

Fair Sharing in the Investment of Telecom Infrastructures

Dr. Anna Renata Pisarkiewicz

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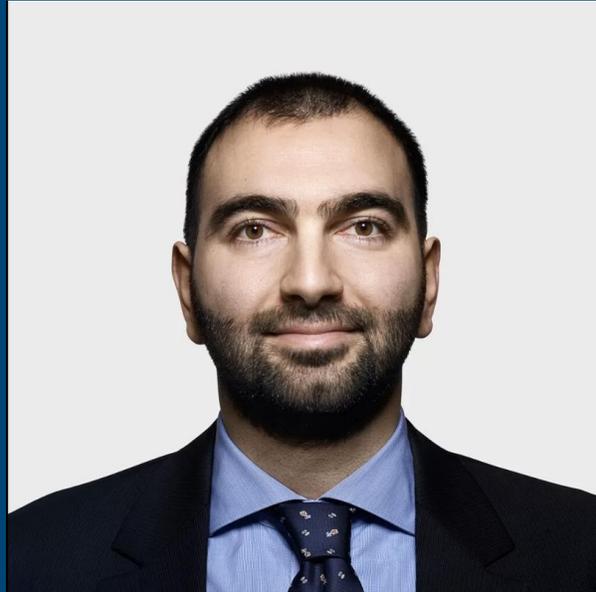
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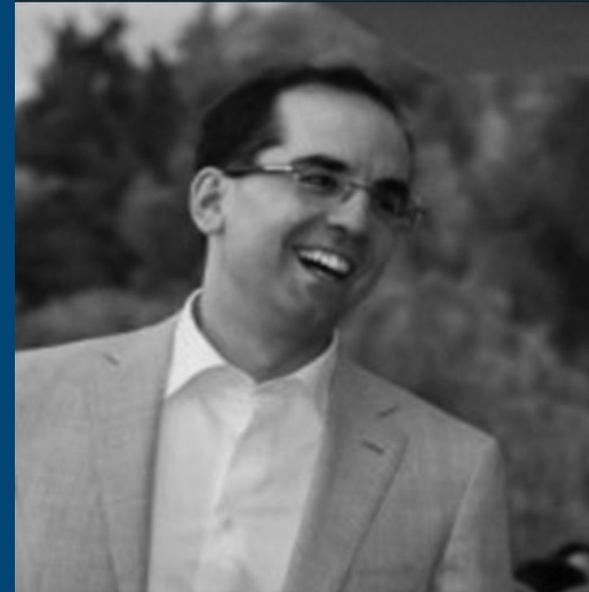
Our panelists



**Maria Alessandra
Rossi**
EUI / University of
Chieti-Pescara



Bruno Basalisco
Copenhagen
Economics



Georgios Mavros
Google



Wolfgang Kopf
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Political Commitment:

European Declaration on Digital Rights and Principles for the Digital Decade

Joint Declaration of the European Parliament, the Council and the Commission

26 January 2022

Commitment to:

- developing adequate frameworks so that all market actors benefiting from the digital transformation assume their social responsibilities and make **a fair and proportionate contribution** to the costs of public goods, services and infrastructures, for the benefit of all Europeans.
- **ensuring access to excellent connectivity for everyone**, wherever they live and whatever their income
- **protecting a neutral and open Internet** where content, services, and applications are not unjustifiably blocked or degraded.



Decision (EU) 2022/2481 of the European Parliament and of the Council of 14 December 2022 establishing the Digital Decade Policy Programme 2030

By 2030, networks with gigabit speeds should become available to those who need or wish to have such capacity. All Union end-users should be able to use gigabit services provided by networks at a fixed location deployed up to the network termination point. Moreover, all populated areas should be covered by a next-generation wireless high-speed network with performance at least equivalent to that of 5G. **All market actors benefiting from the digital transformation should assume their social responsibilities and make a fair and proportionate contribution to the public goods, services and infrastructures,** for the benefit of all citizens in the Union (Recital 13).



Political Commitment: EU's Digital Targets

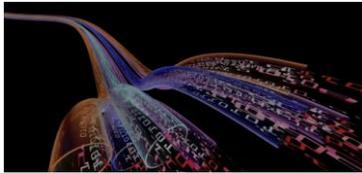
Decision (EU) 2022/2481 establishing the Digital Decade Policy Programme 2030



Skills:

ICT Specialists: 20 million
+ gender convergence

Basic Digital Skills: min 80% of population



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



Digital Transformation of Businesses

Tech up-take: 75% of EU companies using Cloud/AI/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



Digitalisation of public services

Key Public Services: 100% online

e-Health: 100% of citizens have access to medical records online

Digital Identity: 80% of citizens have access to digital ID



Exploratory Consultation:

The future of the electronic communications sector and its infrastructure

Period: 23 February - 19 May 2023

1. TECHNOLOGICAL AND MARKET DEVELOPMENTS: IMPACTS ON FUTURE NETWORKS AND BUSINESS MODELS FOR ELECTRONIC COMMUNICATIONS Q1 – Q20
2. FAIRNESS FOR CONSUMERS Q21 – Q31
3. BARRIERS TO THE SINGLE MARKET: Q32 - Q39
4. FAIR CONTRIBUTION BY ALL DIGITAL PLAYERS: Q40 - Q62

Summary Report on the results of the consultation: 10 October 2023

Responses: 437 responses and 164 position papers.

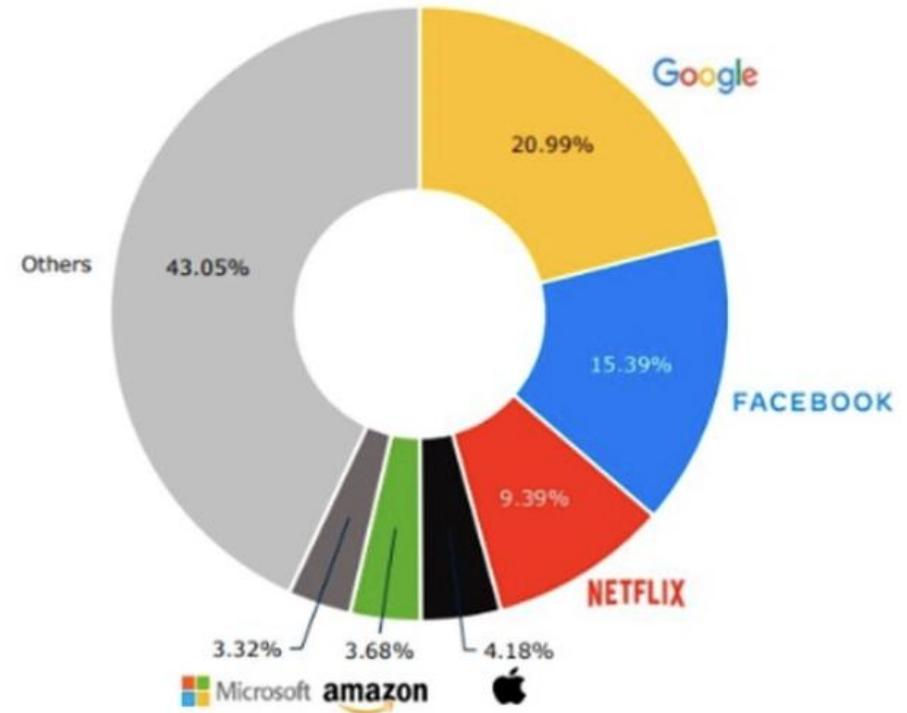


Large Traffic Generators:

Does data growth imposes costs that are unfair and unsustainable?

	Brand	2021	2022
1	Google	20.99%	13.85%
2	Netflix	9.39%	13.74%
3	Facebook	15.11%	6.45%
4	Microsoft	3.32%	5.11%
5	Apple	4.18%	4.59%
6	Amazon	3.36%	4.24%
TOTAL		56.35%	47.98%

Source: Sandvine (2023), [The Global Internet Phenomena Report](#).



Source: Source: Axon Partners Group (May 2022). Europe's internet ecosystem: socio-economic benefits of a fairer balance between tech giants and telecom operators.

The future of the connectivity infrastructure: the problem and its roots

The issue: How do get from where we are today to the 2030 digital targets?

The problem:

- **an investment gap** of €65 billion per year, amounting overall to €250 billion to meet the European Gigabit Society interim targets by 2025.
- Hence, the investments need to reach the 2030 Digital Decade targets will need to be significantly higher.

Potential causes behind the sub-optimal investment:

- Fragmented EU markets: barriers to in-country and lack of incentives for cross-border consolidation
- Intense competition and low ARPU (decreasing in mobile), despite increasing quality of broadband (higher speeds)
- Overly restrictive, too interventionist regulation, focused on static rather than dynamic welfare effects
- Strong net neutrality rules
- High but also very heterogenous spectrum fees across the EU MS
- Uncertain business case, low willingness to pay
- Overall performance of the telecom sector and difficulty to attract investment (investment cycles and RoI)

Context: telecommunications market in which previous telco business models are under attack both on the retail and wholesale level.



MAIN FINDINGS: Cross-border consolidation

- **Burdensome sectoral regulation on notably ECN providers is a major obstacle to cross-border**
- Other obstacles: different legal standards, fragmented investment protection mechanisms, lack of interoperable networks due to radio spectrum usage variations
- Main obstacle to cross-border consolidation: lack of a business case due to insufficient efficiencies and synergies (as opposed to intra-market/in-country consolidation).

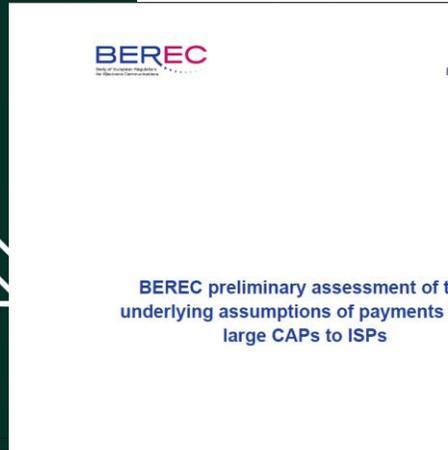
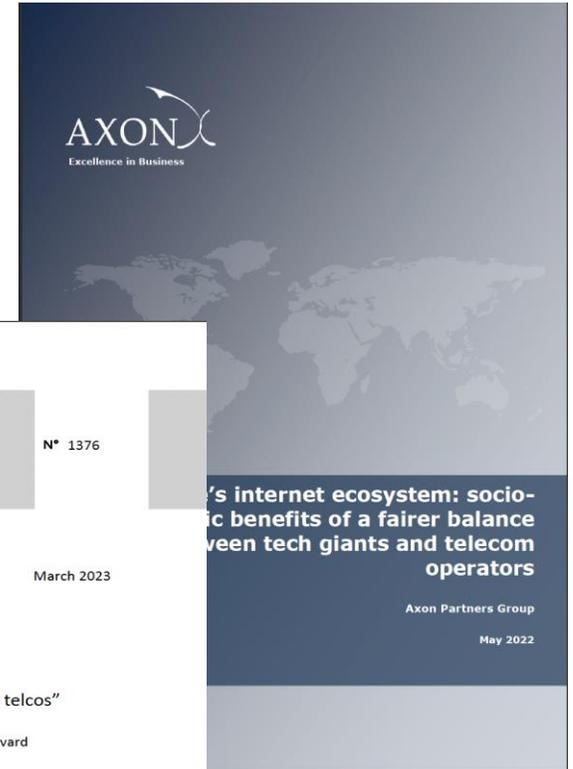


MAIN FINDINGS: Fair Contribution by all Digital Players

- Different business practices exist across Member States in relation to contribution paid to ECN providers
- Policy initiative based on fair share seen by CAPs as 'fundamentally flawed' and not future-proof
- The need for continuous investment that cannot be met by ECNs alone.
- Obstacles to charging digital players for increased traffic under the current framework:
 - An imbalanced bargaining power
 - Net neutrality
- Concerns about the introduction of direct payments:
 - Disincentives for innovation
 - Negative consequences for consumers
 - Negative consequences on competition
- General opposition to the idea of an EU/national digital contribution or fund



Studies and reports on the topic





A 'Digital Networks Act' to redefine the DNA of our telecoms regulation

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We should **work together**, industry, investors, public authorities, to uncover and remove the obstacles to much needed investments and make them more efficient.

Some have tried to **reduce the issue of investment to a battle** over the “fair share” **between Big Telco and Big Tech. A binary choice** between the vested interests of those who provide networks today and those who currently feed them with the traffic. But while finding a financing model for the huge investments needed is an important issue that we will need to deal with, **so much more is at stake**. It is about achieving the giant leap ahead of us: not only in the telecoms sector, but more broadly in digital technologies.

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Thank you for your attention!

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 Centre for a Digital Society

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