RIPE NCC

RIPE NETWORK COORDINATION CENTRE

Written in DNA

EU proposal for fundamentally new telecom market

Jelena Ćosić | SEE 12 | Athens, Greece

Overview

- EU needs a new telecom regulatory framework

- There is an "investment gap", putting EU Digital decade strategy targets in danger

- The telecom market is over regulated

- There is too much competition in the telecom industry

Europe's Digital Decade 2030

- In September 2016, the European Commission (EC) adopted a strategy on Connectivity for a European Gigabit Society (EGS)

- In 2021, the European Commission presented its Digital Decade targets

- Europe to be **the most connected continent by 2030**

- Digital Compass: 'All European households will be covered by a Gigabit network, with all populated areas covered by 5G'

- Digital Decade Policy Programme 2030 launched in December 2022

The Path to the Digital Decade

- A structured, transparent and shared monitoring system based on the <u>Digital Economy and Society Index (DESI)</u> to measure progress towards each of the 2030 targets

- An annual report where the Commission evaluates progress and provides recommendations for actions. The <u>first 'Report on the state of the Digital Decade'</u> was published in September 2023

- Every two years, Digital Decade strategic roadmaps are adjusted. This is where the Member States outline adopted or planned actions to reach the 2030 targets

- A mechanism to support the implementation of multi-country projects: <u>the European Digital Infrastructure Consortium</u>

Skills

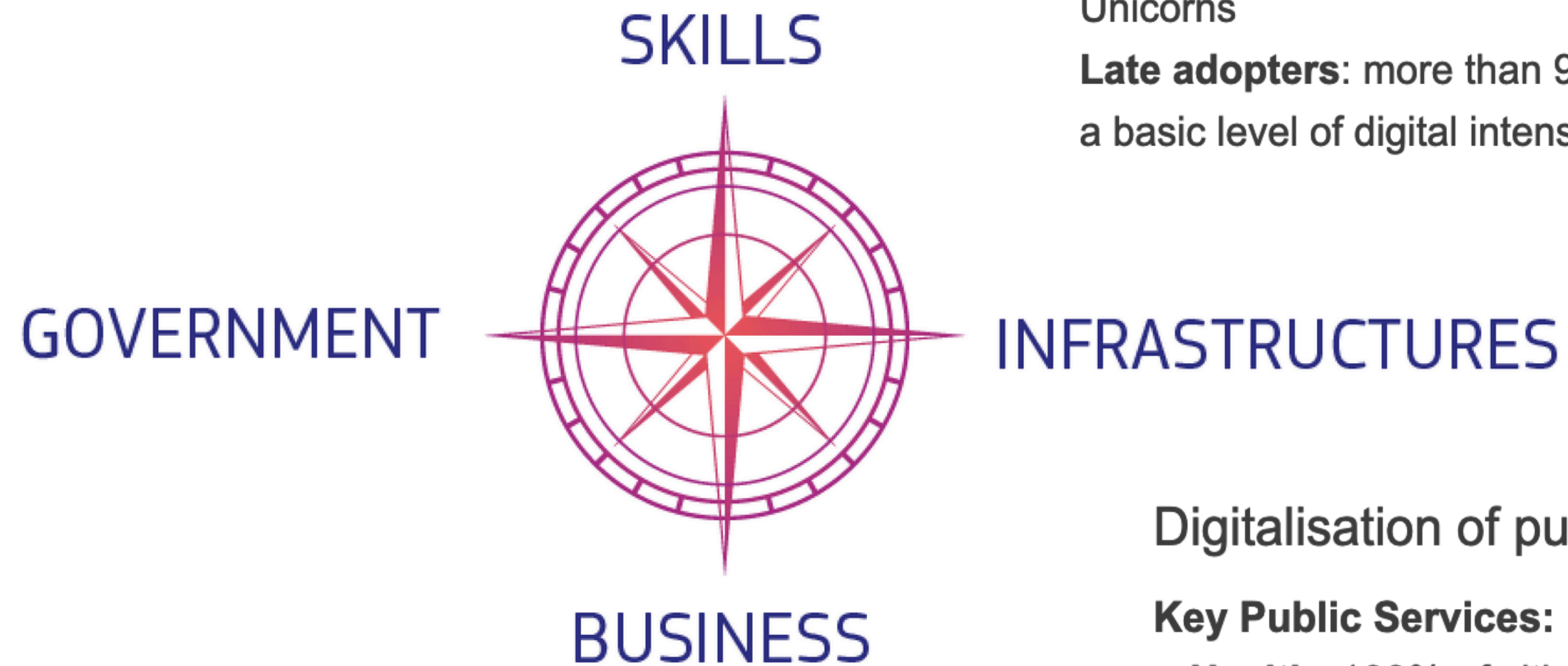**ICT Specialists: 20 million** + gender convergence
Basic Digital Skills: min 80% of population

Digital transformation of businesses

Tech up-take: 75% of EU companies using Cloud, AI, or Big Data
Innovators: grow scale-ups & finance to double EU Unicorns
Late adopters: more than 90% of SMEs reach at least a basic level of digital intensity

SKILLS

GOVERNMENT

INFRASTRUCTURES

BUSINESS

Secure and sustainable digital infrastructures

Connectivity: Gigabit for everyone
Cutting edge Semiconductors: double EU share in global production
Data - Edge & Cloud: 10,000 climate-neutral highly secure edge nodes
Computing: first computer with quantum acceleration

Digitalisation of public services

Key Public Services: 100% online
e-Health: 100% of citizens have access to medical records online
Digital Identity: 100% of citizens have access to digital ID

The Reality of Gigabit Speeds

- The first annual report on the "State of the Digital Decade" published in September 2023

- Report shows that 5G is available for **81%** of the EU population

- This percentage is significantly lower in rural areas **(51%)**, and fibre networks, needed for delivering high-speed connectivity, are only accessible to just over half of the population

- "The message from our first Digital Decade report is clear: we need to accelerate our efforts to reach our targets by 2030. Now is the moment to work together to put Europe at the forefront of the digital transition. This is the meaning of the recommendations that we issue today to Member States." *Thierry Breton, Commissioner for Internal Market*

Bridging the "Investment Gap"

- In the case of telecommunication infrastructures, a funding gap of €174 billion by 2030 has been identified, which might lead to approximately 45 million people in the EU being left without broadband by that time, according to the European Telecommunications Network Operators' (ETNO) Association

- Proposed solutions? Consolidation, state aid for 5G deployment and fair share

- Opposing views from alternative operators, consumer organisations and BEREC

Connectivity Package

- EC proposal for a 'Gigabit Infrastructure Act' to enable a faster, cheaper and effective rollout of gigabit networks

- A Gigabit Recommendation draft to provide guidance for National Regulatory Authorities on the conditions of access to telecom networks of operators with significant market power

- An exploratory consultation on the future of the connectivity sector - focus ended up being on fair share debate

The Gigabit Infrastructure Act

- To replace the Broadband Cost Reduction Directive (2014)

- Key objectives: to simplify and digitalise the process of obtaining permits for network rollout; to improve coordination of civil works between network operators when it comes to installing ducts, masts and so forth, and ensure relevant parties can gain access; and to require all new or majorly renovated buildings have access to fibre

- Parliament and Council reached the provisional agreement after introduction of six amendments

- Welcomed by Commission, less so by ETNO

- Concerns over weakened "tacit approval" concept and further retail price regulation of intra-EU calls and messages

EC Questionnaire

- In February 2023, the European Commission launched an exploratory consultation on the future of the electronic communications sector

- All relevant stakeholders took part; concerns over ill-formed consultation questions

- Takeaways:

  - We need innovation and efficient investment

  - We need to leverage the Single Market to boost investment and innovation

  - We need to secure our networks

- Fair share initiative was put to rest, but not for long… Breton comes up with a *new* proposal (DNA)

Digital Networks Act: A Foundation

- "New initiatives for digital infrastructures of tomorrow" published on **21 February.**

- Presented by Vestager (Competition) and Breton (Internal Market) jointly

  1. White Paper on "How to master Europe's digital infrastructure needs?"

  2. Recommendation on the security and resilience of submarine cable infrastructures

- The three pillars (investment, regulatory framework and security) and twelve possible scenarios; non-legislative package, main intention to spark a conversation

- *Europe's lagging **digital infrastructure** combined with a substantial **investment gap**, is exacerbated by a **fragmented market**, regulatory failures to ensure **a level playing field**, while emphasising the pressing need for enhanced **security and resilience** measures.*

End of Fair Share Debate? Not Quite

- *"We need a true **level playing field**: because in a technology space where telecoms and cloud infrastructure are converging, there is no justification for them not to play by the same rules."* (Breton, MWC)

- Second pillar (regulatory framework) key points:

  - Adapting regulations to the fibre optic landscape

  - Establishing the "country of origin" principle for providers of core networks and core network services (as is already the case for cloud)

  - A more integrated governance at EU level for spectrum

  - Sustainability challenges

- The white paper suggests the scope expansion of the current regulatory framework (EECC) to cover all forms of cloud infrastructure and services; arbitration mechanism for peering disputes between telcos and cloud providers - Internet tax?

First Reactions

- ETNO welcomed the white paper and its "clear recognition of scale as an essential requirement"

- GSMA: Commended the white paper for proposing innovative options to boost investment in Europe's digital infrastructure

- CCIA Europe: Warned that elements of the paper may favour incumbent telecom operators seeking to revive their rejected request for network fees

- VATM: Critical of the proposed solutions and "forced consolidation"

Public Consultation

The Commission launched a <u>public consultation</u> on 12 scenarios set out in the White Paper.

The consultation will close on 30 June 2024.

The submissions will be published and will contribute to the future policy actions.

Conclusions

- Ambitious connectivity goals set out by EU

- A lot of legislative activity in the telecom sector over the past 5 years; harmonisation and deregulation are central themes

- Digital Single Market: encouraging cross-border consolidation as a way to harvest economies of scale for future infrastructure investments

- DNA reintroduces old debates, potentially leading to further deregulation in telecom markets and a review of current regulatory framework

- Fair share proposal hijacking the discussion on the future of connectivity

- DNA as a handover note; election for EU Parliament set for June 2024

Questions ?

jcosic@ripe.net