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Background paper - Public Information Session on Telecoms Single Market

Boosting Growth and Jobs in Europe - Towards a single Telecoms market
Public Information Session, 17 June 2013

1. The challenge

In the face of the crisis affecting its economy and society, **Europe needs to tap into new sources of growth** in areas that will reinstate its competitiveness, drive innovation and create new job opportunities. The digital world could unleash this new dynamic as ICT increasingly underpins all sectors of the economy from financial services, transport (connected cars), healthcare (e-Health), to energy (smart grids) and public services (e-Government).

All digital services and applications depend on connectivity. In order to capture these benefits and compete globally, Europe needs to overcome serious shortcomings in its telecommunications networks and regain the lead it once had in digital innovation. It is estimated that the untapped potential of a single market for electronic communications corresponds to a yearly amount of 0.9% GDP, or 110 billion Euros.

The **impact of this crisis goes way beyond the telecom sector but affects the whole digital eco-system** and increasingly the wider economy. The upgrade of Internet and mobile networks in the EU is not happening at sufficient speed, particularly compared to the rest of the world. For example European high speed mobile communications currently represent less than 4% of global 4G subscriptions. In contrast to the US or China, in **Europe we have national markets**, each with a limited number of players, and EU rules are implemented in 27 very diverging ways when it comes to licences, regulatory conditions or spectrum. As a result consumers have less choice, less innovative, quality services and they still pay a high price when their calls or data cross borders.

More competition and a larger market can be expected to spur innovation and new business models better tailored to consumer's needs. This will help **grow the overall 'pie'** and will insert new dynamism resulting in growth across the wider value chain. Moving to one integrated market will stir demand and supply through the provision of services across borders stimulating competition, promoting differentiation and, finally, investments.

The EU's **single market** has given consumers competition and choice, helped businesses innovate and invest. It's time to expand those benefits to the digital area. In electronic communications, Europe successfully liberalized the sector and over time fostered more harmonization among national markets. It is now time to move to the next step - a genuine single electronic communications market.

The 2013 Spring European Council stressed the importance of the digital single market for growth and in particular called for concrete measures ahead of its October meeting to establish the single market in telecommunications as early as possible.

2. Moving to a genuine telecoms single market

To address this challenge, the overall objective for the EU should be to create a vibrant single market in communications services for all sectors and across all of Europe, in order to boost productivity and contribute directly to the development of the European economy.

A telecoms single market would make a reality of two key Treaty principles:

- the **freedom to provide services,** so that any operator can effectively offer any customer the same high quality services, wherever in the EU;

- the **freedom to consume digital services,** for all citizens and businesses, wherever they originate within a 'unified' European telecoms space.

These would deliver significant benefits. For citizens and businesses more competition will boost innovation, choice and quality of service. **With more economies of scale, dynamism and innovation**, the European telecoms sector would be more able to compete globally and to provide new affordable superfast services.

A single telecoms market would have significant benefits for the wider economy, including industries in sectors such as automotive and health, for example, which rely on ICT inputs for production, for logistics and distribution, and for their products themselves. Operators would have the ability and incentive to invest in, develop and operate their networks.

The Commission services are currently assessing the impact of several options which build on the existing regulatory framework and which could achieve the following:

- EU passport (single authorisation to provide services across the EU)

At present, (unlike e.g. banks), telecom operators need separate authorisations and must follow distinct rules in each Member State they operate in. An EU passport would mean operators authorised in one country are recognised in all others (being able to apply the rules of the **country of origin** for many issues);

While the regulation of access to networks would remain local, greater consistency needs to be ensured across Europe in the ex-ante remedies reducing regulation when markets are effectively competitive, and promoting conditions conducive for investment.

- Giving operators harmonised access to the inputs needed to provide services

To deliver equivalent services across the EU, operators need harmonised access to basic “inputs” like fixed networks or spectrum. In particular this could involve:

(a) More coordination of **spectrum assignment** for mobile/wireless services, in particular to align timing and specific authorisation conditions, so operators can more easily organise pan-European activities. This would not need to entail pan-European licensing, and revenue generated from spectrum auctions/sales should remain with Member States.

(b) Harmonised “**access products”** – which would make it easier in practice to offer services that run across fixed networks in several Member States.

- Enabling consumers to freely enjoy telecom services across Europe

In a genuine single market consumers should be able to purchase and enjoy electronic communication services where they wish in the Union without restrictions of national borders.

A single market should also provide clear protection for those signing up to internet contracts so that they can enjoy an open and non-discriminatory access to **the Open Internet**. Moreover, even a risk of possible blocking or throttling of services (e.g. content, applications) could deter innovation and thus be an important brake on the success of start-ups and digital entrepreneurship. A clear ban on discriminatory blocking and throttling of competing services appears, therefore, appropriate.

To allow consumers to freely choose the best offer, more transparency is needed and they must have the possibility to switch providers easily. This is critical for enabling competition. Within a true single market roaming charges should no longer be an impediment to the cross-border provision of services or an important cost factor for businesses and citizens in Europe. Consumers should enjoy these services seamlessly across national borders without unjustified cost depending on their actual location in the Union (roaming) or depending on the condition that the communication source and destination are in different Member States (international calls or messages). At the same time Europe needs to seize the opportunity to provide the right incentives for companies that invest in networks and expand their footprint.

While elements of consumer protection rules would need to be harmonised, consumers' right of redress would always be in their own country and in their language.
