



BT viewpoint

Priorities for a new Strategy for European Information Society (2010-2015)

Summary

Modern communications networks, and the services running over them, are increasingly vital to economic and social well-being in the 21st Century, and the EU's ICT agenda to 2015 can play a key role in ensuring an enabling policy framework. This has been recognised in President Barroso's guidance issued on 3 September 2009 that 'the next Commission will develop a European Digital Agenda (accompanied by a targeted legislative programme) to tackle the main obstacles to a genuine digital single market, promote investment in high-speed Internet and avert an unacceptable digital divide.' We provide below our views on a number of areas which we consider essential to progress the ICT agenda.

1. New Networks and Services - Investment and Competition

The European telecommunications market is a highly dynamic one, with impressive growth in broadband and mobile, and rapid consumer uptake of products and services. These trends look set to increase with higher speed 'next generation' networks, and the EU regulatory framework needs to support investment without compromising competition.

The EU regulatory framework has already contributed significantly to the successful transformation into the digital era of the traditional voice, text and multi media consumer market. It is key to preserve and further improve the existence of open and competitive markets in Europe and to avoid further national fragmentation. There should also be increased focus to ensure a competitive level playing field amongst different network platforms in a world of convergence.

2. ICT and Business Markets

EU telecoms policy needs to take more account of the needs of the business market. It is essential for European companies to procure competitive ICT product and services in order to remain competitive in a global market.

Competition at services level should not be jeopardised. Enterprises will also be the major actors in the take-up and launch of new innovative platforms and services such as RFID, Cloud computing. A single European market is a prerequisite to make this happening and to ensure investment in the European region.

3. Global Level Playing Field

As a provider of enterprise communications solutions in about 170 countries, BT considers open markets and non-discriminatory regulated access to dominant operators' networks the most important issue when it comes to the question of strengthening the EU's role in the international ICT arena.

In many countries, limits on foreign investment in the telecoms services provision, complex or costly licensing arrangements, excessive universal services 'taxes' and inadequate or non-independent regulation remain a central obstacle to market entry. Removal of such restrictions must clearly be the Commission's top priority for the states in question. Within the EU, this means a genuine deepening of the Digital Single Market, with real not theoretical pro-competitive regulatory harmonisation. The current Telecomms Framework package in conciliation is a vital ingredient to move this forward, including the revamped pan-EU regulatory coordinating body (BEREC) to focus on exchange of best practice with EC oversight.

Further, attention needs to be given to effective application of existing trade commitments such as the regulatory principles outlined in the Reference Paper annexed to the WTO Telecommunications Agreement. BT would support a revision of the Reference Paper to make it more technological neutral. Improved offers in multilateral or bilateral trade offers are also important.

4. New Innovative Services: eHealth and Green ICT

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

5. Inclusive Knowledge Society

As well as encouraging investment, competition and innovation, EU policy needs to look at demand-side factors to increase take up and penetration of new services. Policy responses should be based on reasons why people are not using the internet, such as a lack of interest, not having the equipment, lacking the skills or confidence, concerns about running costs. Government engagement programmes should focus on the individual needs of people, and specific applications and their benefits, rather than the ICT itself, with a focus on specific targeted benefits. The e-Inclusion objectives need to be shared across all stakeholders and new approaches should be considered. The current Universal service obligations are outdated and are not suitable for a broadband-enabled digital age, and in some areas constrain innovation or wider engagement.

6. Copyright, Content and ePrivacy

While issues such as ePrivacy are receiving more publicity and political attention, the EU already has a well functioning legal framework which, while it will be reviewed over time, is not currently in need of change. The data protection principles defined in current EU legislation remain fit for purpose, and future policy should therefore emphasise proper enforcement. The E-Commerce Directive already provides a robust framework for the development of cross-border online transactions to individual consumers. Similarly copyright law across EU jurisdictions coupled with programmes of education and the development of new business models by copyright holders for the digital age should be the focus of actively on illegal breaches.

Detailed comments

1. New Networks and Services - Investment and Competition

The EU can best maintain investment incentives through a policy and regulatory framework which rewards investment, recognises risk, provides certainty, and does not jeopardise competition or innovation at the service level. Technology choice is best left to the market and that industry discussions are the best way of taking forward the development of the appropriate wholesale products.

The right policy approach involves some re-aligning of access obligations but cannot be reduced to a crude choice between 'relaxing' on the one hand (risking re-monopolisation through regulatory holidays), and 'tightening' on the other (if this means the investor bears all the risk but shares most of the profit).

We believe certain access obligations on pricing should be relaxed, but the wholesale pricing flexibility this allows can only be justified if balanced by stronger emphasis on non-discrimination. The UK approach provides "safeguards against anti-competitive behaviour following vertically integrated business models" -

competing providers are granted fully equivalent access through a functional separation model.

We believe the Commission still has too optimistic a view of the realities of infrastructure competition, and not enough regard to ensuring effective and fair competition at the services level. We see active wholesale access remedies as key to competition and innovation and entrepreneurship. As a competitor in telecoms services for businesses around the EU we are concerned that some of the proposals in the draft 'Recommendation on NGA' could lead to a foreclosure of competition.

BT fully supports the need for equivalent access (on prices, terms, conditions, service level etc) to existing telecommunications networks and to the next generation of broadband networks, much of which will be fibre based. We believe active remedies – such as generic ethernet access – will foster the best levels of competition and be economically efficient in terms of capital investment during a long period of economic recovery.

To provide a full level playing-field in an increasingly converged sector, policy makers need to pay more attention to tightening regulation on adjoining sectors including access to content in the pay-TV market, and allocation of spectrum. Spectrum should be provided on a technology-neutral basis, and allocated against market value and in a non-discriminatory and transparent way under the existing EU framework. We also believe that this equivalent access would best generate economic growth, new innovative services and effective competition if:

- (a) mobile networks were also subject to requirements to provide equivalent access to virtual MNOs and others, not least as their businesses are built on access to spectrum as a public good often allocated on a sub-optimal economic basis; and
- (b) those with dominant or SMP positions in the ownership of premium content into EU markets such as the UK should be required to make that content available on fair wholesale terms to other distributors and network/content platforms. Only in this way will applications be developed and services operated over the high capacity new broadband networks in the EU.

2. Business Services and the Single Market

The observation that wider use of the Internet by European businesses can make a major contribution to EU productivity, competitiveness, and growth has become a commonplace. It is nevertheless important to emphasise that this contribution extends far beyond provision of low-cost virtual shopfronts and new ways to match advertising with eyeballs.

As far as the Single Market is concerned, scope for cross-border B2C transactions is always likely to remain limited by two factors: firms' need to build brands in the Member States where they wish to sell and (in the case of companies selling atoms rather than bits) a need for physical distribution infrastructure in the same countries. EU policy consequently needs a broader focus.

In particular, more attention must be given to the use of IP networks in inter and intra-company communication to allow interworking of business IT applications in different sites. As "Solow's Paradox" has highlighted, investment in standalone computers and applications, in itself, has little effect on productivity. An impact is seen only