



Special Report | Mar. - Apr. 2024

Creating true connectivity for Europe's Digital Age in an election year

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Europe's telecoms industry wants a fully functioning Single Market in the Digital Decade. In an increasingly complex geopolitical world, the EU has prioritised resilience and autonomy, this special report series looks at how Europe can become the best place to live in the Digital Age.

Despite efforts on the part of policymakers, Europe's telecoms sector remains noticeably fragmented, particularly compared to the US where significant consolidation has taken place.

Former Italian Prime Minister Enrico Letta's landmark report for the European Commission on the Future of the Single Market is expected to include a new single framework to manage the EU's 27 different regulations and tax rules.

Letta will also call for the creation of a "5th freedom" of movement focused on knowledge and innovation to nurture pan-European knowledge sharing.

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Europe's Tech Com future. Orange election manifesto seeks true market connectivity in the Digital Age

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By Jennifer Baker | Euractiv's Advocacy Lab



Telecoms giant Orange has published a manifesto for the European elections, urging lawmakers to pursue a fully functioning Single Market in the Digital Decade. While market winds blow towards consolidation, Orange asks

how the EU can become the best place to live in the Digital Age.

The answer they offer is services and connectivity. But despite efforts on the part of policymakers, Europe's telecoms sector remains noticeably

fragmented, particularly compared to the US where significant consolidation has taken place.

In an increasingly complex geopolitical world, the EU has prioritised resilience and autonomy. That means

a well-functioning and competitive single market. But as former Italian Prime Minister Enrico Letta prepares his landmark report for the European Commission on the Future of the Single Market, it is clear the telco sector has some way to go. Letta lists telecommunications – alongside defence, energy, and finance – as one of the four pillars that we must put at the centre of the Single Market.

Speaking to the [FT, Commissioner Thierry Breton](#) acknowledged that “creating a true single market for telecommunications services requires a reflection on encouraging cross-border consolidation.”

“Scale is key to deliver on the massive investments needed to build the cutting-edge digital infrastructure Europe needs for its competitiveness. Too many regulatory barriers to a true telecoms single market still exist,” he said.

Technology deployment

European citizens cannot afford to wait for this. There are numerous challenges that reliable and better connectivity could help solve – including the green transition, potential EU enlargement and an ageing population.

Kamila Kloc, Director of Digital Decade and Connectivity, DG CNECT, European Commission, agrees: “Fast Secure, widespread connectivity is essential for the deployment of technologies that will bring us into tomorrow's world: telemedicine, automated driving, predictive maintenance of buildings or precision agriculture.”

The Commission is clearly aware of this. The Digital Decade policy programme 2030 sets up an annual cooperation cycle to achieve common objectives and targets across four areas: connectivity, digital skills, digital business, and digital public services.

The first audit was last year but targets have been missed. Fibre reaches 56% of the population, but only 41% in rural areas.

The Commission's own White paper “How to master Europe's digital infrastructure needs?” also recognises this connectivity need.

Achieving the overall targets by the end of the decade is an uphill task – one that requires investments. Orange estimates there is a €200Bn investment gap in delivering the Digital Decade targets.

Competition policy report

In the European Parliament meanwhile, in the [annual competition policy report](#), approved by the Economic Affairs Committee last December, MEPs say that consolidation in the telco market is potentially “the only way to avoid selling infrastructure piece-by-piece to foreign non-EU companies and compete effectively in a global scenario.”

Despite marked increases in revenue across the wider internet ecosystem, industry stakeholders have contended that over the last two decades, European telcos have seen a decline in revenue and a reduction in market value due to excessive market fragmentation, spectrum costs, and an outdated regulatory framework.

Cross-border consolidation

Cross-border consolidation was initially considered to build pan-European telecom operators with the critical mass for bridging the gap between Europe with the US or the Asian digital leaders.

Orange says that telecom operators build, deploy, and operate their network

infrastructure within the borders of a country, in a domestic market, as spectrum authorisations are national. They argue that the result, in the short-term, is gaining scale and sustainable growth that can only happen within the borders of their national markets.

The telco believes that the bar for telecom companies to successfully consolidate in the market is too high much of the time and is “only based on a consumer welfare standard and short-term price effect.”

Nonetheless, Orange says it appreciates some of the regulation of the current Commission, particularly the Digital Markets Act. “The DMA will open new opportunities in the digital ecosystem and help resolve the lack of interoperability, which restricts customer choice. DMA should also ... grant telco operators cloud-based API access to the data gatekeepers collect on the quality of networks.”

They suggest this would help identify potential areas of improvement and optimise network infrastructure.

Ditch the ePrivacy Directive

Outdated legislation such as the 20-year-old ePrivacy Directive should be ditched, says Orange. “It is both inconsistent with the EU strategy and damaging for the European telecom industry that operators are not given the same rights as other stakeholders to innovate based on the GDPR rules,” says the telco, arguing instead for “the principle of confidentiality of electronic communications data” to be incorporated into the horizontal General Data Protection Regulation (GDPR) through a targeted amendment.

In a debate that has raged for several years, the manifesto also calls for a “level playing field” ensuring fairness between operators and Large Traffic

Generators (LTGs) – i.e. the big online platforms.

Telecoms operators in general are angered by what they see as an unfair distribution of profits as the services that use their networks cash in without having to contribute to the infrastructure investment. It is worth noting that that investment also contributes to sustainability, mobile traffic optimisation and energy reduction in the green transition.

The manifesto calls for the EU to fully harmonise at the EU level the conditions for spectrum auctions. The EU is behind on standalone 5G, largely due to member states dragging their heels on spectrum allocation – yet another disincentive for telcos to invest.

But Orange's manifesto also calls the EU to think beyond the spectrum and urges a European strategy on submarine cables and satellites – essential given that 99% of intercontinental traffic transits through submarine cables and big, new non-EU players are entering the satellite market. Globally the main investors are now US or Chinese actors. Politicians eyeing the EU elections in June will be aware of the need for the EU to be more competitive.

Tech Comm future

Orange says it believes that given the right conditions, the telecoms and IT worlds will increasingly converge and “networks will become more and more agile and telecoms operators will turn into ‘Tech Comm’ companies” creating new opportunities for European businesses and citizens.

“Roam like at home” when travelling within the EU was a huge win for the European Parliament and a strong message for those seeking another mandate during the last election cycle. In 2024, the electorate will want more comprehensive, far-reaching solutions.

“Creating a true single market for telecommunications services requires a reflection on encouraging cross-border consolidation”

Commissioner Thierry Breton





INTERVIEW

Consolidate communications, or inertia will mean decline, says Letta

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By Jennifer Baker | Euractiv's Advocacy Lab



Enrico Letta: "I want consolidation not at the American level, but at the level of what is needed in Europe with the possibility to protect consumers in general." [EPA-EFE/ANGELO CARCONI]

The much-anticipated Letta Report on the Single Market contained many strong recommendations across several key areas. Jennifer Baker spoke with Enrico Letta to discuss what he hopes for in practice, with a deep dive into one of the central topics

– telecommunications.

JB: Let me start by asking you to describe in general, how you feel your report has been received from three main stakeholder positions: politicians or lawmakers, industry and business, and civil society or

consumer representatives.

EL: My reaction in general is very positive. I am very happy with the way in which it was received. It was received as a challenge by the political world. My big fear was to have a large indistinct applause. That would have been the

worst for me. But in fact, I received a very obvious, deep discussion on the different subjects with many positive reactions, or reactions on some subjects where you have received doubts.

Also, the fact that the Hungarian Presidency decided to put this topic as one of the flagships of the Presidency in the next semester was more important good news. So, in general, from the political side, I am happy because I received not just a generic applause, but deep discussion and the possibility to have a follow up.

I'm very happy with all of the stakeholders, because I'm full of invitations everywhere to discuss the report with people on the ground with industries with business, financial sectors, credit unions, in different countries. [This] next week will be for me, Vienna, Frankfurt and Madrid. That means the report was exactly what I hoped: to have a tool to make possible the opening of a concrete discussion on the future of the European Union.

Regarding civil society, I think it is very interesting. The report is today part of the discussion in the academic world – next week I will be in university in Madrid, for instance – and in many other debates and discussions with consumers associations, anti-climate change associations, political parties. My hope, of course, is that the report can feed the political debate during the upcoming electoral campaign and the post-electoral campaign debate.

There's a big need for discussion of long-term plans at the European level, and not just having discussions on how to react to a crisis. And that is for me a very, very interesting point.

JB: You highlighted defence, energy finance, and telecommunications as key pillars of issues that we need to talk about. The invasion of Ukraine by Russia, which also triggered an

energy crisis, certainly puts defence and energy on the table.

In terms of past crises, the financial crisis stands out, so finance must be discussed. But what about the telecommunication sector, why is that included? Why these four pillars specifically?

EL: In reality, there are two reasons. The defence reason is exactly what you said. However, in my education, I had always in mind that defence and the single market are two completely separate sectors. And when I started my journey in September, I did not plan on having defence among the different topics.

I changed my mind during my journey, because all the governments and many stakeholders told me that defence is one of the big issues. And it's absolutely necessary to have an improvement there.

On the other three – telecom, energy and financial markets – in reality, the inspiration came to me from the last conversation I had with Jacques Delors. Because last time, before he died, he told me that the single market when it started in 1985 was without these three subjects. The Member States at that time, told Jacques Delors these three subjects are for us, not for you. That was the key point.

And so, it is not by chance that even today, you'll have more national competences than European competences on financial services, telecom, and energy. And in the analysis that I put at the top of my report, this is the reason why we are less competitive than the US and China because they take advantage of the scale, or the dimension of a large single market and we don't. Because in these three areas, the national dimension is more important than the European one.

In telecoms, in reality, we don't have a single market. We have 27 telecoms markets in Europe and the consequence is that the American operators or the Chinese operators are more competitive than the European operators.

The consequence of that is that we have more than 100 very small European operators. And when you are too small in this field, there are consequences that are very bad in terms of competitiveness, capacity for innovation, and so on.

JB: You say European companies "suffer from a stunning size deficit compared to their global competitors, primarily the United States and China." Looking at the United States, we've seen a lot of consolidation there in the telecoms market. It hasn't necessarily led to lower prices, or better services for consumers. What's your reaction to that?

Do you think that excessive consolidation in Europe might lead to a price rise or perhaps limited services?

EL: I think your point is good. And excessive consolidation would bring problems for consumers. I think we have to protect our consumers. But today we have an excessive fragmentation. So, I think as the Latins used to say "in medio stat virtus." The present European situation has 100 operators, in the US there are three operators.

I believe we can find a scenario where we can move from 27 markets to one single relevant market that would help consolidation. But at the same time applying the rules of the competition at a European level, we can avoid consolidation that goes too far. We can have a consolidation that will reduce from 100 operators to 20 or 30 maybe – that will be the market

to decide.

But what I think is that we can find a solution in the middle between the present European one and the present American one to both protect the consumer and to expand the competitiveness of the industry. For a very simple reason, it is true that the European consumer today has better prices, in comparison with the American one.

But it is true, too, that the European industry is in such bad shape, that the investments of the European industry will be lower and lower, and the consumer of tomorrow will pay the price of this weakening of the industry. We also need investment in innovation. We need scale, because scale is the condition to get innovation. That is for me a crucial part of the topic.

JB: Am I right in thinking that part of this investment that you are saying we absolutely need, is investment into infrastructure? And where will that money come from?

EL: I think the investment for operators will come principally from consolidation. I think that a consolidation will help them to have more room for investments. That is the crucial part.

I repeat, I want consolidation not at the American level, but at the level of what is needed in Europe with the possibility to protect consumers in general.

I don't want the European Union changing its own values. I think the European Union has to continue to be itself. But at the same time, the European Union has to change on some aspects that are not working, like fragmentation. So, this is one of the big frames for me.

The other very important frame, in general for Europe, is that today, inertia means decline. This is the big, big topic I would like to launch. We need to act. Inertia means decline today. If we stay as we are, we will decline.

JB: Finally, looking to the future, I presume the next few weeks and months, you will be discussing this report and continuing, as you say, travelling around Europe. But looking further ahead, when might it be time to do another report or revision of this? Five years? 10 years? And would you do it again?

EL: Ha! You know, I hope that a large part of what is written in the report can be implemented during the

next five years. Because I clearly said at the very beginning of the report, there are no Treaty changes proposed in the report, so what is written is feasible. And I hope that will be the case.

I also strongly hope that the next five years can be the years in which we can recuperate what we didn't do in the last 25 years on the three, four subjects you mentioned. I will push in that direction with all the stakeholders, the political leaders. I will repeat every day: it's feasible, it is a necessity, and inertia means decline.

This interview was edited for clarity and brevity.





PROMOTED CONTENT

Towards a stronger, greener and resilient Digital Single Market in Europe

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By Christel Heydemann | Orange



[Shutterstock | 1099002740]



In light of the complex geopolitical situation, the numerous global challenges ahead of us, including the green transition, and the debate on the enlargement of the European Union (EU), citizens and businesses need to rely on a stronger EU to reinforce our values, rights, and vision of the future.

By Christel Heydemann, CEO Orange Group

A stronger EU requires enhanced EU technological leadership to deliver the Gigabit Society objectives. Network operators and the telecom industry are essential contributors to achieving these goals. This has also

been recently acknowledged in the White paper "How to master Europe's digital infrastructure needs?" issued by the European Commission.

The telecoms sector is evolving fast. Network virtualisation, cloud based and software managed networks, disaggregation and re-configuration through the development of open interfaces and artificial intelligence are key evolutions that will lead to the emergence of intelligent, AI-powered, and automated networks. The telecoms and the IT worlds are increasingly converging. Networks will become more and more agile and telecoms operators will turn into 'Tech Comm' companies. These transformations will create new opportunities: technology, enabled by 5G slicing and the evolution of Network as a Service, will make it possible to build tailor-made offers for specific usages.

Among the challenges in achieving these goals, operators must make

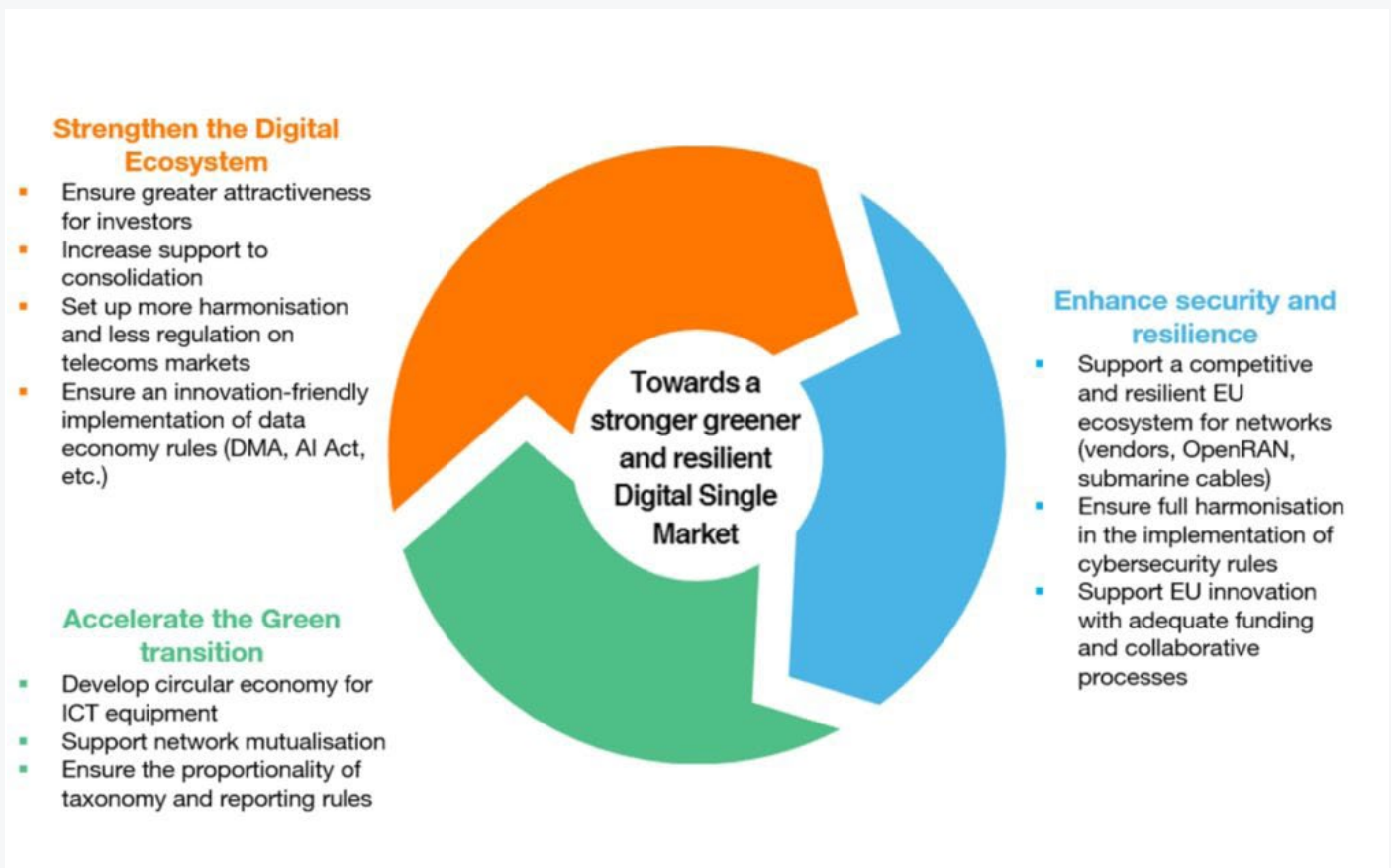
substantial investments into connectivity networks. An estimated €200Bn investment gap presents a considerable challenge in delivering the Digital Decade targets. Ensuring the digital autonomy of the EU requires a robust strategy in terms of secure and resilient digital infrastructure, from fixed to mobile networks, as well as submarine cables and satellite connectivity networks. Removing barriers to the Single Market is also essential for enabling the telecoms sector to offer innovative and pan European services.

We are ready to step up to the plate. Policymakers also need to play their role and adapt the overall framework. We therefore welcome the European Commission's White Paper. It delivers an accurate picture of Europe's connectivity ecosystem, rightly calls for a step change in investment levels, and opens the path to a reform of EU rules. It is essential that the next European mandate

delivers an environment conducive to investment, scale and innovation in networks, contributing to the Green transition and delivering maximum benefit to European citizens and businesses.

The EU deserves a stronger digital single market, where the telecoms sector becomes more attractive for investors and where the EU is at the forefront of delivering on innovative connectivity networks and digital transition. We call on policymakers to implement a comprehensive and agile strategy to match the rapid pace of technological advancement and a switch in the regulatory framework based on three pillars that will be detailed in the coming weeks and that are summarised below.

Orange's call for action to achieve the Digital Single Market and the Digital Decade targets:





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