

**Speech Nick White, Treasurer INTUG, to European Policy Forum,
2 April 2008**

I speak to you on behalf of business users of telecommunications services throughout the European Union, both multinational corporations and small to medium enterprises. This is an often-overlooked stakeholder group, with no voting rights, yet it represents the engine room of the EU economy, and European competitiveness in world markets. Multinationals and their supply chains account for 35% of EU GDP. This compares to slightly under 2% of GDP for the telecoms industry's share of total value added.

Whilst the telecom sector is itself an important element, it is therefore just the tip of the iceberg in terms of overall value generation. The productivity and growth that ICT enables in all other industries is what produces a far greater part of the EU's value generation and social welfare. Optimising the telecom sector in isolation, whilst clearly the major concern of vested interests within the industry, is therefore the wrong target.

How well are businesses being served today? Regrettably, fully competitive pan-EU services today, in both fixed and wireless, are either non-existent, or fall far short of what businesses require to compete optimally in global markets. Whilst there are elements of a cross border pan-EU market, for example in MPLS-based VPNs between major cities or low speed access using DSL, hi speed access is critically dependent on the wholesale Ethernet market, which is very patchy due to the limited availability of unbundled fibre.

Business needs are not the same as those of domestic residential consumers. Traffic profiles, contention ratios, the latency needs of applications, quality and network management requirements, geographic scope and consistency needs are all very different.

Today's inconsistent and fragmented patchwork of largely national services represents a serious handicap to businesses seeking to drive productivity and growth through economies of scale and scope and re-engineered and transformed business processes. The vision of seamless connectivity within a single competitive market of telecoms throughout the EU remains a distant pipedream, with little prospect of ever reaching it.

A recent study shows that if the EU could deliver ubiquitous high quality services suitable for business users operating internationally, this would increase EU GDP by at least 1.6% per annum, or €430 per EU citizen. Another study suggests that in combination with broadband connectivity, such changes could improve SME productivity by 10%. Inefficiencies inherent in ICT investment in Europe almost neutralise the potential benefits from it.

Why is this? One answer is that businesses cannot consolidate either their fixed or wireless services into a minimum number of regional contracts (one multinational said they had 870 separate telecom contracts in Europe, requiring many support staff to manage them). The absence of MVNOs in most Member States represents a natural barrier to consolidation in wireless.

Another answer is that businesses cannot reach all the locations in their own organisation and their supply chain partners with fixed services consistently at the required quality, so they are forced into part implementations of improved business processes running alongside the remnants of legacy processes.

Despite this, the market for pan-EU communications services is estimated by Gartner to be currently around €200 billion per year. There is clearly demand.

Can the EU Framework Review help address these fundamental flaws in the EU's drive to create a thriving single market which achieves the Lisbon goals? Business users are almost unanimous in their response to this question. They see a greater risk of the situation getting worse rather than better.

And why is this? Because they fear the introduction of Next Generation Networks and Access services is providing the incumbent operators with a golden opportunity to turn the clock back on the progress of the last 15 years, and to return the market to monopoly control of bottleneck resources, by foreclosing competition based on claims that the EU will not achieve a fibre infrastructure which ranks with the best in the world, unless special incentives are granted to the incumbents to encourage them to invest.

Whether by excluding the proposed remedy of functional separation from fibre networks, or by granting regulatory holidays, or by insisting on sunset clauses, their aim seems to be to eliminate the prospect of real competition on a pan-EU basis, and to protect dominant positions, focusing on domestic services within Member States and residential consumer retail services.

This simply cannot be allowed to happen. If business users' needs continue to be stifled in this way, the current unsatisfactory picture can only get worse. There would be no prospect of greater harmonisation, and no effective control to ensure sound implementation, even of the regulations which are agreed.

We therefore support the European Commission's proposals wholeheartedly. We are in favour of a structure which guarantees full political independence for all NRAs, given that only around half of them currently have this. The originally proposed Market Agency was described somewhat inaccurately as a super-regulator, and had complexities with the inclusion of spectrum and security, but its aims were laudable. It is generally acknowledged that the current ERG has not delivered, and cannot deliver, what is required.

If some evolution of the ERG can be achieved which gives sufficient authority to decisions which are binding on its constituents, and if the Commission can be given sufficient veto power to block inappropriate regulation, and abuse of the appeals procedure, this will be a step in the right direction. But something must be done to address the continuing market failures and inconsistencies.

To highlight just one example, the huge range and the exorbitant level of mobile termination rates shows what happens when there is insufficient power to control a non-competitive market. Like international roaming charges,

which still remain too high for voice, and are uncontrolled for data and text, these situations severely damage the ability of EU businesses to perform. In the current economic climate of threatening recession, neither small medium nor large business can afford these avoidable handicaps.

Why do I say that things could get worse? Well the plans for NGNs and NGA are not encouraging. Implementations are being pursued independently by each Member State with limited collaboration between them, for example in support of utilities, resulting in duplication and/or inconsistency of testing and migration for users. Are lessons learnt being transferred? Also, wholesale products such as Ethernet and Bitstream are not available at all in some Member States, and are patchy in others. Prices, delivery and repair times for wholesale inputs are often substantially above competitive levels, and much worse than those offered to the incumbents' own retail function. This is why it is so important that all NRAs have a viable remedy of functional separation available to them, and without unduly restrictive qualifying conditions.

In the time available I have not addressed spectrum management or security co-ordination, but these are also highly relevant to business users.

The precise wording of the regulatory changes as a whole, which are required to meet business users' needs, depend on the thorough and professional expertise of the Rapporteurs and their support teams, aided by full consultation. In drafting the regulation, business use of pan-EU communication services must be acknowledged as a key driver of economic growth and productivity.

The Regulatory framework must therefore protect and encourage effective competition, rather than reversing or foreclosing it. The buzzwords of "next generation networks and access" must not be considered as a unique event requiring special regulatory treatment of incumbents. There have been step changes in the past, such as the move from analogue to digital, and there will be further technological advancements in the future. Special treatment should not accompany each change. The Regulatory framework must be technology neutral and survive these advances, rather than seeking to meet incumbent demands for investment certainty and incentives.

If the EU economy is to thrive, the current patchwork of national and incompatible telecom islands must be transformed into a single telecom market of consistent harmonised high quality services, which are world class in their suitability for supporting both business and consumer use.

Thank you.