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Telecom Italia contribution to the European Commission's consultation on the future "EU 2020" strategy

The Commission, in its working document, states that the main aim of the "EU 2020" strategy will be that of creating a "new sustainable social market economy, a smarter, greener economy, where our prosperity will come from innovation and from using the resources better, and where the key input will be knowledge".

Telecom Italia, recognizing the extremely important issues at stake, would like to express some considerations about the role of ICTs and telecom sector in achieving EU 2020 objectives.

1. Investments in High speed broadband

Telecommunications became one of the leading engines of economic growth and increased productivity in the '90s, fuelling activity and trade in all sectors, from manufacturing to the provision of financial services.

Already back in 2005, the European Council¹ noted that European productivity lagged behind that of the United States. We know that differences in economic performance between industrialised countries are largely explained by the level of investments in ICT and research.

The conclusions of the December Council of Telecom Ministers² have strongly underlined the benefits that high speed broadband infrastructures may bring to the economy of the European Union and have invited both the Commission and Member States to put forward policies favouring investments in the deployment and take up of ICT technologies. The conclusions of the Telecom Council have also acknowledged the high potential for growth of the on-line Single Market and the numerous benefits deriving thereof for the whole European economy.

Broadband connections, in the last years, have grown very fast. According to the latest data released by the European Commission³, the fixed broadband penetration had a steady growth in the last 5 years: from 2004 to 2009, in fact, it increased from 4.9% to 23.9%. A similar situation can be found as we look at mobile broadband: the same report signals, in the period July 2008 - July 2009, a growth of 54% for this market.

¹ Conclusions of 2005 Spring European Council.

² Conclusions of the Council of telecom Ministers, 18 December 2009

³ Broadband access in the EU: situation at 1 July 2009, CoCom 09-29

As broadband connections are growing, the need of higher connections speed is steadily increasing for European citizens as far as it proves essential to fully make use of advanced on-line services and applications.

It is widely recognized that the success of Europe's future economy depends to a large extent on its capacity to facilitate a widespread deployment of Next Generation infrastructures as well as a widespread and effective use of ICTs in business, government and citizen's daily life. Next-generation broadband represents a core infrastructure that will bring positive benefits for consumers, business, public administration and society in general.

Today, to exploit the benefits deriving from a wide use of ICTs, our Industry is planning to invest heavily in high-capacity communication networks. A full deployment of Next Generation Networks (NGN), through fixed and wireless technologies, and the development of on-line services and applications must remain at the top of the EU 2020 development agenda.

To meet such a challenge, an investment-friendly and non-intrusive environment is needed: policies and regulatory approaches, in fact, must take into account the necessity of adequately remunerating the capital invested to deploy new infrastructures.

Meeting the goal of 100 % broadband coverage should no doubt remain an objective of the EU. To achieve this goal, Telecom Italia believes that private investments are best placed to grant broadband deployment evenly throughout the EU. The next revision of the Universal service regime in the electronic communications sector should take into consideration that high speed broadband development also requires actions by Member States on the "take-up side": that is to say actions encouraging large use of broadband applications by citizens, enterprises and public administrations in areas where the service is already available.

In this overall scenario, the grant of government funding should be planned exclusively in cases of market failures, where the private sector is unable to provide the service due to insufficient profitability and where the risk of deepening the 'digital divide' occurs. Such an approach is essential to avoid inefficient allocation of public funding and to avoid threats to industry's investments, with possible "crowd-out" effects.

2. Exploiting the On-line Single Market

As the Commission acknowledges, the single market faces today important challenges as great part of the innovative services are offered on-line. Given that the e-commerce is widely recognised as a positive value for Member States economies, three main issues seem to be, at present, strategic: the completion of an on-line single market, consumer protection and the issues related to copyright.

Completion of the on-line single market. While the European Services Directive has helped to propel cross-border delivery of many services, it has had a limited effect on the ICT sector since ICT services are usually network based. In practice many services or solutions are accessed or delivered remotely and the service provider is not necessarily based in the same country of the customer. As the "country of origin principle" was excluded as a main provision from the Services Directive, ICT service providers still face the challenge of dealing with varying legislative frameworks when delivering cross-border services. This makes it hard to deliver ICT based services across the EU and the different regulations from country to country impact on efficiency standards: those barriers should be removed. Furthermore, this is also required by the development in devices and interconnection technologies (e.g. mobile payments) that will increasingly allow for new forms of on-line trade. An example of integrated approach to remove barriers to the provision of new services on-line is given by the adoption of the "M-payment directive".

Consumer protection. Regarding the provision of network services, Telecom Italia would like to point out that the recent revision of the electronic communications regulatory framework has strengthened the level of consumers' protection, by defining a whole set of provisions aimed at making more transparent the contractual conditions for citizens when subscribing to telecommunications services. Against this normative background, Telecom Italia believes that today European consumers of electronic communications services enjoy the proper level of safeguards when accessing to network services. Concerning the provision of on-line services, to meet the need of consumer's confidence in on-line markets remains one of our priorities. Confidence in the Internet, in fact, proves vital when it comes to fully use the potential of the network, particularly in terms of e-commerce and on-line service delivery. Telecom Italia therefore welcomes a common commitment in making users more responsible in their on-line behaviour both in terms of rights and responsibilities. Moreover, we share the idea that a transparently informed user is better protected and more aware of the consequences of its actions in the on-line marketplace.

In terms of consumers confidence on-line, it is fundamental to strike the right balance between the positive potential of data gathered for economic and social purposes and the need to protect citizen's privacy. This implies a proper evaluation of societal benefits deriving from such a use *vis-à-vis* individual rights and liberties.

Finally, in terms of consumers protection, an issue that will need to be urgently addressed is that of granting the standard of protection provided by EU law also for services used by European citizens, but offered by non EU providers.

Copyright. We are supportive of the European Commission's aim to create a modern, pro competitive, and consumer-friendly legal framework for a genuine Single Market for Creative Content On-line. We also welcome the focus on practical solutions to look for new business models. In fact, we share the view that the availability of legal content at non discriminatory conditions and at affordable prices is key for developing a competitive and innovative on-line market. New media can bring new business models on-line and therefore contribute to the development of the digital single market. At the same time, we consider that copyright protection is essential in the development of a competitive on-line market and that cooperation between stakeholders can certainly improve the respect of copyright.

3. Greener economy

A major goal of the EU is that of **fighting climate change and shaping a greener, sustainable economy**. As recognised in many documents of the three leading European Institutions, ICTs are at the very heart of such a process.

We are at a unique moment in history where the crossroads between the potential of ICTs and the necessity of changing established patterns of Energy use provide a wealth of options to address Climate Change and the Financial Crisis. ICT-enabled strategies in the environmental field offer new business and social opportunities that will contribute to "green growth" and clean innovation in the economic crisis and recovery.

ICT and the Internet can play a major role in increasing energy efficiency, reducing energy use and managing scarce resources. Smart ICT applications and the Internet can allow energy efficiency improvements in area as diverse as buildings, transport and logistics, electricity generation, distribution and consumption. Sensor-based broadband applications can promote effective responses to environmental change as well as improving efficiency of current systems. "Dematerialization" and on-line delivery of products and services through the replacement of physical products with digital output can also reduce environmental impacts across all sectors of the economy.

The telecommunications sector is extremely well placed to provide important services that can bring significant reductions in green house gas emissions. Indeed, many of the telecommunication can lead to the development of green applications and contribute to build a new path of sustainable economic growth and innovation.

According to some studies⁴, ICT could enable emissions reductions of 7.8Gt CO₂ by 2020 in improving production efficiency and reducing its footprint. These findings are in line with the recently-issued (9 October 2009) Commission Recommendation on mobilising ICTs to facilitate the transition to an energy-efficient, low-carbon community.

For such reasons, Telecom Italia would like to point out to the EU Commission that creating the regulatory conditions for industry to find it profitable to invest in high speed broadband will also help meeting the goals of improving energy efficiency, horizontally, in all sectors of the Union's economy.

Bruxelles, Friday, 15 January 2010

⁴ E.g.:Climate Group for the Global e-Sustainability Initiative, SMART 2020, Enabling the low carbon economy in the information age.