to empower citizens to play a full part in the single market. As the Commission rightly acknowledges in its working document, this requires strengthening citizens' ability and confidence to buy goods and services cross-border, in particular online.

In 2008 Liberty Global published a study on Digital Confidence², which shows that enhancing digital safety and digital confidence, as a measure of how much consumers and suppliers trust in digital and online services, is becoming a key growth enabler –or inhibitor- for the digital economy. The European market for digital services is expected to grow to €436 billion by 2012. The level of trust that consumers place in service and platform providers in terms of business conduct and the provision of secure service and network environments, as well as their confidence in the ability of governments and regulatory authorities to enforce consumer protection standards, is now a major factor affecting digital economy growth. A failure to enhance digital confidence could lead to a loss or significant delay of 18 percent (or €78 billion) growth. Success in increasing confidence and trust could lead to an extra 11-percent growth (€46 billion). All players in the industry agree on the importance of building up digital confidence credentials. Therefore it is, among other measures, of the utmost importance that the data protection directive is improved, modernized, better implemented and enforced, to create an environment in which individuals have trust and confidence in their use of technology.

Getting digital confidence and empowerment right creates enormous revenue not only for consumers, but also for European business and employment.

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